

SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

BAIRD CAPITAL DEVELOPMENT FUND INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 x

Pre-Effective Amendment No. --
Post-Effective Amendment No. 14 x

and/or
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 x
Amendment No. 16 x
(Check appropriate box or boxes.)

BAIRD CAPITAL DEVELOPMENT FUND, INC.

(Exact name of Registrant as Specified in Charter)

777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

(Address of Principal Executive Offices) (Zip Code)

(414) 765-3500

(Registrant's Telephone Number, including Area Code)

Glen F. Hackmann
Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

(Name and Address of Agent for Service)

Copy to:
Conrad G. Goodkind
Quarles & Brady
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Approximate Date of Proposed Public Offering: As soon as practicable after the Registration Statement becomes effective. REGISTRANT REQUESTS ACCELERATION OF EFFECTIVENESS OF THIS FILING SO THAT IT WILL BECOME EFFECTIVE ON JANUARY 22, 1996, OR AS SOON THEREAFTER AS PRACTICABLE.

Registrant has registered an indefinite number or amount of securities under the Securities Act of 1933 pursuant to Rule 24f-2 of the Investment Company Act of 1940, and filed its required Rule 24f-2 Notice for the Registrant's fiscal year ended September 30, 1995 on November 29, 1995.

It is proposed that this filing will become effective (check appropriate box)

- immediately upon filing pursuant to paragraph (b)
- on (date) pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a) (1)
- x on January 22, 1996, pursuant to paragraph (a) (3)
- 75 days after filing pursuant to paragraph (a) (2)
- on (date) pursuant to paragraph (a) (2) of rule 485

BAIRD CAPITAL DEVELOPMENT FUND, INC.

CROSS REFERENCE SHEET

(Pursuant to Rule 495 showing the location in the Prospectus and the Statement of Additional Information of the responses to the Items of Parts A and B of Form N-1A.)

Item No. on Form N-1A Caption or Subheading in Prospectus or
Statement of Additional Information

Part A - INFORMATION REQUIRED IN PROSPECTUS

- 1. Cover Page Cover Page

2.	Synopsis	Expense Information
3.	Condensed Financial Information	Financial Highlights; Performance Information
4.	General Description of Registrant	Introduction; Recent Developments; Investment Objectives and Policies; Portfolio Securities and Investment Practices
5.	Management of the Fund	Management of the Funds; Financial Highlights; Purchase of Shares
5A.	Management's Discussion of Fund Performance	Management's Discussion of Performance of the Funds
6.	Capital Stock and Other Securities	Dividend Reinvestment; Dividends, Distributions and Taxes; Capital Structure; Shareholder Reports
7.	Purchase of Securities Being Offered	Cover Page; Management of the Funds; Determination of Net Asset Value; Purchase of Shares; Reinstatement Privilege; Dividend Reinvestment; Directed Reinvestment; Exchange Privilege; Individual Retirement Account and Simplified Employee Pension Plan; Defined Contribution Retirement and 401(k) Plan
8.	Redemption or Repurchase	Redemption and Repurchase of Shares; Systematic Withdrawal Plan; Automatic Exchange Plan
9.	Legal Proceedings	*<F1>

PART B - INFORMATION REQUIRED IN STATEMENT OF ADDITIONAL INFORMATION

10.	Cover Page	Cover Page
11.	Table of Contents	Table of Contents
12.	General Information and History	Recent Developments; also included in Prospectus under "Introduction" and "Recent Developments"
13.	Investment Objectives and Policies	Investment Restrictions
14.	Management of the Registrant	Directors and Officers of the Fund
15.	Control Persons and Principal Holders of Securities	Directors and Officers of the Fund
16.	Investment Advisory and Other Services	Directors and Officers of the Fund; Investment Adviser and Sub-Adviser; Distribution of Shares; Custodian; Independent Accountants
17.	Brokerage Allocation and Other Practices	Allocation of Portfolio Brokerage
18.	Capital Stock and Other Securities	Included in Prospectus under "Capital Structure" and Shareholder Meetings
19.	Purchase, Redemption and Pricing of Securities Being Offered	Included in Prospectus under "Determination of Net Asset Value; "Purchase of Shares"; "Dividend Reinvestment"; "Directed Reinvestment"; "Exchange Privilege"; "Systematic Withdrawal Plan"; "Automatic Exchange Plan"; "Individual Retirement Account and Simplified Employee Pension Plan"; "Defined Contribution Retirement and 401(k) Plan"; Determination of Net Asset Value and Performance
20.	Tax Status	Taxes
21.	Underwriters	Distribution of Shares

22.	Calculations of Performance Data	Determination of Net Asset Value and Performance
23.	Financial Statements	Financial Statements

*<F1> Answer negative or inapplicable
PROSPECTUS

BAIRD CAPITAL DEVELOPMENT FUND

BAIRD BLUE CHIP FUND

BAIRD QUALITY BOND FUND

(Baird Logo)

Prospectus
January 22, 1996

BAIRD CAPITAL DEVELOPMENT FUND
BAIRD BLUE CHIP FUND
BAIRD QUALITY BOND FUND

The Baird Mutual Funds consist of three separate open-end diversified management investment companies, the Baird Capital Development Fund, Inc., the Baird Blue Chip Fund, Inc. and the Baird Quality Bond Fund. Each Baird Mutual Fund has entered into an agreement and plan of reorganization under which substantially all of the assets of the Baird Mutual Fund would be sold to a corresponding mutual fund managed by A I M Advisors, Inc. and, in exchange therefor, the shareholders of the Baird Mutual Fund would receive shares of the corresponding AIM fund. The transactions are subject to approval by the Baird Mutual Fund shareholders and if so approved are expected to be completed in late March 1996. See "Recent Developments."

BAIRD CAPITAL DEVELOPMENT FUND. The primary investment objective of the Baird Capital Development Fund is to produce long-term capital appreciation. This Fund will invest principally in common stocks believed by the Fund's investment adviser to be underpriced relative to future growth prospects. Current income is a secondary objective.

BAIRD BLUE CHIP FUND. The primary investment objective of the Baird Blue Chip Fund is to produce long-term growth of capital and income. This Fund will invest principally in dividend paying common stocks rated A+, A or A- by Standard & Poor's Corporation. Current income is a secondary objective.

BAIRD QUALITY BOND FUND. The investment objective of the Baird Quality Bond Fund is to provide a high level of current income. This Fund will invest principally in a diversified portfolio of investment grade debt securities.

There can be no assurance that the Baird Mutual Funds will meet their respective investment objectives and investment in the Funds involves certain risks. See "Investment Objectives and Policies" and "Portfolio Securities and Investment Practices." This Prospectus sets forth concisely the information about the Baird Mutual Funds that prospective investors should know before investing. Investors are advised to read this Prospectus and retain it for future reference. This Prospectus does not set forth all of the information included in the Registration Statements and Exhibits thereto with respect to the Baird Mutual Funds which has been filed with the Securities and Exchange Commission. Statements of Additional Information, dated January 22, 1996, which are a part of such Registration Statements, are incorporated by reference in this Prospectus. Copies of the Statements of Additional Information will be provided without charge to each person to whom a Prospectus is delivered upon written or oral request made to the Funds' Distributor, Robert W. Baird & Co. Incorporated ("Baird"), by writing to 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202 or calling (414) 765-3500.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(Baird Logo)
Mutual Funds

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and the Statements of Additional Information dated January 22, 1996 and, if given or made, such information or representations may not be relied upon as having been authorized by the Baird Mutual Funds or Baird. This Prospectus does not constitute an offer to sell securities in any state or jurisdiction in which such offering may not lawfully be made.

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EXPENSE INFORMATION

The following information is provided in order to assist the investor in understanding the various costs and expenses that investors in the Baird Mutual Funds bear directly or indirectly. The Baird Capital Development Fund, Inc. is hereinafter referred to as the 'BCD Fund', the Baird Blue Chip Fund, Inc. is hereinafter referred to as the 'BBC Fund' and the Baird Quality Bond Fund is hereinafter referred to as the 'BQB Fund.' The BCD Fund, BBC Fund and BQB Fund are sometimes individually referred to herein as the 'Fund' or a 'Baird Mutual Fund' and collectively as the 'Funds' or the 'Baird Mutual Funds'.

SHAREHOLDER TRANSACTION EXPENSES*<F17>

	Maximum Sales Load Imposed on Purchases (as a percentage of offering price)	
BCD Fund		5.75%
BBC Fund		5.75%
BQB Fund		4.00%

<F17>The Baird Mutual Funds do not charge redemption fees or exchange fees. Broker-dealers, including Baird, may charge a service fee for redemptions or repurchases of shares effected through them. See 'Redemption and Repurchase of Shares.' The Baird Mutual Funds charge a 1% contingent deferred sales load in certain limited situations as described under 'Redemption and Repurchase of Shares', none of which involve purchases where a sales load is charged. Reinvested dividends are exempt from the sales loads.

ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)

Fund (Net of Waiver)	Management Fee	12b-1 Fee (Net of Waiver)	Other Expenses (After Reimbursement)	Total Operating Expenses (Net of Waivers and After Reimbursement)
BCD Fund	.74%	.27%	.33%	1.34%
BBC Fund	.74%	.27%	.30%	1.31%
BQB Fund	.50%	.25%	.25%	1.00%

The information in the chart indicates actual expenses incurred during the fiscal year ended September 30, 1995, except that the information for the BQB Fund has been restated to reflect current fees. Commencing January 1, 1996, Baird, the BQB Fund's investment adviser and distributor, has agreed to waive fees and/or reimburse expenses as necessary so that the BQB Fund's total operating expenses as a percentage of average net assets do not exceed 1.00% for calendar year 1996. Without waivers and reimbursements, the total operating expenses for the BQB Fund for the fiscal year ended September 30, 1995 would have been 1.41%.

EXAMPLE

An investor would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:

Fund	Period (in years)			
	1	3	5	10
BCD Fund	\$71	\$100	\$132	\$219

BBC Fund	\$71	\$ 99	\$129	\$215
BQB Fund	\$50	\$ 72	\$ 95	\$162

The Example is based on the Annual Fund Operating Expenses described above. Please remember that the Example should not be considered a representation of past or future expenses and that actual expenses may be greater or less than those shown. The Example assumes a 5% annual rate of return and the reinvestment of all dividends and distributions pursuant to requirements of the Securities and Exchange Commission. This hypothetical rate of return is not intended to be representative of past or future performance of the Baird Mutual Funds.

FINANCIAL HIGHLIGHTS

(Selected Data for each share of each Fund outstanding throughout each period)

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Statement of Additional Information. The Financial Highlights should be read in conjunction with the financial statements and notes thereto also included in the Statement of Additional Information.

<TABLE>
BAIRD CAPITAL DEVELOPMENT FUND, INC.
<CAPTION>

	YEARS ENDED SEPTEMBER 30,									
	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance										
Net asset value, beginning of year	\$23.54	\$23.27	\$21.67	\$21.35	\$15.38	\$19.16	\$14.81	\$18.50	\$15.44	\$13.33
Income from investment operations:										
Net investment income (loss)	0.07	0.04	0.04	0.11	0.13	0.19	0.14	(0.03)	(0.04)	(0.12)
Net realized and unrealized gains (losses) on investments**<F2>	3.78	0.80	3.54	2.17	6.77	(3.86)	4.21	(2.54)	3.19	4.28
Total from investment operations	3.85	0.84	3.58	2.28	6.90	(3.67)	4.35	(2.57)	3.15	4.16
Less distributions:										
Dividends from net investment income	(0.02)	(0.04)	(0.08)	(0.10)	(0.20)	(0.11)	-	-	-	-
Distributions from net realized gains	(1.12)	(0.53)	(1.90)	(1.86)	(0.73)	-	-	(1.12)	(0.09)	(2.05)
Total from distributions	(1.14)	(0.57)	(1.98)	(1.96)	(0.93)	(0.11)	-	(1.12)	(0.09)	(2.05)
Net asset value, end of year	\$26.25	\$23.54	\$23.27	\$21.67	\$21.35	\$15.38	\$19.16	\$14.81	\$18.50	\$15.44
TOTAL INVESTMENT RETURN*** <F3>										
	17.2%	3.7%	17.9%	11.6%	47.8%	(19.3%)	29.4%	(12.8%)	20.6%	35.8%
Ratios/Supplemental Data										
Net assets, end of year (in 000's \$)	58,646	53,807	52,169	38,236	26,713	18,454	21,372	18,868	23,052	10,233
Ratio of expenses to average net assets*<F1>	1.3%	1.4%	1.4%	1.6%	1.7%	1.7%	1.7%	2.3%	2.5%	2.1%
Ratio of net investment income (loss) to average net assets	0.3%	0.2%	0.2%	0.5%	0.7%	1.1%	0.3%	(0.6%)	(0.4%)	(0.5%)
Portfolio turnover rate	20.4%	29.5%	25.2%	47.7%	64.1%	63.8%	50.5%	55.6%	80.1%	41.9%

*<F1> Includes a maximum 1% distribution fee through December 12, 1985, a maximum .75% distribution fee from June 21, 1986 through September 30, 1988 and a maximum .45% distribution fee beginning October 1, 1988.

**<F2> On a per share basis this amount may not agree with the net realized and unrealized gains (losses) experienced on the portfolio securities for the period because of the timing of sales and repurchases of the Fund's shares in relation to fluctuating market values of the portfolio.

***<F3>Total return does not include the sales load.

</TABLE>

<TABLE>

Baird Blue Chip Fund, Inc.

<CAPTION>

	YEARS ENDED SEPTEMBER 30,									
	1995	1994	1993	1992	1991	1990	1989	1988	1987+	<F4>
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance										

Net asset value, beginning of period	\$19.22	\$18.89	\$18.24	\$16.77	\$13.60	\$13.82	\$11.48	\$13.10	\$10.00
Income from investment operations:									
Net investment income	0.14	0.15	0.19	0.20	0.23	0.25	0.24	0.12	0.01
Net realized and unrealized gains (losses) on investments	5.05	1.24	0.63	1.48	3.19	(0.20)	2.25	(1.68)	3.09
Total from investment operations	5.19	1.39	0.82	1.68	3.42	0.05	2.49	(1.56)	3.10
Less distributions:									
Dividends from net investment income	(0.12)	(0.21)	(0.17)	(0.21)	(0.25)	(0.27)	(0.15)	(0.02)	-
Distributions from net realized gains	(0.46)	(0.85)	-	-	-	-	-	(0.04)	-
Total from distributions	(0.58)	(1.06)	(0.17)	(0.21)	(0.25)	(0.27)	(0.15)	(0.06)	-
Net asset value, end of period	\$23.83	\$19.22	\$18.89	\$18.24	\$16.77	\$13.60	\$13.82	\$11.48	\$13.10

TOTAL INVESTMENT RETURN***<F7> 27.8% 7.7% 4.5% 10.1% 25.5% 0.3% 22.0%(11.8%) 13.5%*<F5>

Ratios/Supplemental Data

Net assets, end of period (in 000's \$)	71,324	60,115	65,112	61,601	46,958	31,706	21,170	18,681	16,917
Ratio of expenses to average net assets**<F6>	1.3%	1.4%	1.3%	1.4%	1.5%	1.6%	1.7%	2.2%	2.6%*<F5>
Ratio of net investment income to average net assets	0.7%	0.8%	1.0%	1.2%	1.6%	2.0%	1.9%	3.3%	0.2%*<F5>
Portfolio turnover rate	16.7%	12.7%	24.9%	5.4%	8.8%	12.2%	14.8%	14.8%	9.0%

+<F4>For the period from December 31, 1986 (commencement of operations) to September 30, 1987.

*<F5>Annualized.

**<F6>Includes a maximum .75% distribution fee from December 31, 1986 through September 30, 1988 and a maximum .45% distribution fee beginning October 1, 1988.

***<F7>Total return does not include the sales load.

</TABLE>

<TABLE>
BAIRD QUALITY BOND FUND

<CAPTION>

<S>	YEARS ENDED SEPTEMBER 30,		FOR THE YEAR FROM
	1995	1994	OCTOBER 1, 1992*<F8> TO SEPTEMBER 30, 1993
<C>	<C>	<C>	<C>
Per Share Operating Performance			
Net asset value, beginning of year	\$9.00	\$10.31	\$10.00
Income investment of operations:			
Net investment income	0.64	0.67	0.63
Net realized and unrealized gain (loss) on investments	0.46	(1.20)	0.31
Total from investment operations	1.10	(0.53)	0.94
Less distributions:			
Dividends from net investment income	(0.64)	(0.67)	(0.63)
Distribution from net realized gains	-	(0.11)	-
Total from distributions	(0.64)	(0.78)	(0.63)
Net asset value, end of year	\$ 9.46	\$ 9.00	\$10.31
TOTAL INVESTMENT RETURN****<F11>	12.6%	(5.4%)	9.8%
Ratios/Supplemental Data			
Net assets, end of year (in 000's \$)	7,701	7,961	6,240
Ratio of expenses (after reimbursement) to average net assets**<F9>	0.6%	0.6%	0.4%
Ratio of net investment income to average net assets***<F10>	7.0%	7.0%	6.2%
Portfolio turnover rate	197.5%	99.6%	124.1%

*<F8> Commencement of Operations.

**<F9> Computed after giving effect to adviser's expense limitation undertaking. If the Fund had paid all of its expenses, the ratios would have been 1.4%, 1.7% and 2.1%, respectively, for the years ended September 30, 1995, 1994 and 1993.

***<F10>The ratio of net investment income prior to adviser's expense limitation undertaking to average net assets for the years ended September 30, 1995, 1994 and 1993 would have been 6.2%, 5.9% and 4.5%, respectively.

***<F11>Total return does not include the sales load.

</TABLE>

PERFORMANCE INFORMATION

The Baird Mutual Funds may provide from time to time in advertisements, reports to shareholders and other communications with shareholders their average annual compounded rates of return. An average annual compounded rate of return refers to the rate of return which, if applied to an initial investment at the beginning of a stated period and compounded over the period, would result in the redeemable value of the investment at the end of the stated period assuming reinvestment of all dividends and distributions and reflecting the effect of all recurring fees. In addition, the BQB Fund may provide yield data from time to time in advertisements, reports to shareholders and other communications with shareholders. The yield of the BQB Fund is determined by dividing the Fund's net investment income for a 30-day (or one month) period by the average number of shares of the Fund outstanding during the period, and expressing the result as a percentage of the Fund's share price on the last day of the 30-day or one month period. This percentage is then annualized. Capital gains and losses are not included in the yield calculation. The yield of the BQB Fund will be affected if the BQB Fund experiences a net inflow of new money which is invested at interest rates different from those being earned on its then-current investments. An investor's principal in the BQB Fund and the BQB Fund's net asset value and return are not guaranteed and will fluctuate. Yield information may be useful in reviewing the performance of the BQB Fund and for providing a basis for comparison with other investment alternatives. However, since net investment income of the BQB Fund changes in response to fluctuations in interest rates and the BQB Fund's expenses, any given yield quotation should not be considered representative of the BQB Fund's yield for any future period. An investor should also be aware that there are differences in investments other than yield.

The foregoing total return information includes changes in share price and reinvestment of dividends and capital gains as well as the maximum sales load imposed on purchases (5.75% for the BCD Fund and the BBC Fund and 4.00% for the BQB Fund).

COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN
BAIRD CAPITAL DEVELOPMENT FUND AND NASDAQ COMPOSITE INDEX

AVERAGE ANNUAL TOTAL RETURN

1-YEAR 10.5%
5-YEAR 17.4%
10-YEAR 12.8%

date	Baird Capital Development Fund	Nasdaq Composite Index
9/30/85	9,425	10,000
9/30/86	12,799	12,510
9/30/87	15,436	15,850
9/30/88	13,460	13,821
9/30/89	17,417	16,848
9/30/90	14,056	12,266
9/30/91	20,774	18,754
9/30/92	23,184	20,779
9/30/93	27,334	27,200
9/30/94	28,345	27,255
9/30/95	33,221	37,203

Past performance is not predictive of future performance.

COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN
BAIRD BLUE CHIP FUND AND S&P 500 INDEX

AVERAGE ANNUAL TOTAL RETURN

1-YEAR 20.5%
5-YEAR 13.4%
Since Inception 2/4/87*<F12> 10.3%

date	Baird Blue Chip Fund	S&P 500 Index
2/4/87*<F12>	9,425	10,000
9/30/87	10,867	11,710
9/30/88	9,585	10,235
9/30/89	11,693	13,581
9/30/90	11,728	12,318
9/30/91	14,719	16,186
9/30/92	16,206	17,983
9/30/93	16,935	20,321
9/30/94	18,239	21,052
9/30/95	23,310	27,325

Past performance is not predictive of future performance.

*<F12> inception date

<TABLE>
 COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN BAIRD QUALITY BOND FUND,
 MERRILL DOMESTIC MASTER INDEX AND MORNINGSTAR GOVERNMENT BOND MUTUAL
 FUND/CORPORATE BOND, GENERAL

AVERAGE ANNUAL TOTAL RETURN
 1-YEAR 8.1%
 Since Inception 10/1/92*<F13> 3.9%

<CAPTION>
 date Baird Quality Bond Fund (At Public Offering Price 4% Sales Charge) Baird Quality Bond Fund (At Net Asset Value) Merrill Domestic Master Index Morningstar Government Bond Mutual Fund/Corporate Bond, General

<S>	<C>	<C>	<C>	<C>
10/1/92*<F13>	\$9,600	\$10,000	\$10,000	\$10,000
10/31/92	\$9,350	\$9,742	\$9,874	\$9,854
11/30/92	\$9,333	\$9,725	\$9,871	\$9,855
12/31/92	\$9,520	\$9,920	\$10,024	\$9,995
1/31/93	\$9,747	\$10,156	\$10,214	\$10,187
2/28/93	\$9,934	\$10,351	\$10,392	\$10,382
3/31/93	\$9,953	\$10,371	\$10,442	\$10,441
4/30/93	\$9,990	\$10,410	\$10,518	\$10,515
5/31/93	\$9,971	\$10,390	\$10,526	\$10,529
6/30/93	\$10,203	\$10,632	\$10,721	\$10,725
7/31/93	\$10,268	\$10,699	\$10,783	\$10,795
8/31/93	\$10,453	\$10,892	\$10,977	\$10,997
9/30/93	\$10,537	\$10,979	\$11,017	\$11,038
10/31/93	\$10,576	\$11,020	\$11,060	\$11,094
11/30/93	\$10,497	\$10,938	\$10,968	\$11,001
12/31/93	\$10,566	\$11,009	\$11,029	\$11,052
1/31/94	\$10,728	\$11,178	\$11,175	\$11,199
2/28/94	\$10,568	\$11,012	\$10,973	\$11,006
3/31/94	\$10,285	\$10,716	\$10,724	\$10,755
4/30/94	\$10,151	\$10,578	\$10,628	\$10,648
5/31/94	\$10,072	\$10,495	\$10,630	\$10,630
6/30/94	\$10,003	\$10,423	\$10,610	\$10,604
7/31/94	\$10,207	\$10,635	\$10,805	\$10,753
8/31/94	\$10,191	\$10,619	\$10,822	\$10,783
9/30/94	\$9,970	\$10,388	\$10,670	\$10,665
10/31/94	\$9,926	\$10,343	\$10,660	\$10,642
11/30/94	\$9,908	\$10,324	\$10,636	\$10,604
12/31/94	\$10,017	\$10,438	\$10,717	\$10,644
1/31/95	\$10,177	\$10,604	\$10,926	\$10,795
2/28/95	\$10,402	\$10,838	\$11,178	\$11,015
3/31/95	\$10,466	\$10,905	\$11,253	\$11,081
4/30/95	\$10,580	\$11,025	\$11,408	\$11,235
5/31/95	\$10,906	\$11,364	\$11,856	\$11,632
6/30/95	\$11,006	\$11,469	\$11,946	\$11,707
7/31/95	\$11,020	\$11,483	\$11,920	\$11,683
8/31/95	\$11,131	\$11,599	\$12,059	\$11,812
9/30/95	\$11,230	\$11,701	\$12,176	\$11,921

Past performance is not predictive of future performance.
 *<F13> inception date
 </TABLE>

The results below show the value of an assumed initial investment of \$10,000 made in each of the Baird Mutual Funds for the period shown through December 31, 1995, assuming the applicable sales charge (see page 1) and reinvestment of all dividends and distributions.

<TABLE>
 <CAPTION>

DECEMBER 31	BCD		BBC		BQB	
	VALUE OF OF \$10,000 INVESTMENT	CUMULATIVE % CHANGE	VALUE OF OF \$10,000 INVESTMENT	CUMULATIVE % CHANGE	VALUE OF OF \$10,000 INVESTMENT	CUMULATIVE % CHANGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1984	\$10,291*<F14>	+2.9%*<F14>				
1985	14,264	+42.6				
1986	16,301	+63.0				
1987	15,274	+52.7	\$8,954*<F14>	-10.5%*<F14>		
1988	17,788	+77.9	9,622	-3.8		
1989	22,116	+121.2	12,242	+22.4		
1990	20,394	+103.9	12,611	+26.1		
1991	29,916	+199.2	16,434	+64.3		
1992	34,094	+240.9	16,868	+68.7	\$9,520*<F14>	-4.8%*<F14>
1993	38,023	+280.2	17,644	+76.4	10,566	+5.7
1994	37,923	+279.2	18,468	+84.7	10,017	+0.2

*<F14>The BCD Fund commenced operations on July 2, 1984. The BBC Fund commenced operations on February 4, 1987. The BQB Fund commenced operations on October 1, 1992.

</TABLE>

The foregoing performance results are based on historical earnings and should not be considered as representative of the performance of a Fund in the future. An investment in a Fund will fluctuate in value and at redemption its value may be more or less than the initial investment. The Baird Mutual Funds may compare their performance to other mutual funds with similar investment objectives and to the industry as a whole, as reported by Lipper Analytical Services, Inc., Morningstar, Inc., Money, Forbes, Business Week and Barron's magazines and The Wall Street Journal. (Lipper Analytical Services, Inc. and Morningstar, Inc. are independent ranking services that rank mutual funds based upon total return performance.) The Baird Mutual Funds may also compare their performance to the Dow Jones Industrial Average, Nasdaq Composite Index, Nasdaq Industrials Index, Value Line Composite Index, the Standard & Poor's 500 Stock Index, the Merrill Lynch Domestic Master Index and the Consumer Price Index.

MANAGEMENT'S DISCUSSION OF PERFORMANCE OF THE FUNDS

BAIRD CAPITAL DEVELOPMENT FUND - A very good stock market through June turned even better in the third quarter of calendar year 1995. Strong advances in all sectors of the market were again dominated by the technology stocks. Forty stocks, mostly technology and less than 1% of the 4,800 NASDAQ stocks, accounted for half of the NASDAQ performance. Net asset value per share of the BCD Fund increased 17.1% during the nine months ended September 30, 1995. In the last quarter of calendar 1995, some of the most visible of the large technology stocks underwent fairly sizable declines, and disappointing earnings forecasts by some of the more economically sensitive companies have raised concerns about the effect of the slowing economy on corporate earnings. In an environment of slowing corporate earnings increases, we feel that the Fund's portfolio should exhibit above average fundamentals and should perform well in the market.

BAIRD BLUE CHIP FUND - The BBC Fund's total return for the year ended September 30, 1995 (without giving effect to the 5.75% front-end sales load) was 27.8%. According to data compiled and published by Morningstar, Inc., this return placed the Fund's one-year performance in the top quartile of growth & income funds and exceeded the average one-year return of those funds by more than four percentage points.

The Fund's strong performance relative to its growth & income peer group was due in part to several factors. Large capitalization and growth-oriented stocks - both heavily represented in the Fund's portfolio - generally outperformed the broader market during the year. Also contributing to the Fund's strong performance was the Fund's relatively heavy weighting in a number of industry groups - pharmaceuticals, hospital supplies, computer software and telecommunications equipment - that turned in better-than-market performances. Issue selection was very important, and the A+, A and A- rated stocks in the Fund's portfolio (about 75-80% of total equity holdings) outperformed the average of other high quality, similarly situated securities in the market.

BAIRD QUALITY BOND FUND - The bond markets staged a remarkable recovery during 1995 after a very difficult 1994. The yield on the benchmark thirty-year Treasury bond, which increased from 6% on September 30, 1993 to 7.80% by September 30, 1994, fell back to around 6.50% by September 30, 1995, the end of the Fund's fiscal year. As a result, the net asset value of the Fund, which was \$9.00 on September 30, 1994, rose to \$9.46 on September 30, 1995.

This turnaround in the bond market was sparked by a slowdown in economic growth and a significant improvement in the outlook for inflation. Through most of 1994, the Federal Reserve was pushing interest rates upward out of concern that the economy could be overheating and inflation accelerating. That Fed tightening apparently had the intended impact sooner than anticipated. In 1995, the economy has been growing much slower and the rate of inflation has dropped to around 2% or less. In response to these bullish economic fundamentals, bond prices regained virtually all of the ground lost in 1994.

The consensus economic forecast for 1996 calls for a continuation of these favorable economic fundamentals. If the consensus forecast proves to be correct, bond yields would be expected to fluctuate in a relatively narrow range. Consequently, interest income rather than price changes should account for most of the total return produced by fixed income securities in 1996. The types of securities that typically produce above-average interest income are corporate issues, callable Federal agency notes and mortgage-backed securities. Those are the issues that represented the bulk of the BQB Fund's portfolio at the beginning of 1996.

INTRODUCTION

The BCD Fund was incorporated under the laws of Wisconsin on February 21, 1984. The BBC Fund was incorporated under the laws of Wisconsin on October 16, 1986.

The Baird Funds, Inc., of which the BQB Fund is a portfolio, was incorporated under the laws of Wisconsin on June 26, 1992. The BCD Fund, BBC Fund and The Baird Funds, Inc. are open-end, diversified management investment companies registered under the Investment Company Act of 1940, as amended (the "1940 Act"). As open-end investment companies they obtain their assets by continuously selling shares of their common stock to the public. Proceeds from such sales are invested by the Funds in securities of other companies. In this manner, the resources of many investors are combined and each individual investor has an interest in every one of the securities owned by the Fund in which he has invested. The Funds provide each individual investor with diversification by investing in the securities of many different companies in a variety of industries and furnish experienced management to select and watch over its investments. As open-end investment companies, the Baird Mutual Funds will redeem any of their outstanding shares on demand of the owner at their net asset values.

Shares of each Fund will be sold by Baird, the Funds' Distributor, in accordance with both Distribution Plans and related Distribution Assistance Agreements adopted pursuant to Rule 12b-1 under the 1940 Act, and Distribution Agreements between each of the Baird Mutual Funds and Baird. Pursuant to the Distribution Agreements investors may purchase shares of any Baird Mutual Fund's common stock at net asset value plus a maximum sales charge ranging from 4.00% to 5.75% of the offering price. Reduced sales charges apply to purchases of \$50,000 or more for the BCD Fund and the BBC Fund and \$100,000 or more for the BQB Fund with no sales charges applicable to certain purchases. See "Purchase of Shares."

RECENT DEVELOPMENTS

On December 20, 1995, following unanimous approval by their boards of directors, each of the Baird Mutual Funds entered into an Agreement and Plan of Reorganization pursuant to which each Baird Mutual Fund would transfer substantially all of its net assets to a corresponding mutual fund managed, administered and distributed by A I M Advisors, Inc. and its affiliates (each, an "AIM Fund"). A brief description of the corresponding AIM Funds is set forth below. In the transaction, shareholders of each Baird Mutual Fund would receive, in exchange for their Baird Mutual Fund shares, shares of the corresponding AIM Fund having an aggregate net asset value equal to the aggregate net asset value of such shareholders' Baird Mutual Fund shares immediately prior to the transaction. The Baird Mutual Fund shareholders would not pay any load or sales commission on the shares of the AIM Fund they receive. Each transaction would be structured to qualify as a tax-free reorganization, and if it so qualifies the Baird Mutual Fund shareholders would not recognize taxable gain or loss as a result of the exchange of their shares. Each transaction is subject to normal and customary closing conditions and to approval by the Baird Mutual Fund shareholders at a special meeting to be called and held for that purpose in March 1996. Shareholders of each Baird Mutual Fund will receive a separate proxy statement/prospectus in connection with the special meeting.

The AIM Funds are managed by A I M Advisors, Inc. ("AIM"). AIM was organized in 1976 and presently serves as manager or adviser to 39 separate investment company portfolios including 21 retail portfolios which comprise "The AIM Family of Funds." As of December 31, 1995, the total net assets of the investment company portfolios advised or managed by AIM or its affiliates were approximately \$42 billion. AIM is a wholly-owned subsidiary of A I M Management Group, Inc. AIM's principal executive offices are located at 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173.

REORGANIZATION OF THE BCD FUND - The BCD Fund will be reorganized into the AIM Capital Development Fund, a newly-created portfolio of AIM Equity Funds, Inc. with no operating history.

The AIM Capital Development Fund will seek to produce long-term capital appreciation through investing in common stocks, convertible securities and bonds issued primarily by small and medium-sized companies which, based upon factors considered by AIM, AIM believes are underpriced relative to the company's future growth prospects. While the AIM Capital Development Fund's investment program and policies are expected to be similar to those of the BCD Fund, the AIM Capital Development Fund may employ certain strategies and techniques that are different from those used by the BCD Fund. Such strategies and techniques are intended by AIM to facilitate achieving the AIM Capital Development Fund's objective, and may involve risks that are different in magnitude and/or nature from the risks associated with an investment in the BCD Fund.

AIM has committed that, during the two-year period immediately following consummation of the proposed transaction, it will reimburse expenses or waive fees as necessary so that the AIM Capital Development Fund's total operating expense ratio during those two years will not exceed the BCD Fund's expense ratio for the fiscal year ended September 30, 1995 (after giving effect to expense reimbursements and fee waivers), or 1.34% of average net assets.

REORGANIZATION OF THE BBC FUND - The BBC Fund will be reorganized into the AIM Blue Chip Fund, a newly-created portfolio of AIM Equity Funds, Inc. with no operating history.

The AIM Blue Chip Fund will seek long-term growth of capital (with current income being a secondary objective) by investing primarily in dividend paying stocks of "Blue Chip" companies as determined by AIM (i.e., leading market positions and strong financial fundamentals). While the AIM Blue Chip Fund's investment program and policies are expected to be similar to those of the BBC Fund, the AIM Blue Chip Fund may employ techniques and strategies which are somewhat different from those used by the BBC Fund. These strategies and techniques are intended by AIM to facilitate achieving the AIM Blue Chip Fund's objective, and may involve risks that are different in nature and/or magnitude from those associated with an investment in the BBC Fund.

AIM has committed that, during the two-year period immediately following consummation of the proposed transaction, it will reimburse expenses or waive fees as necessary so that the AIM Blue Chip Fund's total operating expense ratio during those two years will not exceed the BBC Fund's expense ratio for the fiscal year ended September 30, 1995 (after giving effect to expense reimbursements and fee waivers), or 1.31% of average net assets.

REORGANIZATION OF THE BQB FUND - The BQB Fund will be reorganized into the AIM Income Fund, an existing portfolio of AIM Funds Group which had approximately \$295 million in total net assets as of December 31, 1995.

The investment objective of the AIM Income Fund is to achieve a high level of current income consistent with reasonable concern for safety of principal, by investing primarily in fixed rate corporate debt and U.S. Government obligations. In attempting to achieve its objective, the AIM Income Fund is permitted to invest up to 35% of its net assets in non-investment grade debt securities. AIM believes this practice, together with other differences between the investment programs and policies of the AIM Income Fund and the BQB Fund, offer shareholders of the AIM Income Fund an opportunity for higher yields, but also involve risks that are different in magnitude and/or nature than risks associated with an investment in the BQB Fund.

Baird has announced that, for calendar year 1996, it will waive fees and/or reimburse expenses as necessary to limit the BQB Fund's total annual operating expenses at a ratio equal to 1.00% of average net assets. The total operating expenses of the AIM Income Fund as a percentage of average net assets for its fiscal year ended December 31, 1995 were 0.98%.

INVESTMENT OBJECTIVES AND POLICIES

BAIRD CAPITAL DEVELOPMENT FUND - The primary investment objective of the BCD Fund is long-term capital appreciation, and securities are selected for its portfolio primarily on this basis. The major portion of the BCD Fund's portfolio is ordinarily invested in common stocks. Fiduciary Management, Inc. ("FMI"), the BCD Fund's investment adviser, purchases those common stocks which it believes to be underpriced relative to the issuing corporation's future growth prospects. Such common stocks frequently are issued by smaller and medium capitalization companies in the growth stage of development. See "Portfolio Securities and Investment Practices." The BCD Fund also purchases common stocks where the price is significantly below the estimated market value of the issuing corporation's assets less its liabilities on a per share basis. In making a determination that the above criteria is met with respect to a particular common stock, FMI generally studies the financial statements of the issuing corporation and other companies in the same industry, market trends and economic conditions in general. FMI is assisted by Baird which acts as the BCD Fund's sub-adviser. See "Management of the Funds." Since current income is only a secondary objective in the selection of investments, a particular issuer's dividend history is not a primary consideration. As a consequence shares of the BCD Fund are not suitable investments for investors needing current income. There can be no assurance that the primary objective of the BCD Fund will be realized or that any income will be earned. There can be no assurance that the BCD Fund's portfolio will not decline in value and the BCD Fund's net asset value likely will be more volatile than that of a fund that invests primarily in common stocks of larger, more established companies or in investment grade income securities.

Although the major portion of the BCD Fund's portfolio is ordinarily invested in common stocks, no minimum or maximum percentage of the BCD Fund's assets is required to be invested in common stocks or any other type of security. When FMI believes securities other than common stocks offer opportunity for long-term capital appreciation, the BCD Fund may invest in publicly distributed corporate bonds and debentures, preferred stocks, particularly those which are convertible into or carry rights to acquire common stocks, and warrants. See "Portfolio Securities and Investment Practices." The BCD Fund limits its investments in corporate bonds and debentures to those which have been assigned one of the highest three ratings of either Standard & Poor's Corporation ("S&P") or Moody's Investors Service, Inc. ("Moody's") and invests in corporate bonds and debentures only when FMI believes interest rates on such investments may decline thereby potentially increasing the market value of the corporate bonds and debentures purchased by the BCD Fund. A description of the foregoing ratings is set forth in the Statement of Additional Information under the caption "Description of Bond Ratings." Under normal market conditions, the BCD Fund has at all times at least 65% of its total assets invested in securities which

FMI believes offer opportunity for growth of capital.

The BCD Fund may invest up to 10% of its assets in securities of foreign issuers. See 'Portfolio Securities and Investment Practices.'

BAIRD BLUE CHIP FUND - The primary investment objective of the BBC Fund is to produce long-term growth of capital and income. Current income is a secondary objective. The major portion of the BBC Fund's portfolio is ordinarily invested in dividend-paying common stocks. Baird, the BBC Fund's investment adviser, purchases common stocks of issuers which it believes to have superior fundamental characteristics which may include:

- an experienced and tested management
- a superior and pragmatic growth strategy
- leadership positions in their market
- proprietary products, processes or services
- an above-average record of dividend consistency and growth
- a strong balance sheet

In determining that the above characteristics are present with respect to specific investments, Baird generally studies the financial statements of the issuing corporations and other companies in the same industry, the issuing corporation's reports to shareholders and analysts and general economic and industry reports of brokers. In determining whether an issuer has an above-average record of dividend consistency and growth, Baird generally compares the dividend record of the issuer in question with the dividend record of similarly sized issuers over a period of time which Baird believes covers the full peak-to-peak range of a business cycle. The BBC Fund, under normal market conditions, has at least 65% of its total assets invested in common stocks rated A+, A or A- by S&P. Baird considers common stocks so rated to be 'blue chip' stocks. Up to 10% of the BBC Fund's portfolio of common stocks may be unrated or rated below B+ by S&P.

In rating common stocks S&P primarily considers stability of earnings and dividends over the most recent 10 years. The dividends and earnings records of issuers are compared and then aligned with the following order of rankings:

A+ Highest	B+ Average	C Lowest
A High	B Below Average	D Reorganization
A- Above Average	B- Lower	

An S&P common stock rating is not a forecast of future market price performance as it is basically an appraisal of past performance of earnings and dividends, and relative current standing. The ratings cannot take into account potential effects of management changes, internal company policies not yet fully reflected in the earnings and dividend record, public relations standing, recent competitive shifts, and other factors which may be relevant to investment status and decisions. Common stocks may be unrated because of insufficient data or because they are not amenable to the ranking process (i.e., publicly traded for less than 10 years). A more detailed description of the S&P common stock ratings as well as a description of the other securities ratings referred to below is set forth in the Statement of Additional Information under the caption 'Description of Securities Ratings.'

The investment philosophy employed by Baird seeks to avoid strategies which pursue aggressive growth through short-term investment techniques or high-risk speculation. Substantial emphasis is placed on the fundamental investment quality (i.e., the earnings, dividends and operations of an issuer) of the securities purchased. The portfolio is diversified among securities issued by different companies and is not concentrated in any single industry. Since current income is only a secondary objective of the BBC Fund, shares of the BBC Fund may not be an appropriate investment for investors needing current income. Notwithstanding the foregoing there can be no assurances that the BBC Fund's investment objectives will be achieved. There can be no assurance that the BBC Fund's portfolio will not decline in value and the BBC Fund's net asset value likely will be more volatile than that of a fund that invests primarily in investment grade income securities.

When Baird believes securities other than common stocks offer opportunity for long-term growth of capital and income, the BBC Fund may invest in United States government securities, publicly distributed corporate bonds and debentures and convertible preferred stocks and debt securities. See 'Portfolio Securities and Investment Practices.' The BBC Fund limits its investments in non-convertible corporate bonds and debentures to those which have been assigned one of the highest three ratings of either S&P or Moody's. The BBC Fund invests in United States government securities and corporate bonds and debentures when Baird believes interest rates on such investments may decline thereby potentially increasing the market value of the United States government securities and corporate bonds and debentures purchased by the BBC Fund or to meet the additional investment objective of producing current income. The BBC Fund limits its investments in convertible securities to those which have been assigned one of the highest three ratings of S&P or Moody's and in which the underlying common stock is a suitable investment for the BBC Fund. Under normal market conditions, the BBC Fund has at least 80% of its total assets invested in

securities which Baird believes offer opportunity for long-term growth of capital and income.

BAIRD QUALITY BOND FUND - The investment objective of the BQB Fund is to provide a high level of current income. The BQB Fund seeks to achieve its investment objective through investments in a diversified portfolio of investment grade debt securities. Investment grade securities are (i) bonds, debentures, notes and other debt instruments rated at least BBB by S&P or Baa by Moody's at the time of acquisition; (ii) commercial paper and cash equivalents rated A-1 by S&P or Prime-1 by Moody's at the time of acquisition; and (iii) any type of unrated debt security which Baird determines at the time of acquisition to be of a quality comparable to the foregoing. A description of the foregoing ratings is set forth in the BQB Fund's Statement of Additional Information under the caption "Description of Securities Ratings." At least 80% of the BQB Fund's assets, under normal market conditions, are invested in the following:

- U.S. non-convertible debt securities issued by corporations and municipalities including bonds, debentures and notes;
- Debt securities issued or guaranteed by the U.S. government, its agencies or instrumentalities ("U.S. government securities");
- Mortgage-backed securities, collateralized mortgage obligations and other asset-backed securities;
- Commercial paper, repurchase agreements, certificates of deposit, bankers acceptances and other cash equivalents.

Investments in mortgage-backed securities, collateralized mortgage obligations and other asset-backed securities must be rated at least either AA by S&P or Aa by Moody's or unrated but determined by Baird to be of comparable quality. The BQB Fund has adopted an investment policy pursuant to which it invests, under normal market conditions, at least 65% of its total assets in U.S. non-convertible bonds and debentures issued by corporations or municipalities, their agencies or instrumentalities or issued or guaranteed by the U.S. government or its agencies or instrumentalities. See "Portfolio Securities and Investment Practices."

The values of the securities in the BQB Fund are subject to price fluctuations resulting from various factors, including rising or declining interest rates ("market risks") and the ability of the issuers of such investments to make scheduled interest and principal payments ("financial risks"). Baird attempts to manage these risks when selecting investments by taking into account interest rates, terms and marketability of obligations, as well as such factors as the capitalization, earnings, liquidity and other indicators of the issuer's financial condition. The BQB Fund's intention to invest only in investment grade securities (determined at the time of acquisition) also limits to some degree financial risks. Obligations rated BBB by S&P and Baa by Moody's, although investment grade, do exhibit speculative characteristics and changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case for higher-rated obligations. Unrated securities, while not necessarily of lower quality than rated securities, may not have as broad a market as rated securities. In addition, there may be less publicly available information with respect to unrated securities and, to the extent that the BQB Fund invests in unrated securities, it will be more dependent on the research and analyses performed by Baird. The BQB Fund will not acquire a security rated BBB by S&P or Baa by Moody's or an unrated security which is determined by Baird to be of comparable quality if after such acquisition more than 35% of the BQB Fund's total assets would be invested in such securities. The BQB Fund may retain up to 5% of its net assets in securities whose ratings or quality have been downgraded to below investment grade subsequent to their acquisition. Such securities should be regarded as speculative and may be in default in the payment of interest or principal.

The value of fixed-income securities generally will tend to decrease when interest rates rise and increase when interest rates fall. The BQB Fund's share price generally will react similarly. When Baird believes interest rates will decline significantly, the BQB Fund generally will emphasize longer-term securities. Conversely, when interest rates are expected to rise significantly, the BQB Fund generally will emphasize shorter-term securities. Shorter-term securities, while offering lower yields, generally provide greater price stability than longer-term securities and are less affected by changes in interest rates. The BQB Fund has the flexibility to invest in fixed income securities without restriction upon the average maturity of the BQB Fund's securities. To the extent that the BQB Fund invests to a significant degree in longer-term securities, the net asset value of the BQB Fund may be more volatile.

The BQB Fund is also authorized to engage in certain futures and option transactions, although it has no intention of doing so during its fiscal year ending September 30, 1996. See the BQB Fund's Statement of Additional Information for a discussion of such transactions and some of the associated risks.

CERTAIN ADDITIONAL POLICIES OF THE BAIRD MUTUAL FUNDS - Under certain circumstances each of the BCD Fund, the BBC Fund and the BQB Fund may (a)

temporarily borrow money from banks for emergency or extraordinary borrowings, (b) pledge its assets to secure borrowings and (c) purchase securities of other investment companies. Additionally the BCD Fund may (d) invest in warrants and (e) invest in securities of issuers which have a record of less than three years of continuous operations. A more complete discussion of the circumstances in which the Baird Mutual Funds may engage in these activities is included in their Statements of Additional Information. Except for the investment policies discussed in this paragraph, the primary investment objective and the other policies described under this caption are not fundamental policies and may be changed without shareholder approval.

CHANGES IN INVESTMENT OBJECTIVES AND POLICIES - A change in a Baird Mutual Fund's investment objective may result in a Baird Mutual Fund having investment objectives different from the objectives which the shareholder considered appropriate at the time of investment in such Baird Mutual Fund. At least 30 days prior to any change by a Baird Mutual Fund in its investment objectives, the Baird Mutual Fund will provide written notice to all of its shareholders regarding the proposed change.

PORTFOLIO SECURITIES AND INVESTMENT PRACTICES

Below is a brief description of the primary types of securities and investment practices in which the Baird Mutual Funds may invest and engage, together with a brief discussion of certain of the risks inherent in such investments.

COMMON STOCKS - The BCD Fund and the BBC Fund ordinarily invest in common stocks. Common stocks represent the residual ownership interest in the issuer and are entitled to the income and increase in the value of the assets and business of the entity after all of its obligations and preferred stocks are satisfied. Common stocks generally have voting rights. Common stocks fluctuate in price in response to many factors including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

SMALLER CAPITALIZATION AND LESS SEASONED COMPANIES - The BCD Fund may invest in smaller capitalization companies in the earlier stages of development. Smaller growth companies may offer greater potential for capital appreciation than larger companies. Smaller growth companies frequently have new products or technologies, new distribution methods, rapid changes in industry conditions due to regulatory or other developments, changes in management or similar characteristics that may result not only in growth in revenues but in an accelerated or above average rate of earnings growth. In addition, because they are less actively followed by stock analysts and less information is available on which to base stock price evaluations, the market may overlook favorable trends in particular smaller growth companies, and then adjust its valuation more quickly once investor interest is developed.

On the other hand, higher market risks are often associated with smaller growth companies. They may have limited product lines, markets, market share and financial resources, or they may be dependent on a small or inexperienced management team. In addition, their stocks may trade less frequently and in more limited volume and be subject to greater and more abrupt price swings than stocks of larger companies.

PREFERRED STOCK - The BCD Fund and the BBC Fund may invest in preferred stocks. Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

WARRANTS - The BCD Fund may invest in warrants, which are securities permitting, but not obligating, their holders to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle their holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, an investment in warrants may be considered to be more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to its expiration date.

CONVERTIBLE SECURITIES - The BCD Fund and the BBC Fund each may invest in convertible securities. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest paid or

accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to nonconvertible income securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

FOREIGN SECURITIES - The BCD Fund and the BBC Fund may invest in securities of foreign issuers. These securities may be U.S. dollar-denominated or denominated in foreign currencies. Investments in securities of foreign issuers involve risks which are in addition to the usual risks inherent in domestic investments. In many countries, there is less publicly available information about issuers than is available in the reports and ratings published about companies in the United States. Additionally, foreign companies are not subject to uniform accounting, auditing and financial reporting standards. Foreign markets may be subject to less regulation, may be less liquid and of smaller capitalization than U.S. markets and frequently are subject to greater volatility. Dividends and interest on foreign securities may be subject to foreign withholding taxes which would reduce a Fund's income without providing a tax credit for the Fund shareholders. Although the Funds intend to invest in securities of foreign issuers domiciled in nations in which their respective investment advisers consider as having stable and friendly governments, there is a possibility of expropriation, confiscatory taxation, currency blockage or political or social instability which could affect investments in those nations. With respect to securities denominated in foreign currencies, the value of such foreign securities will rise or fall because of changes in currency exchange rates and the Funds may incur certain costs in converting securities denominated in foreign securities to U.S. dollars. The Fund's custodian, Firststar Trust Company, may retain one or more subcustodians to retain custody of all or a portion of each Fund's foreign securities. Investment in foreign securities also typically involves greater expenses than investment in U.S. securities.

In an effort to manage exposure to currency fluctuations, the BCD Fund's and BBC Fund's investment advisers may enter into forward currency exchange contracts (agreements to exchange one currency for another at a future date) and may diversify currencies. Currency exchange contracts allow a Fund to fix a definite price in dollars for securities it has agreed to buy or sell or can be used to hedge a Fund's foreign investments against adverse exchange rate changes. These strategies may require a Fund to set aside liquid high grade debt securities in a segregated custodial account to cover its obligations. This segregated account will be required whenever the liabilities under contracts involving currencies exceed the value of securities denominated in that currency. Each Fund has no specific limitation on the percentage of assets it may commit to foreign currency exchange contracts, except that a Fund will not enter into a foreign currency exchange contract if the amount of assets set aside to cover the contract in the investment adviser's view would impede portfolio management or a Fund's ability to meet redemption requests.

The BCD Fund and the BBC Fund may hold securities of U.S. and foreign issuers in the form of American Depositary Receipts (''ADRs''), American Depositary Shares (''ADSs'') or European Depositary Receipts (''EDRs''). These securities may not necessarily be denominated in the same currency as the securities for which they may be exchanged. ADRs and ADSs typically are issued by an American bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. Generally, ADRs and ADSs in registered form are designed for use in U.S. securities markets. For purposes of the Funds' investment policies, the Funds' investments in ADRs and ADSs will be deemed to be investments in equity securities representing the securities of foreign issuers into which they may be converted.

EDRs, which sometimes are referred to as Continental Depositary Receipts (''CDRs''), are receipts issued in Europe, typically by foreign banks and trust companies, that evidence ownership of either foreign or U.S. securities. Generally, EDRs and CDRs, in bearer form, are designed for use in European securities markets.

CORPORATE DEBT SECURITIES - Each of the Baird Mutual Funds may invest in corporate debt securities. Corporations issue debt securities of various types, including bonds and debentures (which are long-term), notes (which may be short- or long-term), certificates of deposit (unsecured borrowings by banks), bankers acceptances (indirectly secured borrowings to facilitate commercial transactions) and commercial paper (short-term unsecured notes). These securities typically provide for periodic payments of interest, which may be fixed or adjustable rate with payment of principal upon maturity and are generally not secured by assets of the issuer or otherwise guaranteed. The values of fixed rate income securities tend to vary inversely with changes in interest rates, with longer-term securities generally being more volatile than shorter-term securities. Corporate securities frequently are subject to call provisions that entitle the issuer to repurchase such securities at a predetermined price prior to their stated maturity. In the event that a security

is called during a period of declining interest rates, a Fund may be required to reinvest the proceeds in securities having a lower yield. In addition, in the event that a security was purchased at a premium over the call price, a Fund will experience a capital loss if the security is called. Adjustable rate corporate debt securities may have interest rate caps and floors as well as other features similar to those of mortgage-backed securities discussed below.

None of the Baird Mutual Funds will invest in corporate debt securities rated below investment grade by S&P and Moody's or in unrated corporate debt securities believed by the Fund's investment adviser to be below investment grade quality. Securities rated in the four highest long-term rating categories by S&P and Moody's are considered to be "investment grade." S&P's fourth highest long-term rating category is "BBB", with BBB- being the lowest investment grade rating. Moody's fourth highest long-term rating category is "Baa", with Baa3 being the lowest investment grade rating. Publications of S&P indicate that it assigns securities to the "BBB" rating category when such securities are "regarded as having an adequate capacity to pay interest and repay principal. [Such securities] normally exhibit adequate protection parameters, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay," whereas securities rated AAA by S&P are regarded as having "capacity to pay interest and repay principal [that] is extremely strong." Publications of Moody's indicate that it assigns securities to the "Baa" rating category when such securities "are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well," whereas securities rated Aaa by Moody's "are judged to be of the best quality" and "carry the smallest degree of investment risk."

U.S. GOVERNMENT SECURITIES - All of the Baird Funds may invest in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities. These include Treasury securities (bills, notes, bonds and other debt securities) which differ only in their interest rates, maturities and times of issuance. U.S. government agency and instrumentality securities include securities which are supported by the full faith and credit of the U.S., securities that are supported by the right of the agency to borrow from the U.S. Treasury, securities that are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality and securities that are supported only by the credit of such agencies. While the U.S. government may provide financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so. The U.S. government, its agencies and instrumentalities do not guarantee the market value of their securities and consequently the values of such securities fluctuate.

ZERO COUPON, DEEP DISCOUNT AND PAYMENT-IN-KIND SECURITIES - Each of the Baird Mutual Funds may invest in "zero coupon" and other deep discount securities of governmental or private issuers. Zero coupon securities generally pay no cash interest (or dividends in the case of preferred stock) to their holders prior to maturity. Each of the BCD Fund and the BBC Fund may invest in payment-in-kind securities, which allow the issuer, at its option, to make current interest payments on such securities either in cash or in additional securities. Accordingly, such securities usually are issued and traded at a deep discount from their face or par value and generally are subject to greater fluctuations of market value in response to changing interest rates than securities of comparable maturities and credit quality that pay cash interest (or dividends in the case of preferred stock) on a current basis.

Although a Fund will receive no payments on its zero coupon securities, and may receive no cash payments on its payment-in-kind securities, prior to their maturity or disposition, it will be required for federal income tax purposes generally to include in its dividends each year an amount equal to the annual income that accrues on its zero coupon securities and any non-cash "interest" it receives on its payment-in-kind securities. Such dividends will be paid from the cash assets of the Fund, from borrowings or by liquidation of portfolio securities, if necessary, at a time that the Fund otherwise would not have done so. To the extent the proceeds from any such dispositions are used by the Fund to pay distributions, the Fund will not be able to purchase additional income-producing securities with such proceeds, and as a result its current income ultimately may be reduced.

STRIPPED INCOME SECURITIES - Each of the Baird Mutual Funds may invest in stripped income securities. Stripped income securities or obligations represent an interest in all or a portion of the income or principal components of an underlying or related security, a pool of securities or other assets. In the most extreme case, one class will receive all of the interest, while the other class will receive all of the principal. The market values of stripped income securities tend to be more volatile in response to changes in interest rates than are those of conventional income securities.

PREMIUM SECURITIES - Each of the Baird Mutual Funds may at times invest in

securities bearing coupon rates higher than prevailing market rates. Such 'premium' securities are typically purchased at prices greater than the principal amounts payable on maturity. If an issuer were to call or redeem securities held by a Fund during a time of declining interest rates, the Fund may not be able to reinvest the proceeds in securities providing the same investment return as the securities redeemed. If securities purchased by a Fund at a premium are called or sold prior to maturity, the Fund generally will recognize a capital loss to the extent the call or sale price is less than the Fund's adjusted tax basis in such securities. Similarly, the Fund generally will recognize a capital loss in the event that such securities are held to maturity.

ADJUSTABLE AND FLOATING RATE SECURITIES - Each of the Baird Mutual Funds may invest in adjustable and floating rate securities. Adjustable and floating rate securities are securities having interest rates or dividends which are adjusted or reset at periodic intervals ranging, in general, from one day to several years, based on a spread over or under a specific interest rate or interest rate index or on the results of periodic auctions. Adjustable and floating rate securities allow a Fund to participate in increases in interest rates through periodic upward adjustments of the coupon rates of such securities, resulting in higher yields. During periods of declining interest rates, however, coupon rates may readjust downward resulting in lower yields. Adjustments in coupon rates on such securities may, however, lag changes in market rates of interest. Adjustable and floating rate securities may be subject to caps above which their interest rates may not be adjusted and floors below which their interest rates may not be adjusted.

MUNICIPAL SECURITIES - The BQB Fund may invest in debt obligations issued by or on behalf of the governments of states, territories or possessions of the United States, the District of Columbia and their political subdivisions, agencies and instrumentalities, certain interstate agencies and certain territories of the United States. The BQB Fund may invest in both taxable and federal income tax-exempt municipal securities, although it expects that its investments in municipal securities ordinarily will be taxable. The two principal classifications of municipal securities are 'general obligation' and 'revenue' securities. 'General obligation' securities are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. 'Revenue' securities are usually payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source. Industrial development bonds are usually revenue securities, the credit quality of which is normally directly related to the credit standing of the industrial user involved. Within these principal classifications of municipal securities, there are a variety of categories of municipal securities, including fixed and variable rate securities, municipal bonds, municipal notes, municipal leases, custodial receipts and participation certificates. Certain of the municipal securities in which the BQB Fund may invest represent relatively recent innovations in the municipal securities markets. Because the BQB Fund does not intend to invest a substantial amount of its assets in municipal securities, the interest on which is exempt from federal income tax, the BQB Fund does not expect to be entitled to pass through to its shareholders the tax-exempt nature of any interest income attributable to investments in municipal securities.

MORTGAGE-BACKED SECURITIES - The BQB Fund may invest in mortgage-backed securities. Mortgage-backed securities are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans secured by real property. Mortgage-backed securities include guaranteed government agency mortgage-backed securities, which represent participation interests in pools of residential mortgage loans originated by U.S. governmental or private lenders and guaranteed, to the extent provided in such securities, by the U.S. Government or one of its agencies or instrumentalities. Guaranteed government agency mortgage-backed securities in which the Funds may invest include those issued or guaranteed by the Government National Mortgage Association ('Ginnie Mae'), the Federal National Mortgage Association ('Fannie Mae') and the Federal Home Loan Mortgage Corporation ('Freddie Mac'). Mortgage-backed securities also include privately issued mortgage-backed securities, which are not guaranteed by any agency or instrumentality of the U.S. government. Such securities generally are issued with some form of credit support. Securities issued by entities other than governmental entities may offer a higher yield but also may be subject to greater price fluctuations and credit risk than securities issued by governmental entities. Mortgage-backed securities may represent ownership interests in the underlying mortgage loans and provide for monthly payments that are a 'pass-through' of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans. Mortgage-backed securities also include collateralized mortgage obligations ('CMOs'). CMOs are securities collateralized by mortgages or other mortgage-backed securities. In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of a CMO, often referred to as a 'tranche,' is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Interest typically is paid or accrues on classes of the CMO on a monthly, quarterly or semi-annual basis. Because most CMO tranches typically provide for

the periodic payment of principal and are subject to principal prepayment, the actual duration of a CMO typically will be significantly less than the stated maturity or final distribution date. In addition, principal prepayments on the underlying collateral may cause CMOs to be retired substantially earlier than their stated maturities or final distribution dates. The principal of and interest on the underlying collateral may be allocated among the several classes of a CMO series in innumerable ways, some of which bear substantially more risk than others. CMOs may be issued by governmental or nongovernmental entities such as banks and other mortgage lenders.

The yield characteristics of mortgage-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently and that principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. As a result, if the BQB Fund purchases a security at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity. Conversely, if the BQB Fund purchases the securities at discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, yield to maturity. Certain types of derivative mortgage-backed securities are designed to be highly sensitive to changes in prepayment and interest rates and can subject the holders thereof to extreme reductions of yield and possibly loss of principal. Prepayments on a pool of mortgage loans are influenced by a variety of economic, geographic, social and other factors. Generally, however, prepayments on fixed rate mortgage loans will increase during a period of falling interest rates and decrease during a period of rising interest rates. Accordingly, amounts available for reinvestment by the BQB Fund are likely to be greater during periods of declining interest rates and, as a result, likely to be reinvested at lower interest rates. Adjustable rate mortgages are subject to prepayment risks in a manner similar to fixed rate mortgages although to a lesser degree.

No assurance can be given as to the liquidity of the market for mortgage-backed securities. Determination as to the liquidity of such securities will be made in accordance with guidelines established by the BQB Fund's board of directors. The values of mortgage-backed securities may change for a variety of reasons in addition to changes in interest and prepayment rates, including changes in the market's perception of the creditworthiness of the Federal agency that issued or guaranteed them and changes in market conditions.

ASSET-BACKED SECURITIES - The BQB Fund also may invest in asset-backed securities. The securitization techniques used to develop mortgage-backed securities are now also applied to a broad range of assets, primarily automobile and credit card receivables. Other types of asset-backed securities may be developed in the future. In general, the collateral supporting asset-backed securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the related collateral as do mortgage-backed securities.

OTHER DEBT OBLIGATIONS - Bank Obligations - Certificates of deposit are certificates representing the obligation of a bank to repay funds deposited with it for a specified period of time. Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligation both of the bank and of the drawer to pay the face amount of the instrument upon maturity. Time deposits are non-negotiable deposits maintained in a banking institution for a specified period of time at a stated interest rate. Time deposits which may be held by the Baird Mutual Funds might not benefit from insurance from the Bank Insurance Fund or the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation.

Commercial Paper - Commercial paper consists of short-term, unsecured promissory note issued to finance short-term credit needs and includes commercial paper master notes (which are demand instruments with variable coupon rates). Commercial paper purchased by the Baird Mutual Funds will consist of direct obligations issued by domestic entities and will be rated in one of the two highest rating categories by a nationally recognized rating organization or will be unrated but determined by the Fund's investment adviser to be of comparable credit quality.

REPURCHASE AGREEMENTS - Each Baird Mutual Fund may enter into repurchase agreements with banks and broker-dealers, under which the Fund purchases securities issued by the U.S. government or its agencies and instrumentalities or other securities, and agrees to resell the securities at an agreed upon time and at an agreed upon price. Repurchase agreements may be considered collateralized loans by a Fund and the difference between the amount the Fund pays for the securities and the amount it receives upon resale is accrued as interest and reflected in the Fund's net income. When a Fund enters into repurchase agreements, it relies on the seller to repurchase the securities. Failure to do so may result in a loss for the Fund if the market value of the securities is less than the repurchase price. At the time a Fund enters into a repurchase agreement, the value of the underlying security including accrued

interest will be equal to or exceed the value of the repurchase agreement and, for repurchase agreements that mature in more than one day, the seller will agree that the value of the underlying security including accrued interest will continue to be at least equal to the value of the repurchase agreement. In determining whether to enter into a repurchase agreement with a bank or broker-dealer, a Fund will take into account the creditworthiness of such party. The Funds will only enter into repurchase agreements with entities which are primary dealers in United States government securities or are among the top 100 domestic banks measured by assets. In the event of default by such party, a Fund may not have the right to the underlying security and there may be possible delays and expenses in liquidating the security purchased, resulting in a decline in its value and loss of interest. Neither the BCD Fund nor the BBC Fund will invest over 5% of its respective net assets in repurchase agreements. The BQB Fund may invest in repurchase agreements having a duration of seven days or less without limitation. Repurchase agreements that mature in more than seven days are considered illiquid.

SHORT-TERM INVESTMENTS - Each Baird Mutual Fund may invest without limitation in short-term instruments as a reserve for expenses or anticipated redemptions and as a temporary defensive measure when the Fund's investment adviser deems appropriate. The Baird Mutual Funds are not required to employ temporary defensive techniques and the Fund's respective investment advisers ordinarily do not actively seek to predict short- to intermediate-term changes in the overall securities markets. Accordingly, the Funds will not necessarily employ these techniques in anticipation of or response to a deterioration in the markets in which they invest. To the extent that a Fund invests to a significant degree in these instruments, its ability to achieve its primary investment objective may be adversely effected. Short-term investments are debt securities or other instruments having a remaining fixed maturity or time until demand feature effectiveness of 18 months or less and that are issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or that are rated in one of the two highest rating categories by a nationally recognized rating organization or unrated but determined by Baird to be of comparable credit quality. Short-term investments include treasury bills and other U.S. government and government agency securities, bank obligations, commercial paper and repurchase agreements.

WHEN-ISSUED SECURITIES - The BQB Fund may purchase securities on a forward commitment or when-issued basis, where the price of the security is fixed at the time the commitment is made. Delivery of and payment for such securities typically occur 15 to 90 days after the commitment to purchase. These transactions are subject to market fluctuations; the value of the securities at delivery may be more or less than their purchase price and yields available on comparable debt securities at the time of delivery may be higher or lower than those contracted for on the when-issued security. The BQB Fund will make commitments to purchase when-issued securities only with the intention of actually acquiring the securities, but the BQB Fund may sell these securities before the settlement if Baird deems it advisable. The BQB Fund will not accrue income in respect to a when-issued security prior to its stated delivery date.

When the BQB Fund purchases securities on a when-issued basis it will maintain in a segregated account with the Fund's custodian cash or marketable securities having an aggregate value equal to the amount of the purchase commitment until payment is made. When-issued securities may decline or increase in value during the period from the investment commitment to the settlement of the purchase and involve a degree of investment leverage. Such transactions also involve the risk that the counterparty to the transaction fails to perform.

ILLIQUID SECURITIES - The BCD Fund and the BBC Fund may invest in illiquid securities, which may include repurchase agreements maturing in more than seven days and other securities that can not be sold in seven days at approximately the price at which they are valued. The BCD Fund and the BBC Fund may not invest in restricted securities. A Fund will not acquire illiquid securities if, as a result, they would comprise more than 10% of the value of the Fund's net assets. The Board of Directors of a Fund or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of this limitation. Securities that may be resold pursuant to Rule 144A under the Securities Act may be considered liquid by the Board of Directors. Risks associated with illiquid securities include the potential inability of a Fund to promptly sell a portfolio security after its decision to sell, potential difficulties in valuation and potentially greater market volatility.

PORTFOLIO TURNOVER - Due to the fact the BCD Fund and the BBC Fund do not intend to place emphasis on short-term trading, and their investment advisers will consider an issuer's growth prospects over a three to five year period, the BCD Fund and the BBC Fund expect usually to have an annual portfolio turnover rate of less than 65%. As with the BCD Fund and the BBC Fund, the portfolio turnover rate of the BQB Fund will vary from year to year depending on market conditions. During the fiscal years ended September 30, 1995 and 1994, the BCD Fund's portfolio turnover rate was 20.4% and 29.5%, respectively, and the BBC Fund's portfolio turnover rate was 16.7% and 12.7%, respectively. Baird may vary the average maturity of the portfolio of the BQB Fund depending on its interest rate outlook. During the fiscal years ended September 30, 1995 and 1994, the BQB

Fund's portfolio turnover rate was 197.5% and 99.6%, respectively. The annual portfolio turnover rate indicates changes in a Fund's portfolio and is calculated by dividing the lesser of purchases or sales of portfolio securities (excluding securities having maturities at acquisition of one year or less) for the fiscal year by the monthly average of the value of the portfolio securities (excluding securities having maturities at acquisition of one year or less) owned by the Fund during the fiscal year. The annual portfolio turnover rate may vary widely from year to year depending upon market conditions and prospects. High turnover in any year may result in the payment by a Fund of above average amounts of brokerage commissions or dealer mark-ups.

MANAGEMENT OF THE FUNDS

As Wisconsin corporations the business and affairs of the Baird Capital Development Fund, Inc., Baird Blue Chip Fund, Inc. and The Baird Funds, Inc. are managed by their Boards of Directors who are assisted by the Funds' officers. The following are the directors and officers of the Baird Mutual Funds:

DIRECTORS

James D. Bell*	Reverend Albert J. DiUlio, S.J.	George C. Kaiser
Managing Director and	President of	Sole Proprietor of
Chief Administrative	Marquette University	George Kaiser & Co.
Officer of Robert W.		
Baird & Co., Incorporated		

Allan H. Selig	Edward J. Zore*
President and Chief Executive	Executive Vice President
Officer of the Milwaukee Brewers	of The Northwestern
Baseball Club, Inc.	Mutual Life Insurance Co.

OFFICERS

Marcus C. Low, Jr.*	Mary Ann Taylor*	Laura H. Gough*	Glen F. Hackmann*
President	Vice President	Vice President	Secretary and
			Treasurer

For more information concerning the Directors and Officers of the Baird Mutual Funds, see each respective Fund's Statement of Additional Information. Persons indicated by an asterisk (*) are interested persons of the Funds within the meaning of the 1940 Act.

BAIRD CAPITAL DEVELOPMENT FUND - Pursuant to an investment advisory agreement (the "BCD Advisory Agreement") with the BCD Fund, FMI, 225 East Mason Street, Milwaukee, Wisconsin 53202, furnishes continuous investment advisory services to the BCD Fund. FMI is an investment adviser to individuals and institutional clients (including investment companies) with substantial investment portfolios and as of December 31, 1995, managed approximately \$950,000,000 in assets. FMI was organized in 1980 and is wholly owned by Ted D. Kellner and Donald S. Wilson. Since that time, Mr. Kellner has served as Chairman of the Board and Chief Executive Officer and Mr. Wilson has served as President and Treasurer of FMI. Messrs. Kellner and Wilson are primarily responsible for the day-to-day management of the BCD Fund's portfolio. They have held this responsibility since the BCD Fund commenced operations on June 22, 1984.

FMI supervises and manages the investment portfolio of the BCD Fund and subject to such policies as the Board of Directors of the BCD Fund may determine, directs the purchase or sale of investment securities in the day-to-day management of the BCD Fund. Under the BCD Advisory Agreement, FMI, at its own expense and without reimbursement from the BCD Fund, furnishes office space, and all necessary office facilities, equipment, and executive personnel for the performance of the services required to be performed by it under the BCD Advisory Agreement. For the foregoing, FMI receives a monthly fee of 1/12 of 0.4125% (0.4125% per annum) of the daily net assets of the BCD Fund. The advisory fees paid to FMI in the fiscal year ended September 30, 1995 were equal to 0.4125% of the BCD Fund's average net assets.

Pursuant to a sub-advisory agreement (the "Sub-Advisory Agreement") with the BCD Fund, Baird furnishes regular advice to FMI regarding the value of securities and the advisability of the BCD Fund purchasing or selling specific securities as well as regular analyses and reports to FMI concerning issuers, industries, securities, economic factors and portfolio strategy. Although Baird furnishes regular advice to FMI, FMI makes the final decision as to the securities to be purchased and sold for the BCD Fund and the timing of such purchases and sales. Baird is an indirect partially-owned subsidiary of The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin and is controlled by such firm. Baird is a securities broker-dealer and investment adviser providing brokerage, research, investment banking and investment advisory services to individuals, trusts, estates, corporations and other institutional clients.

In addition to the services referred to above, Baird pays the salaries and fees of all officers and directors of the BCD Fund (except the fees to directors who are not interested persons of the BCD Fund). For the foregoing Baird receives a monthly fee of 1/12 of 0.3275% (0.3275% per annum) of the daily net assets of the BCD Fund. The advisory fees paid to Baird in the fiscal year ended September 30, 1995 were equal to 0.3275% of the BCD Fund's average net assets.

BAIRD BLUE CHIP FUND AND BAIRD QUALITY BOND FUND - Pursuant to investment advisory agreements with the BBC Fund (the "'BBC Advisory Agreement'") and the BQB Fund (the "'BQB Advisory Agreement'") (collectively the "'Advisory Agreements'") Baird through its Investment Management Services Group, furnishes continuous investment advisory services to the BBC Fund and the BQB Fund. The Investment Management Services Group was organized in 1971 and as of December 31, 1995, managed in excess of \$1,000,000,000 in assets for individuals, trusts, estates, corporations, and such other institutional clients as employee benefit plans and foundations.

Baird supervises and manages the investment portfolio of the BBC Fund and the BQB Fund and subject to such policies as their respective Boards of Directors may determine, directs the purchase or sale of investment securities in the day-to-day management of these Funds. Under the Advisory Agreements, Baird, at its own expense and without reimbursement from the Funds, furnishes office space, and all necessary office facilities, equipment, and executive personnel for managing the Funds and maintaining their organizations. In addition to the services referred to above, Baird pays the salaries and fees of all officers and directors of these Funds (except the fees to directors who are not interested persons of these Funds). For the foregoing, Baird receives a monthly fee of 1/12 of 0.74% (0.74% per annum) of the daily net assets of the BBC Fund, and a monthly fee of 1/12 of 0.50% (0.50% per annum) of the daily net assets of the BQB Fund. The advisory fees paid to Baird in the fiscal year ended September 30, 1995 were equal to 0.74% of the BBC Fund's average net assets and 0.39% of the BQB Fund's average net assets.

Robinson Bosworth III and John T. Evans, Portfolio Managers of the BBC Fund, are primarily responsible for the day-to-day management of such Fund's portfolio. They have held this responsibility since the BBC Fund commenced operations on December 31, 1986. Mr. Bosworth joined Baird in 1971 and is a Managing Director of Baird's Investment Management Services Group. Mr. Evans joined Baird in 1977 and is a Senior Vice President in its Investment Management Services Group.

James Kochan, Portfolio Manager of the BQB Fund, is primarily responsible for the day-to-day management of the BQB Fund. He has held this responsibility since such Fund commenced operations on October 1, 1992. Mr. Kochan has served as First Vice President of Baird's Investment Management Services Group since August 1990. Prior to that time, he was First Vice President of Merrill Lynch & Co. from 1980 to 1990.

ADMINISTRATION OF BAIRD MUTUAL FUNDS - Each of the BCD Fund, BBC Fund and The Baird Funds, Inc. has entered into an administration agreement with FMI pursuant to which FMI supervises all aspects of each Fund's operations except those performed by the investment advisers. FMI prepares and maintains the books, accounts and other documents required by the 1940 Act, determines each Fund's net asset value, responds to shareholder inquiries, prepares the Funds' financial statements and excise tax returns, prepares reports and filings with the Securities and Exchange Commission, furnishes statistical and research data, clerical, accounting and bookkeeping services and stationery and office supplies, keeps and maintains the Funds' financial accounts and records and generally assists in all aspects of the Funds' operations other than portfolio decisions. FMI, at its own expense and without reimbursement from the Funds, furnishes office space and all necessary office facilities, equipment and executive personnel for supervising each Fund's operations. For the foregoing, FMI receives from each of the BCD Fund and the BBC Fund a monthly fee of 1/12 of 0.1% (0.1% per annum) on the first \$30,000,000 of each Fund's daily net assets and 1/12 of 0.05% (0.05% per annum) on the daily net assets over \$30,000,000 and from the BQB Fund a monthly fee of 1/12 of 0.1% (0.1% per annum) on the first \$20,000,000 of the Fund's daily net assets and 1/12 of 0.05% (0.05% per annum) on the daily net assets over \$20,000,000.

DETERMINATION OF NET ASSET VALUE

The per share net asset value of each Fund is determined by dividing the total value of its net assets (meaning its assets less its liabilities) by the total number of its shares outstanding at that time. The net asset values of the BCD Fund, the BBC Fund and the BQB Fund are determined as of the close of regular trading (currently 4:00 p.m. Eastern time) on the New York Stock Exchange on each day the New York Stock Exchange is open for trading. These determinations are applicable to all transactions in shares of the Funds prior to that time and after the previous time as of which net asset values were determined.

Equity securities traded on any national securities exchange or quoted on the Nasdaq National Market System will ordinarily be valued on the basis of the last sale price on the date of valuation, or, in the absence of any sales on that date, the most recent bid price. Other equity securities will generally be valued at the most recent bid price, if market quotations are readily available. Debt securities will ordinarily be valued on the basis of valuations provided by broker-dealers (including broker-dealers from whom such securities may have been purchased) or by a pricing service, approved by the respective Fund's Board of Directors, which may utilize information with respect to transactions in such securities, quotations from dealers, market transactions in comparable securities, various relationships among securities and yield data in determining

values. Securities for which there are no readily available market quotations and other assets will be valued at their fair value as determined in good faith in accordance with policies approved by the respective Fund's Board of Directors. Debt securities having a remaining maturity of sixty days or less when purchased and debt securities originally purchased with maturities in excess of sixty days but which currently have maturities of sixty days or less are valued at cost adjusted for amortization of premiums and accretion of discounts. Odd lot differentials and brokerage commissions will be excluded in calculating values.

PURCHASE OF SHARES

Baird serves as the distributor and principal underwriter of the Baird Mutual Funds. Baird's principal business address is 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. Shares of each Baird Mutual Fund are purchased from Baird or other investment dealers, if any, who have entered into sales agreements with Baird. Account application forms are included at the back of this Prospectus. Applications are subject to acceptance by the Baird Mutual Funds, and are not binding until so accepted. The Baird Mutual Funds reserve the right to reject applications in whole or in part. The offering price per share is the next determined per share net asset value after receipt of an application plus a sales charge which is a percentage of the offering price and varies based on the amount of the combined concurrent purchases of each Baird Mutual Fund, together with current holdings under rights of accumulation and/or purchases indicated under a Letter of Intent. The Board of Directors of each Baird Mutual Fund has established \$1,000 as the minimum initial purchase and \$100 as the minimum for any subsequent purchase (except pursuant to the Automatic Investment Plan where the minimum monthly or quarterly purchase is \$50 or through dividend reinvestment), which minimum amounts are subject to change at any time.

SALES CHARGES - The following sales charges are applicable to purchases of the BCD Fund and the BBC Fund:

AMOUNT OF PURCHASE -----	TOTAL SALES CHARGE	
	PERCENTAGE OF OFFERING PRICE -----	PERCENTAGE OF NET ASSET VALUE -----
At least \$100 but less than \$50,000	5.75%	6.10%
At least \$50,000 but less than \$100,000	4.50%	4.71%
At least \$100,000 but less than \$250,000	3.50%	3.63%
At least \$250,000 but less than \$500,000	2.50%	2.56%
At least \$500,000 but less than \$1,000,000	2.00%	2.04%
\$1,000,000 and over	0.00%	0.00%

The following sales charges are applicable to purchases of the BQB Fund:

AMOUNT OF PURCHASE -----	TOTAL SALES CHARGE	
	PERCENTAGE OF OFFERING PRICE -----	PERCENTAGE OF NET ASSET VALUE -----
At least \$100 but less than \$100,000	4.00%	4.16%
At least \$100,000 but less than \$250,000	3.50%	3.63%
At least \$250,000 but less than \$500,000	2.50%	2.56%
At least \$500,000 but less than \$1,000,000	2.00%	2.04%
\$1,000,000 and over	0.00%	0.00%

The Baird Mutual Funds impose a 1% contingent deferred sales charge with respect to purchases of shares of the BCD Fund, BBC Fund, or the BQB Fund, of \$1,000,000 and over in the event of a redemption transaction occurring within 12 months following such purchase as described under "Redemption and Repurchase of Shares." In connection with purchases of \$1,000,000 and over Baird pays its investment officers a fee, which is not reimbursable under the Plan. Baird receives, however, any contingent deferred sales charges paid in connection with such purchase. Shares purchased at net asset value and subject to the contingent deferred sales charge must be registered in the name of Baird as nominee for the shareholder.

Each Baird Mutual Fund receives the net asset value of all of its shares sold. Baird retains the sales charge from which it may allow discounts from the applicable public offering price to investment dealers which are uniform for all dealers. As of the date of this Prospectus, Baird is not party to any agreement pursuant to which such discounts are allowed. Each Baird Mutual Fund may pay to Baird a percentage of such Baird Mutual Fund's daily net assets to reimburse Baird for costs incurred by it in distributing shares of such Baird Mutual Funds' common stock. See "Rule 12b-1 Plan" below.

In effecting purchases and sales of each Baird Mutual Fund's portfolio securities, FMI or Baird, as the case may be, may place orders with, and pay brokerage commissions to, Baird or investment dealers, if any, with which Baird executes sales agreements when they reasonably believe the commissions and the transaction quality are comparable to that available from other qualified brokers. In selecting among firms to handle a particular transaction the investment advisers may take into account whether the firm has sold, or is selling, shares of any of the Baird Mutual Funds.

RULE 12B-1 PLAN - Each Baird Mutual Fund has adopted a Distribution Plan (the 'Plan') pursuant to Rule 12b-1 under the 1940 Act. Each Plan provides that the Baird Mutual Funds may incur certain costs which may not exceed a maximum monthly percentage of each respective Baird Mutual Funds' daily net assets. The applicable maximum monthly percentage is 1/12 of 0.45% (0.45% per annum). Amounts paid under each Plan are paid to Baird as reimbursement for the costs and expenses it incurs as distributor of the shares of each Baird Mutual Fund pursuant to Distribution Assistance Agreements between each Baird Mutual Fund and Baird and may be spent by Baird on any activities or expenses primarily intended to result in the sale of shares, including but not limited to, compensation to, and expenses (including overhead and telephone expenses) of, employees of Baird who engage in or support distribution of the shares, printing of prospectuses and reports for other than existing shareholders, advertising and preparation and distribution of sales literature. Allocation of overhead (rent, utilities, etc.) and salaries will be based on the percentage of utilization in, and time devoted to, distribution activities. (The Plans for the BCD Fund and the BBC Fund permit these Funds to incur distribution costs up to 0.75% per annum but Baird has determined to limit payments pursuant to such Plans to 0.45% per annum.) From such amounts Baird will pay to each of its investment officers an amount equal to 0.25% of the average daily net assets of the BCD, BBC and BQB Fund attributable to shares of such Funds sold by such investment officer. Baird will directly bear all sales and promotional expenses of the Baird Mutual Funds, other than expenses incurred in complying with laws regulating the issue or sale of securities. (The Baird Mutual Funds will indirectly bear sales and promotional expenses to the extent they make payments under the Plans.) If payments made by Baird for such activities or expenses during any fiscal year exceed the maximums under the Distribution Plan for such year, a Fund will not be liable for any such difference.

NET ASSET VALUE PURCHASES - Shares of each Baird Mutual Fund may be purchased at net asset value (without a sales charge) by such Baird Mutual Fund's employees, present and former directors, employees and directors of Baird and employees and directors of such Baird Mutual Fund's investment adviser, by licensed investment officers of Baird and by members of the immediate family of any of the foregoing. The term 'employee' includes an employee's spouse (including the surviving spouse of a deceased employee), children of the employee and retired employees. The term 'members of the immediate family' is defined to mean a person's parents, brothers and sisters, children and grandchildren. Subject to certain limitations, each Baird Mutual Fund may also issue shares without a sales charge in connection with any merger or consolidation with, or acquisition of the assets of, any investment company and pursuant to the exchanges described under 'Exchange Privileges.' Shares of each Baird Mutual Fund may also be purchased at net asset value (without a sales charge) by retirement plans (i.e. plans qualifying under Sections 401(a), 401(k), 403(a) and 457 of the Internal Revenue Code, as amended (the 'Code'), but not Individual Retirement Accounts or Simplified Employee Pension Plans) which purchase at least \$500,000 of shares of the Baird Mutual Funds.

CONTINGENT DEFERRED SALES CHARGE - The Baird Mutual Funds impose a 1% contingent deferred sales charge upon the redemption of certain shares initially purchased without a front-end sales load in the event of a redemption transaction occurring within 12 months following such purchase. See 'Redemption and Repurchase of Shares' for a discussion of the application of the contingent deferred sales charge, including circumstances under which the contingent deferred sales charge is waived. In connection with purchases described in the following paragraph on which no front-end sales load is imposed Baird pays its investment officers a fee, which is not reimbursable under the Plan. Baird receives, however, any contingent deferred sales charge paid in connection with such purchases.

No front-end sales load is imposed on purchases of shares of the Baird Mutual Funds by investment advisory clients (or affiliates of investment advisory clients) of Baird and by shareholders using the proceeds from the redemption of shares of an unrelated mutual fund provided the following conditions are met. If the unrelated mutual fund imposes a front-end sales load, the redemption must have been made within 90 days of the purchase of the shares of the Baird Mutual Funds and the account application must be accompanied either by the redemption check (or a copy of such check) or a copy of the account activity statement reflecting the redemption. If the unrelated mutual fund does not impose a front-end sales load, the redemption must have been made within 90 days of the purchase of the shares of the Baird Mutual Funds and the account application must be accompanied by (i) the redemption check (or a copy of such check) or a copy of the account activity statement reflecting the redemption, and (ii) an account activity statement or statements or other evidence indicating (A) that the shareholder had previously owned the unrelated mutual fund, if other than a money market fund, for at least 60 days or (B) if the unrelated mutual fund is a money market fund, that the shares of the money market fund were purchased with the proceeds of a mutual fund, other than a money market fund, that either had been owned by the shareholder for at least 60 days or for which a front-end sales load had been paid. Shares purchased at net asset value as described above and subject to the contingent deferred sales charge must be registered in the name of Baird as nominee for the shareholder.

RIGHT OF ACCUMULATION - Reduced sales charges are applicable through a right of accumulation under which purchasers may add to their investments in the Baird Mutual Funds by purchasing shares at the offering price applicable to the total of (a) the dollar amount then being purchased of all Baird Mutual Funds plus (b) an amount equal to the then current net asset value of the shares of all Baird Mutual Funds then held by the purchaser. (A 'purchaser' is defined to include an individual, as well as certain employee benefit plans for such individual such as the individual's Individual Retirement Accounts, individual-type 403(b) plan or a single participant Keogh-type plan, his or her spouse and their children.)

LETTER OF INTENT - Reduced sales charges also apply to the aggregate amount of purchases of shares of the Baird Mutual Funds made by any purchaser within a 13-month period beginning with a date not earlier than 90 days prior to the date of receipt by Baird of an executed Letter of Intent ('Letter') provided by Baird. After execution of the Letter each purchase of shares of any Baird Mutual Fund will be entitled to the sales charge applicable to the total investment indicated in the Letter. If the actual total investments under the Letter exceed the intended amount and thereby qualify for a lower sales charge, a retroactive price adjustment will be made with respect to each purchase of shares of any of the Baird Mutual Funds and the difference will be used to purchase additional shares of such Fund(s). If the total amount of shares purchased during the thirteen month period does not equal the amount stated in the Letter, the purchaser will be notified and required to pay within 20 days of the expiration of the Letter the difference between the sales charge applicable to the shares of the Baird Mutual Funds purchased at the reduced rate and the sales charge applicable to the shares actually purchased pursuant to the Letter. Pursuant to the Letter, which imposes no obligation to purchase additional shares, the first purchase following execution of the Letter must be at least 5% of the amount of the intended purchase and 5% of the amount of the intended purchase will be held in escrow in the form of shares pending completion of the intended purchase. The escrowed shares may be redeemed to cover additional sales charges payable if the intended purchases are not completed and an additional sales charge not paid within the aforementioned 20 day period. (Again a 'purchaser' is defined to include an individual, as well as certain employee benefit plans for such individual such as the individual's Individual Retirement Accounts, individual-type 403(b) plan or a single participant Keogh-type plan, his or her spouse, and their children.)

DIRECT PURCHASES BY MAIL OR WIRE - An account application is included at the back of this Prospectus. Additional account applications may be obtained from Baird. Account applications should be mailed directly to Baird Mutual Funds, c/o Firststar Trust Company, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. If using overnight delivery use the following address: Baird Mutual Funds, c/o Firststar Trust Company, 615 E. Michigan Street, 3rd Floor, Milwaukee, Wisconsin 53202. ALL APPLICATIONS MUST BE ACCOMPANIED BY PAYMENT IN THE FORM OF A CHECK OR MONEY ORDER MADE PAYABLE TO BAIRD MUTUAL FUNDS, OR BY DIRECT WIRE TRANSFER. All purchases must be made in U.S. dollars and checks must be drawn on U.S. banks. Neither cash nor 3rd party checks will be accepted. Firststar Trust Company will charge a \$15 fee against a shareholder's account for any payment check returned to the custodian. THE SHAREHOLDER WILL ALSO BE RESPONSIBLE FOR ANY LOSSES SUFFERED BY THE BAIRD MUTUAL FUNDS AS A RESULT. Funds should be wired to Firststar Bank Milwaukee, N.A., 777 East Wisconsin Avenue, Milwaukee, Wisconsin, ABA #0750 00022, Firststar Trust Company, Account #112-952-137, for 'name of Baird Mutual Fund', 'name of shareholder and existing account number, if any.' The establishment of a new account by wire transfer should be preceded by a phone call to Baird, (414) 765-3500, to provide information for the setting up of the account. A follow up application should be sent for all new accounts opened by wire transfer. Telephone orders for purchase of shares may be placed with Baird in which event the purchase will be made at the offering price next determined after the placement of the order.

AUTOMATIC INVESTMENT PLAN - Each Baird Mutual Fund has in effect an Automatic Investment Plan pursuant to which shareholders may invest a fixed dollar amount automatically on or about the 5th day of each month or calendar quarter. The minimum purchase per transaction is \$50. To use this service a shareholder must authorize Firststar Trust Company to transfer funds from the shareholder's bank checking or NOW account by completing the Automatic Investment Plan application included at the back of this Prospectus.

REDEMPTION AND REPURCHASE OF SHARES

A shareholder may require any Baird Mutual Fund to redeem the shareholder's shares in whole or part at any time. Redemption requests must be made in writing and directed to: Baird Mutual Funds, c/o Firststar Trust Company, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. If a redemption request is inadvertently sent to the Baird Mutual Funds, it will be forwarded to Firststar Trust Company, but the effective date of redemption will be delayed until the request is received by Firststar Trust Company. Requests for redemption by telephone or telegram and requests which are subject to any special conditions or which specify an effective date other than as provided herein cannot be honored.

Redemption requests should specify the name of the Baird Mutual Fund, the number of shares or dollar amount to be redeemed, shareholder's name, account number, and the additional requirements listed below that apply to the particular

account.

TYPE OF REGISTRATION	REQUIREMENTS
Individual, Joint Tenants, Sole Proprietor, Custodial (Uniform Gift to Minors Act), General Partners	Redemption request signed by person(s) required to sign for the account, exactly as it is registered.
Corporations, Associations	Redemption request and a corporate resolution, signed by person(s) required to sign for the account, accompanied by signature guarantee(s)
Trusts	Redemption request signed by the trustee(s) with a signature guarantee. (If the trustee's name is not registered on the account, a copy of the trust document certified within the last 60 days is also required.)

Redemption requests from shareholders in an IRA must include instructions regarding federal income tax withholding. Unless otherwise indicated, these redemptions, as well as redemptions of other retirement plans not involving a direct rollover to an eligible plan, will be subject to federal income tax withholding.

If a shareholder is not included in any of the above registration categories (e.g. executors, administrators, conservators or guardians), the shareholder should call the transfer agent, Firststar Trust Company, (414-765-4124), for further instructions. Signatures need not be guaranteed unless otherwise indicated above or the proceeds of redemption are requested to be (a) sent by wire transfer, (b) sent to a person other than the registered holder or holders of the shares to be redeemed, or (c) mailed to other than the address of record, in which cases each signature on the redemption request must be guaranteed by a commercial bank or trust company in the United States, a member firm of the New York Stock Exchange or other qualified guarantor. If certificates have been issued for any of the shares to be redeemed, the certificates, properly endorsed or accompanied by a properly executed stock power, must accompany the request for redemption. Redemptions will not be effective or complete until all of the foregoing conditions, including receipt of all required documentation by Firststar Trust Company in its capacity as transfer agent, have been satisfied.

The redemption price is the net asset value next determined after receipt by Firststar Trust Company in its capacity as transfer agent of the written request in proper form with all required documentation. The amount received will depend on the market value of the investments in the Baird Mutual Fund's portfolio at the time of determination of net asset value, and may be more or less than the cost of the shares redeemed. A check in payment for shares redeemed will be mailed to the holder no later than the seventh day (or such lesser period of time as may be required by applicable regulation) after receipt of the redemption request in proper form and all required documentation.

The Baird Mutual Funds impose a contingent deferred sales charge upon the redemption of certain shares initially purchased without a sales charge. A contingent deferred sales charge is imposed upon the redemption of shares initially purchased without a sales charge because the purchase was (i) \$1,000,000 or more, (ii) by an investment advisory client (or affiliate of an investment advisory client) of Baird, or (iii) with the proceeds of a redemption of shares of an unrelated mutual fund, as described in "Purchase of Shares." The contingent deferred sales charge is imposed in the event of a redemption transaction occurring within 12 months following such a purchase. This contingent deferred sales charge is equal to 1% of the lesser of the net asset value of such shares at the time of purchase or at the time of redemption. No contingent deferred sales charge is imposed when an investor redeems (a) shares held for longer than 12 months, (b) amounts representing an increase in the value of Baird Mutual Fund shares due to capital appreciation, or (c) shares purchased through reinvestment of dividends or capital gain distributions. In determining whether a contingent deferred sales charge is payable, shares that are not subject to any deferred sales charge are redeemed first, and other shares are then redeemed in the order purchased.

The contingent deferred sales charge is waived in connection with purchases described under the captions "Net Asset Value Purchases" and "Reinstatement Privilege." In addition, the contingent deferred sales charge is waived in the event of (a) the death or disability (as defined in Section 72(m)(7) of the Code) of the shareholder, (b) a lump sum distribution from a benefit plan qualified under the Employee Retirement Income Security Act of 1974 ("ERISA"), or (c) systematic withdrawals for ERISA plans if the shareholder is at least 59-1/2 years old. The Baird Mutual Funds apply the waiver for death or disability to shares held at the time of death or the initial determination of disability of either an individual shareholder or one who owns the shares as a joint tenant with the right of survivorship or as a tenant in common.

No contingent deferred sales charge is imposed on an exchange of shares

described under "Exchange Privileges." When shares of a Baird Mutual Fund have been so exchanged, the date of the purchase of the shares of the fund exchanged into, for purposes of any future deferred sales charge, will be assumed to be the date on which the shares tendered for exchange were originally purchased. If the shares being tendered for exchange have been held for less than 12 months and are still subject to a deferred sales charge, such charge will carry over to the shares being acquired in the exchange transaction.

Each Baird Mutual Fund will also repurchase shares through Baird or investment dealers, if any, with which Baird has executed sales agreements. The Baird Mutual Funds will normally accept orders to repurchase shares by wire or telephone from Baird or such other investment dealer at the net asset value next computed after receipt of the order, provided the request for repurchase is received prior to the close of business on the New York Stock Exchange. The Baird Mutual Funds will not charge a fee for this transaction (other than the contingent deferred sales charge, if applicable) but Baird will charge a \$40 service fee. Other investment dealers may also charge service fees, which may be different from the fee charged by Baird. Written redemption requests in proper form must be sent to Baird or the investment dealer after making the repurchase request. A check in payment for shares repurchased will be mailed to the holder no later than the seventh day after receipt of the redemption request in proper form and all required documentation.

The right to redeem or repurchase shares of the Baird Mutual Funds will be suspended for any period during which the New York Stock Exchange is closed because of financial conditions or any other extraordinary reason and may be suspended for any period during which (a) trading on the New York Stock Exchange is restricted pursuant to rules and regulations of the Securities and Exchange Commission, (b) the Securities and Exchange Commission has by order permitted such suspension or (c) an emergency, as defined by rules and regulations of the Securities and Exchange Commission, exists as a result of which it is not reasonably practicable for the Baird Mutual Funds to dispose of their securities or fairly to determine the value of their net assets. Additionally when the Baird Mutual Funds are requested to redeem or repurchase shares for which they have not received good payment, any Baird Mutual Fund may delay or cause to be delayed the mailing of a redemption check until it has assured itself that good payment has been collected for the purchase of such shares. (It will normally take up to 3 days to clear local personal or corporate checks and up to 7 days to clear other personal and corporate checks.)

REINSTATEMENT PRIVILEGE

Former shareholders of any of the Funds may reinvest the proceeds from a redemption of any of the Funds or a dividend or capital gain distribution from any of the Funds in shares of any of the Funds at net asset value; provided such reinvestment is made within 90 days of the redemption, dividend or distribution. When making a purchase at net asset value pursuant to the Reinstatement Privilege the former shareholder's account application must be accompanied by a copy of the account activity statement showing the prior redemption, dividend or distribution. The tax status of any gain realized on a redemption will not be affected by exercise of the Reinstatement Privilege, but a loss may be nullified if the former shareholder reinvests in the same Fund within 30 days. See "Dividends, Distributions and Taxes" for additional tax considerations in exercising the Reinstatement Privilege.

DIVIDEND REINVESTMENT

Each Baird Mutual Fund has in effect a dividend reinvestment plan pursuant to which shareholders may elect to have all income dividends and/or capital gains distributions reinvested. Shareholders may also elect to have dividends and/or capital gains distributions paid in cash. See the account application forms included at the back of this Prospectus for further information. If the shareholder does not specify an election, all income dividends and capital gains distributions will automatically be reinvested in full and fractional shares, calculated to the nearest 1,000th of a share. Shares are purchased at the net asset value in effect on the business day after the dividend record date (without a sales charge) and are credited to the shareholder's account on the dividend payment date. As in the case of normal purchases, stock certificates are not issued unless requested. Shareholders will be advised of the number of shares purchased and the price following each reinvestment. An election to reinvest or receive dividends and distributions in cash will apply to all shares registered in the same name, including those previously purchased. See "Dividends, Distributions and Taxes" for a discussion of the federal income tax consequences of participating in the dividend reinvestment plan.

A shareholder may change an election at any time by notifying the appropriate Baird Mutual Fund in writing. If such a notice is received between a dividend declaration date and payment date, it will become effective on the day following each payment date. Each Baird Mutual Fund may modify or terminate its dividend reinvestment program at any time on thirty days' notice to participants.

DIRECTED REINVESTMENT

In addition to having income dividends and/or capital gains distributions reinvested in shares of the Baird Mutual Fund from which such distributions are paid, shareholders may elect the directed reinvestment option and have dividends and capital gains distributions automatically invested in one or more of the

other Baird Mutual Funds. Distributions can only be directed to an existing Baird Mutual Fund account (which account must meet the minimum investment requirement) with a registration identical to the account on which the distributions are paid. Directed reinvestments may be used to invest funds from a regular account to another regular account, from a qualified plan account to another qualified plan account, or from a qualified plan account to a regular account. Directed reinvestments from a qualified plan account to a regular account may have adverse tax consequences including imposition of a penalty tax and therefore shareholders should consult their own advisors before commencing these transactions.

No service fee is currently charged by Baird for effecting directed reinvestment transactions. There are also no sales charges payable on directed reinvestment transactions. Additional information regarding this service may be obtained from Baird. Directing distributions from either the BCD or BBC Fund to the BQB Fund will ordinarily not be the most cost effective means to invest in the BQB Fund because the sales charges applicable to investments in the BCD and BBC Fund are generally higher than those applicable to investment in the BQB Fund.

SYSTEMATIC WITHDRAWAL PLAN

Each Baird Mutual Fund has available to shareholders a Systematic Withdrawal Plan pursuant to which a shareholder who owns shares worth at least \$10,000 at current net asset value may provide that a fixed sum will be distributed to the shareholder at regular intervals. To participate in the Systematic Withdrawal Plan, a shareholder deposits shares with the appropriate Baird Mutual Fund and appoints it as the shareholder's agent to effect redemptions of the shares held in the account for the purpose of making monthly or quarterly withdrawal payments of a fixed amount to the shareholder out of the account. To utilize the Systematic Withdrawal Plan, the shares cannot be held in certificate form. The Systematic Withdrawal Plan does not apply to shares held in Individual Retirement Accounts or defined contribution retirement plans. An application for participation in the Systematic Withdrawal Plan is provided in the account application or may be obtained by writing to the Baird Mutual Funds or by calling (414) 765-3500.

The minimum amount of a withdrawal payment is \$100. These payments will be made from the proceeds of periodic redemption of shares in the account at net asset value. Redemptions will be made on the 19th day of each month or, if that day is a holiday, on the preceding business day. Participation in the Systematic Withdrawal Plan constitutes an election by the shareholder to participate in the dividend reinvestment plan and shares acquired pursuant to the reinvestment of dividends on shares held in the account will be added to such account. The shareholder may deposit additional shares in the account at any time. However, the periodic purchase of additional shares while participating in the Systematic Withdrawal Plan will ordinarily be disadvantageous to the shareholder because the shareholder will be paying a sales charge on the purchase of such shares at the same time the shareholder is redeeming shares upon which a sales charge may have already been paid. Withdrawal payments cannot be considered as yield or income on the shareholder's investment, since portions of each payment will normally consist of a return of capital. Depending on the size or the frequency of the disbursements requested, and the fluctuation in the value of the applicable Baird Mutual Fund's portfolio, redemptions for the purpose of making such disbursements may reduce or even exhaust the shareholder's account. Withdrawals, as in the case of other redemptions, are sales of shares for federal income tax purposes, and may result in capital gains or losses. See "'Dividends, Distributions and Taxes.'"

The shareholder may vary the amount or frequency of withdrawal payments, temporarily discontinue them, or change the designated payee or payee's address, by notifying Firststar Trust Company.

AUTOMATIC EXCHANGE PLAN

Each Baird Mutual Fund also has available to shareholders an Automatic Exchange Plan pursuant to which a shareholder who owns shares worth at least \$10,000 at current net asset value may provide that a fixed sum will be exchanged from such Fund to one or more other Baird Mutual Funds at regular intervals. The Automatic Exchange Plan operates in a manner similar to the Systematic Withdrawal Plan (See "'Systematic Withdrawal Plan'" above) except that a fixed sum is exchanged for shares of another Baird Mutual Fund rather than distributed in cash to the shareholder at regular intervals. The minimum exchange transaction is \$50. Exchanges will be made on the 19th day of each month, or, if that day is a holiday, on the preceding business day. The shareholder may deposit additional shares in the shareholder's account of the Fund from which exchanges are to be made at any time. Exchanging shares pursuant to the Automatic Exchange Plan from either the BCD or BBC Fund to the BQB Fund will ordinarily not be the most cost effective means to invest in the BQB Fund because the sales charges applicable to investments in the BCD and BBC Fund are generally higher than those applicable to investment in the BQB Fund.

Exchanges may only be made to an existing Baird Mutual Fund Account with a registration identical to the account from which the exchanges are made. Exchanges pursuant to the Automatic Exchange Plan may only be made if shares of the Baird Mutual Fund to which the exchanges are to be made are offered in the shareholder's state of residence. An exchange transaction is a sale and purchase

of shares for federal income tax purposes and may result in a capital gain or loss. Both the redemption and purchase of shares will be effected at the respective net asset values of the Baird Mutual Funds.

EXCHANGE PRIVILEGES

Shareholders of a Baird Mutual Fund may redeem all of their shares or a portion of their shares having a net asset value of at least \$1,000 and use the proceeds to purchase shares of any other Baird Mutual Fund, if such shares are offered in the shareholder's state of residence. Both the redemption and purchase of shares will be effected at the respective net asset values of the Baird Mutual Funds. An exchange transaction is a sale and purchase of shares for federal income tax purposes and may result in a capital gain or loss. The registration of both the account from which the exchange is being made and the account to which the exchange is made must be identical.

Exchange requests must be made in writing. Requests should include the account numbers for both Baird Mutual Funds if an account is already opened, and the amount of the exchange. If a new account is to be opened by the exchange, the registration must be identical to that of the original account. If certificates for shares are held, they must be delivered properly endorsed as described in "'Redemption and Repurchase of Shares.'"

Each Baird Mutual Fund reserves the right, at any time without prior notice, to suspend, limit, modify or terminate this exchange privilege or its use in any manner by any person or class. In particular, since an excessive number of exchanges may be disadvantageous to the Baird Mutual Funds, each Baird Mutual Fund reserves the right to terminate the exchange privilege of any shareholder who makes more than four exchanges of shares in a year or three in a calendar quarter (except for exchanges pursuant to the Automatic Exchange Plan).

Each Baird Mutual Fund has entered into an arrangement with Portico Money Market Fund pursuant to which shareholders may exchange their shares of the Baird Mutual Funds for those of the Portico Money Market Fund at their net asset values, and, at a later date, exchange such shares and shares purchased with reinvested dividends for shares of any Baird Mutual Fund at net asset value (without a sales charge). The minimum amount of exchange transactions with the Portico Money Market Fund is \$1,000. Exchanges of shares of the Baird Mutual Funds for shares of Portico Money Market Fund and exchanges of shares of Portico Money Market Fund for shares of the Baird Mutual Funds may only be made on days both the New York Stock Exchange is open for trading and the Federal Reserve Banks' Fedline System is open. Such exchanges must comply with the applicable initial and subsequent purchase minimums as established by the fund whose shares are being acquired pursuant to the exchange. Refer to the prospectus of the Portico Money Market Fund and under the heading "'Purchase of Shares'" in this prospectus for the current minimum amounts for initial and subsequent purchases. Additional information about this exchange privilege is contained in the Statement of Additional Information. Baird receives certain payments from Portico Money Market Fund in connection with exchanges of shares of the Baird Mutual Funds for those of the Portico Money Market Fund. Refer to the prospectus of the Portico Money Market Fund for information regarding these payments.

INDIVIDUAL RETIREMENT ACCOUNT AND SIMPLIFIED EMPLOYEE PENSION PLAN

INDIVIDUAL RETIREMENT ACCOUNTS - Individual shareholders may establish their own tax-sheltered Individual Retirement Account (''IRA''). The Baird Mutual Funds have a prototype IRA plan using IRS Form 5305-A. An individual may contribute to the IRA an annual amount equal to the lesser of 100% of annual earned income or \$2,000 (\$2,250 maximum in the case of a married couple where one spouse is not working and certain other conditions are met in which event two IRAs are established).

Earnings on amounts held under the IRA accumulate free of federal income taxes. Distributions from the IRA may begin at age 59-1/2, and must begin by April 1 following the calendar year end in which a person reaches age 70-1/2. Excess contributions, certain distributions prior to age 59-1/2 and failure to begin distributions after age 70-1/2 may result in adverse tax consequences.

Under current IRS regulations an IRA applicant must be furnished a disclosure statement containing information specified by the IRS. The applicant has the right to revoke the applicant's account within seven days after receiving the disclosure statement in accordance with IRS regulations and obtain a full refund of the applicant's contribution should the applicant so elect. The custodian may, in its discretion, hold the initial contribution uninvested until the expiration of the seven-day revocation period. The custodian anticipates that it will not so exercise its discretion but reserves the right to do so.

Firstar Trust Company, Milwaukee, Wisconsin, serves as custodian and furnishes the services provided for in the IRA plan as required by ERISA. The custodian invests all cash contributions, dividends and capital gains distributions in shares. For such services, the following fees, which are subject to change, will be charged against each account of the participants: \$12.50 annual maintenance fee; \$15 for transferring to a successor trustee; \$15 for distribution(s) to a participant; and \$15 for refunding any contribution in excess of the deductible limit.

SIMPLIFIED EMPLOYEE PENSION PLAN - The Baird Mutual Funds' prototype IRA plan may also be used to establish a Simplified Employee Pension Plan ('SEP/IRA'). The SEP/IRA is available to employers and employees, including self-employed individuals, who wish to purchase shares with tax deductible contributions not exceeding annually for any one participant the lesser of \$30,000 or 15% of earned income; provided that no more than \$9,500 annually (as adjusted for cost-of-living increases) may be contributed through elective deferrals.

Requests for information and forms concerning the IRA and SEP/IRA should be directed to Baird. Included with the forms is a disclosure statement which the IRS requires to be furnished to individuals who are considering an IRA or SEP/IRA. Consultation with a competent financial and tax adviser regarding the IRA and SEP/IRA is recommended.

DEFINED CONTRIBUTION RETIREMENT AND 401(k) PLAN

A prototype defined contribution retirement plan is available for employers who wish to purchase shares of the Baird Mutual Funds with tax-deductible contributions not exceeding annually the lesser of \$30,000 or 25% of earned income. This plan includes a cash or deferred 401(k) arrangement for employers who wish to allow employees to elect to reduce their compensation and have such amounts contributed to the plan, not to exceed \$9,500 annually (as adjusted for cost-of-living increases). The Baird Mutual Funds have received an opinion letter from the Internal Revenue Service that the prototype defined contribution retirement plan is acceptable for use under Section 401 of the Code.

Firstar Trust Company, Milwaukee, Wisconsin, serves as custodian and furnishes the services provided for in the retirement plan. The custodian invests all cash contributions, dividends and capital gains distributions in shares. For such services, the following fees, which are subject to change, will be charged against each account of the participants: \$12.50 for annual maintenance fee per participant account; \$15 for a transfer to successor trustee; \$15 for distribution(s) to a participant; and \$15 for a refund of an excess contribution.

Requests for information and forms concerning the retirement plan should be directed to Baird. Consultation with a competent financial and tax adviser regarding the retirement plan is recommended.

DIVIDENDS, DISTRIBUTIONS AND TAXES

The Baird Mutual Funds intend to qualify annually as, and elect tax treatment as, a regulated investment company under Subchapter M of the Code. Pursuant to the requirements of the Code, the Baird Mutual Funds intend to distribute substantially all of their net investment income and net capital gain, if any, to their shareholders annually so as not to be required to pay significant amounts of federal income or excise tax on their net investment income or net realized capital gain. Net investment income and net realized capital gain will typically be paid by the BCD Fund and the BBC Fund in October and December. Net realized capital gain will typically be paid by the BQB Fund in October and December and net investment income will be paid as described in the following paragraph. For federal income tax purposes, the amount of the distributions paid by the Baird Mutual Funds to shareholders, whether invested in additional shares pursuant to the dividend reinvestment plan or received in cash, will be taxable to each Baird Mutual Fund's shareholder except those shareholders that are not subject to tax on their income.

The daily net investment income of the BQB Fund is declared as a dividend each day to shareholders of record and paid monthly. Shares of the BQB Fund will begin earning dividends the day the purchase becomes effective and will not participate in the dividend declared on the date of redemption. For these purposes, the date of purchase and the date of redemption is the settlement date of the transaction. If all shares in an account (other than an account registered in the name of Baird's nominee) are redeemed, dividends credited to the account since the beginning of the dividend period through the date of redemption will be paid with the redemption proceeds. If less than all such shares are redeemed (or if all shares of an account registered in the name of Baird's nominee are redeemed), all dividends accrued but unpaid on the redeemed shares will be distributed on the next payment date. For the purpose of calculating dividends, net investment income consists of income accrued on portfolio assets, less accrued expenses. Income earned on weekends, holidays and other days on which the net asset value is not calculated will be declared as a dividend in advance on the preceding business day.

Shareholders will be notified annually as to the sources of dividends and distributions. For federal income tax purposes, the original cost for a shareholder's shares constitutes the shareholder's basis in the shares and on redemption (including redemptions pursuant to the Exchange Privilege and the Systematic Withdrawal Plan) the shareholder will recognize gain or loss equal to the difference between such basis and the redemption price; provided, that if shares of a Baird Mutual Fund are exchanged within 90 days of purchase pursuant to the Exchange Privilege or redeemed within 90 days of purchase and the proceeds reinvested pursuant to the Reinvestment Privilege, for federal income tax purposes (a) the basis of the shares initially purchased will not include the sales charge paid with respect thereto and (b) such sales charge will be added to the basis of the shares purchased pursuant to the Exchange Privilege or

the Reinstatement Privilege. Furthermore, any loss recognized on a sale of shares will be disallowed if the shares sold are replaced within a 61-day period beginning 30 days before and ending 30 days after the disposition of the shares. In such case, the basis of the acquired shares will be adjusted to reflect the disallowed loss. Shares purchased pursuant to the dividend reinvestment plan will have a basis equal to the amount of the dividends and/or capital gains distributions reinvested. Distributions and redemptions may also be subject to tax under state or local tax laws the provisions of which may differ from those of the Code.

CAPITAL STRUCTURE

Each of the BCD Fund and the BBC Fund have authorized capital stock consisting of 20,000,000 shares of common stock. The authorized capital stock of The Baird Funds, Inc. consists of 10,000,000,000 shares, of which 300,000,000 are allocated to the BQB Fund. Shareholders of the BCD Fund and the BBC Fund are entitled: (i) to one vote per full share of common stock; (ii) to such distributions as may be declared by the Fund's Board of Directors out of funds legally available; and (iii) upon liquidation, to participate ratably in the assets available for distribution. With respect to the BQB Fund, each share outstanding entitles a holder to one vote. Generally shares of the BQB Fund and of any other portfolios of The Baird Funds, Inc. are voted in the aggregate and not by each Fund, except when class voting by the BQB Fund and any such other portfolios is required by Wisconsin law or the Investment Company Act of 1940 (E.G., change in investment policy or approval of an investment advisory agreement). The shares of each of the BQB Fund and any such other portfolios have the same preferences, limitations and rights, except that all consideration received from the sale of shares of each of the BQB Fund and any such other portfolios, together with all other income, earnings, profits and proceeds thereof, belong to the respective fund and are charged with the liabilities in respect to that fund and of that fund's share of the general liabilities of The Baird Funds, Inc., in the proportion that the total net assets of the respective fund bears to the aggregate net assets of The Baird Funds, Inc. The net asset value per share of each of the BQB Fund and the other portfolios of The Baird Funds, Inc. is based on the assets belonging to that fund less the liabilities charged to that fund, and dividends are paid on shares of each fund only out of lawfully available assets belonging to that fund. In the event of liquidation or dissolution of The Baird Funds, Inc., the shareholders of the BQB Fund and the other portfolios of The Baird Funds, Inc. will be entitled, out of the assets of The Baird Funds, Inc. available for distribution, to the assets belonging to such fund. As of the date of this prospectus, The Baird Funds, Inc. consisted of the BQB Fund and one other portfolio, the Baird Adjustable Rate Income Fund, which is not accepting new investments.

There are no conversion or sinking fund provisions applicable to the shares of the Baird Mutual Funds and the holders have no preemptive rights and may not accumulate their votes in the election of directors. Consequently the holders of more than 50% of the shares of the BCD Fund, the BBC Fund and The Baird Funds, Inc. voting for the election of directors of the respective corporation can elect the entire Board of Directors of the respective corporation and in such event the holders of the remaining shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors. The Wisconsin Business Corporation Law permits registered investment companies to operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the 1940 Act. The Baird Mutual Funds have adopted the appropriate provisions in their Bylaws and do not anticipate holding an annual meeting of shareholders to elect directors unless otherwise required by the 1940 Act. The Baird Mutual Funds have also adopted provisions in their Bylaws for the removal of directors by their shareholders.

The shares are redeemable and are transferable. All shares issued and sold by each Baird Mutual Fund will be fully paid and non-assessable except as provided in Section 180.0622(2)(b) of the Wisconsin Business Corporation Law. Fractional shares entitle the holder to the same rights as whole shares, on a proportionate basis. Firststar Trust Company, 615 East Michigan Street, Milwaukee, Wisconsin 53202 acts as each Baird Mutual Fund's transfer agent and dividend disbursing agent.

The BCD Fund and the BBC Fund will not issue certificates evidencing shares purchased unless so requested in writing. Shares of the BQB Fund will be evidenced only by bookkeeping entries. Where certificates are not issued, the shareholder's account will be credited with the number of shares purchased, relieving shareholders of responsibility for safekeeping of certificates and the need to deliver them upon redemption. Written confirmations are issued for all purchases. Any shareholder may deliver certificates to Firststar Trust Company and direct that the shareholder's account be credited with the shares. A shareholder of the BCD Fund or the BBC Fund may direct Firststar Trust Company at any time to issue a certificate for the shareholder's shares without charge.

The BCD Fund, the BBC Fund and The Baird Funds, Inc. are separately incorporated investment companies. Each Baird Mutual Fund is described in this Prospectus in order to help investors understand the similarities and differences between the Baird Mutual Funds. Because the Baird Mutual Funds share this Prospectus there is a possibility that one Baird Mutual Fund might become liable for a

from (name of Fund)

Account Number

Please make exchanges Monthly
 Quarterly (M, J, S, D)

Exchanges will be made on the (*<F15>) or preceding business day.

*<F15> Date to be determined by Firststar.

**<F16>The Fund is required to withhold taxes if a Social Security number or Tax Identification number is not delivered to the Fund within 7 days.

RIGHT OF ACCUMULATION DISCOUNTS

I qualify for the Right of Accumulation as described in the Baird Mutual Funds' Prospectus. Below are listed all the accounts in Baird Capital Development Fund, Baird Blue Chip Fund and Baird Quality Bond Fund which should be credited to my Statement of Intention or combined with the account listed above.

ACCOUNT NUMBERS:

LETTER OF INTENT (OPTIONAL)

I agree to be bound by the description of the Letter of Intent in the Prospectus and to escrow certain of my shares in accordance herewith. Although I am not obligated to do so, it is my intention to invest over a 13-month period in shares of Baird Capital Development Fund, Baird Blue Chip Fund and/or Baird Quality Bond Fund an aggregate amount (including shares currently held) at least equal to that which is checked below:

\$50,000 to \$99,999 \$100,000 to \$249,999
\$250,000 to \$499,999 \$500,000 to \$999,999
 \$1,000,000 or more

If a previous purchase has been made within 90 days, please check this box and provide account number.

Account number -----

SYSTEMATIC WITHDRAWAL PLAN (OPTIONAL)

Systematic withdrawals are available only on account balances of \$10,000 or more at the time systematic withdrawals are commenced.

Mail a check for \$ (\$100 or more) prior to the last day of

each:

Month
Quarter

First check to be mailed in month of to person(s) and

address shown in account registration.

SHAREHOLDER AUTHORIZATION AND CERTIFICATION

(Must be certified by first shareholder, signing below)

I authorize any instruction contained herein and certify, under penalties of perjury

Signature of the Shareholder Date

1. That the social security or other taxpayer identification number is correct, and
(Strike if not true)

Signature of Co-Owner (if any)

2. That I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or I was subject to backup withholding and the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

Corp. Officer/partner/Trustee Title

Corp. Officer/partner/Trustee Title

Corp. Officer/partner/Trustee Title

APPLICATION

My Baird Investment Officer is:

Name -----

Number -----

AUTOMATIC INVESTMENT PLAN
\$50 minimum per month or quarter

Use this form to establish your automatic investment plan with The Baird Mutual Funds. You can purchase shares regularly by requesting electronic transfer of assets from your checking or NOW account to any of the Baird Mutual Funds.

GUIDELINES

Your bank must be a member of Automated Clearing House (ACH).

The application MUST be accompanied by a 'voided' check.

Application must be received at least 14 days prior to the initial transaction.

Your Baird Mutual Fund account must be established before the Plan goes into effect. (\$50 minimum)

A \$15 service fee will be assessed, if the automatic purchases cannot be made for any reason.

The Plan will be terminated upon redemption of all shares. (This includes exchanges to other Funds.)

Termination must be in writing to the Firststar Trust Company. Allow 5 business days to become effective.

All contributions made to a Baird Mutual Fund IRA through the Automatic Investment Plan will be recorded as current year contributions.

Contributions will be made on or about the 5th day of each month or quarter depending on the option selected.

Complete this form and return to:
Baird Mutual Funds, c/o Firststar Trust Company, P.O. Box 701, Milwaukee, WI
53201-0701

AUTHORIZATION TO MY BANK

I (we) authorize you via the ACH Network to honor all debit entries initiated by me from time to time through Firststar Bank of Milwaukee, N.A. on behalf of the Firststar Trust Company. All such debits are subject to sufficient collected funds in my account to pay the debit when presented.

I (we) agree that your treatment of each entry, and your rights to respect it, shall be the same as if it were signed personally by me (or either of us). I (we) further agree that if any such entries are dishonored with good and sufficient cause, you shall be under no liability whatsoever.

I (we) have read and understand the conditions of The Baird Mutual Fund Automatic Investment Plan. I (we) also understand that the Plan may be terminated or modified at any time without notice by The Baird Mutual Funds or Firststar Trust Company.

MONTHLY OPTION

Monthly amount to be invested \$ (\$50 minimum) commencing

, 199 .

QUARTERLY OPTION (APRIL, JULY, OCTOBER AND JANUARY)

Quarterly amount to be invested \$ (\$50 minimum) commencing

, 199 .

Check One:

FUND NAME	NAME OF YOUR BANK		
-----	-----		
ACCOUNT NUMBER	NAME(S) ON YOUR BANK OR NOW ACCOUNT		
-----	-----		
NAME(S) ON ACCOUNT	YOUR BANK ADDRESS		
-----	-----		
YOUR ADDRESS	CITY	STATE	ZIP
-----	()	-----	-----
CITY	STATE	ZIP	YOUR DAYTIME PHONE NUMBER
-----	-----		
SIGNATURE OF OWNER	DATE	SIGNATURE OF JOINT OWNER (IF ANY)	

DO NOT DETACH

AUTHORIZATION TO MY BANK

NAME(S) ON YOUR BANK ACCOUNT	ACCOUNT NUMBER	SIGNATURE(S) OF OWNER
-----	-----	-----
		SIGNATURE(S) OF OWNER

BANK NAME

BANK ADDRESS

CITY	STATE	ZIP
------	-------	-----

DISTRIBUTOR
 ROBERT W. BAIRD & CO.
 INCORPORATED
 777 East Wisconsin Avenue
 Milwaukee, Wisconsin 53202

INVESTMENT ADVISERS
 INVESTMENT MANAGEMENT
 SERVICES GROUP
 ROBERT W. BAIRD & CO. INCORPORATED
 777 East Wisconsin Avenue
 Milwaukee, Wisconsin 53202

FIDUCIARY MANAGEMENT, INC.
 225 East Mason Street
 Milwaukee, Wisconsin 53202

INDEPENDENT ACCOUNTANTS
 PRICE WATERHOUSE LLP
 100 East Wisconsin Avenue
 Milwaukee, Wisconsin 53202

CUSTODIAN, TRANSFER,
 DIVIDEND DISBURSING AND
 SHAREHOLDER SERVICING AGENT
 FIRSTSTAR TRUST COMPANY
 615 East Michigan Street
 Milwaukee, Wisconsin 53202
 414-765-4124

(Baird Logo)
 A NORTHWESTERN
 MUTUAL COMPANY

Robert W. Baird & Co. Incorporated
 777 E. Wisconsin Avenue, Milwaukee, WI 53202
 Phone 414-765-3500. Toll Free 1-800-RW-BAIRD
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STATEMENT OF ADDITIONAL INFORMATION

January 22, 1996

BAIRD CAPITAL DEVELOPMENT FUND, INC.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the prospectus of Baird Capital Development Fund, Inc. dated January 22, 1996. Requests for copies of the prospectus should be made by writing to Baird Capital Development Fund, Inc., 777 East Wisconsin Avenue, Milwaukee, Wisconsin, Attn: Corporate Secretary or by calling (414) 765-3500.

BAIRD CAPITAL DEVELOPMENT FUND, INC.

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No person has been authorized to give any information or to make any representations other than those contained in this Statement of Additional Information and the Prospectus dated January 22, 1996 and, if given or made, such information or representations may not be relied upon as having been authorized by Baird Capital Development Fund, Inc. or Robert W. Baird & Co. Incorporated.

This Statement of Additional Information does not constitute an offer to sell securities.

RECENT DEVELOPMENTS

As stated in the Prospectus for Baird Capital Development Fund, Inc. (the "Fund") dated January 22, 1996, the Fund has entered into an Agreement and Plan of Reorganization dated December 20, 1995 pursuant to which substantially all of the assets of the Fund will be sold to AIM Capital Development Fund, a newly-created series of AIM Equity Funds, Inc. In exchange, each shareholder of the Fund will receive shares of AIM Capital Development Fund with an aggregate net asset value equal to the total net asset value of the Fund's shares held by such shareholder immediately prior to the transaction. In connection with the transaction, the Fund will take steps to pay any outstanding liabilities and dissolve its corporate existence. The transaction is subject to approval of the Fund's shareholders and, if so approved, will be completed in late March 1996. The AIM Capital Development Fund will be managed by AIM Advisors, Inc., a registered investment adviser managing or advising 39 investment company portfolios with total assets of approximately \$42 billion as of December 1, 1995.

INVESTMENT RESTRICTIONS

The primary investment objective of the Fund is to produce long-term capital appreciation. The Fund will invest principally in common stocks believed by the Fund's investment adviser to be underpriced relative to future

growth prospects. Current income is a secondary objective. Consistent with its investment objective, the Fund has adopted the following investment restrictions which are matters of fundamental policy and cannot be changed without approval of the holders of the lesser of: (i) 67% of the Fund's shares present or represented at a shareholders meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of the Fund.

1. The Fund will not purchase securities on margin, participate in a joint-trading account, sell securities short, or write or invest in put or call options. The Fund's investments in warrants, valued at the lower of cost or market, will not exceed 5% of the value of the Fund's net assets. Included within such 5%, but not to exceed 2% of the value of the Fund's net assets, may be warrants which are not listed on either the New York Stock Exchange or the American Stock Exchange.

2. The Fund will not borrow money or issue senior securities, except for temporary bank borrowings (not in excess of 5% of the value of its assets) for emergency or extraordinary purposes, and will not pledge any of its assets except to secure borrowings and only to an extent not greater than 10% of the value of the Fund's net assets.

3. The Fund will not lend money (except by purchasing publicly distributed debt securities or entering into repurchase agreements provided that repurchase agreements maturing in more than seven days plus all other illiquid securities will not exceed 10% of the Fund's total assets) and will not lend its portfolio securities.

4. The Fund will not purchase securities of other investment companies except (a) as part of a plan of merger, consolidation or reorganization approved by the shareholders of the Fund or (b) securities of registered closed-end investment companies on the open market where no commission or profit results, other than the usual and customary broker's commission and where as a result of such purchase the Fund would hold less than 3% of any class of securities, including voting securities, of any registered closed-end investment company and less than 5% of the Fund's assets, taken at current value, would be invested in securities of registered closed-end investment companies.

5. The Fund will not make investments for the purpose of exercising control or management of any company.

6. The Fund will not purchase securities of any issuer (other than the United States or an instrumentality of the United States) if, as a result of such purchase, the Fund would hold more than 10% of any class of securities, including voting securities, of such issuer or more than 5% of the Fund's assets, taken at current value, would be invested in securities of such issuer.

7. The Fund will not concentrate more than 25% of the value of its assets, determined at the time an investment is made, exclusive of government securities, in securities issued by companies primarily engaged in the same industry.

8. The Fund will not acquire or retain any security issued by a company, an officer or director of which is an officer or director of the Fund or an officer, director or other affiliated person of its investment adviser.

9. The Fund will not acquire or retain any security issued by a company if any of the directors or officers of the Fund, or directors, officers or other affiliated persons of its investment adviser beneficially own more than 1/2% of such company's securities and all of the above persons owning more than 1/2% own together more than 5% of its securities.

10. The Fund will not act as an underwriter or distributor of securities other than shares of the Fund and will not purchase any securities which are restricted from sale to the public without registration under the Securities Act of 1933, as amended.

11. The Fund will not purchase any interest in any oil, gas or any other mineral exploration or development program.

12. The Fund will not purchase or sell real estate, interests in real estate or real estate mortgage loans and will not make any investments in real estate limited partnerships.

13. The Fund will not purchase or sell commodities or commodities contracts.

14. The Fund will not invest more than 5% of the Fund's total assets in securities of issuers which have a record of less than three years continuous operation, including the operation of any predecessor business of a company which came into existence as a result of a merger, consolidation, reorganization or purchase of substantially all of the assets of such predecessor business.

DIRECTORS AND OFFICERS OF THE FUND

DIRECTORS. The name, address, principal occupations during the past

five years and other information with respect to each of the directors of the Fund are as set forth below. Each of the individuals listed below serve in the same capacities for the Baird Blue Chip Fund and The Baird Funds, Inc., which is comprised of the Baird Quality Bond Fund and the Baird Adjustable Rate Income Fund.

JAMES D. BELL*<F2>

777 East Wisconsin Avenue
Milwaukee, Wisconsin

Mr. Bell is a Managing Director, the Chief Administrative Officer and a Director of Robert W. Baird & Co. Incorporated ("Baird"), the Fund's sub-adviser and distributor, and a Director of Baird Financial Corporation, the corporate parent of Baird.

REVEREND ALBERT J. DIULIO, S.J.

O'Hara Hall
Marquette University
Milwaukee, Wisconsin

Reverend DiUllo is President of Marquette University. From 1986 to 1990 Reverend DiUllo was President of Xavier University, Cincinnati, Ohio, and from 1984 to 1986, Associate Dean, College of Business, Marquette University.

GEORGE C. KAISER

929 North Astor #2501
Milwaukee, Wisconsin

Mr. Kaiser is sole proprietor of George Kaiser & Co. and the Chairman and Chief Executive Officer of Hanger Tight Company. From 1985 to 1988 Mr. Kaiser was President and from 1984 to 1987 was Executive Vice President of Arandell-Schmidt Co. He is also a director of Roundy's Inc.

ALLAN H. SELIG

201 South 46th Street
Milwaukee, Wisconsin

Mr. Selig is President and Chief Executive Officer of the Milwaukee Brewers Baseball Club, Inc. Mr. Selig is also a director of Oil-Dri Corporation of America.

EDWARD J. ZORE*<F2>

720 East Wisconsin Avenue
Milwaukee, Wisconsin

Mr. Zore is Executive Vice President of The Northwestern Mutual Life Insurance Company. Mr. Zore is also a director of MGIC Investment Corporation and Baird Financial Corporation, the corporate parent of Baird.

During the fiscal year ended September 30, 1995 the Fund paid \$3,000 in directors' fees to the Fund's disinterested directors. The Fund's current method of compensating directors is to pay each disinterested director a fee of \$250 for each meeting of the Board of Directors attended.

*<F2>Messrs. Bell and Zore are directors who are "interested persons" of the Fund as that term is defined in the Investment Company Act of 1940.

OFFICERS. The name, address, principal occupation during the past

five years and other information with respect to each of the officers of the Fund who are not directors are as set forth below. Each of the individuals listed below serve in the same capacities for the Baird Blue Chip Fund, Inc. and The Baird Funds, Inc. which is comprised of the Baird Quality Bond Fund and the Baird Adjustable Rate Income Fund.

MARCUS C. LOW, JR.

777 East Wisconsin Avenue
Milwaukee, Wisconsin
(PRESIDENT OF THE FUND)

Mr. Low is a Managing Director and Director of Baird and has been employed by Baird in various capacities since 1965.

LAURA H. GOUGH

777 East Wisconsin Avenue
Milwaukee, Wisconsin
(VICE PRESIDENT OF THE FUND)

Ms. Gough is a First Vice President of Baird and the director of Baird's Retirement Plan Department. Prior to joining Baird in 1991, she was general manager of the pension operations of Aetna Life & Casualty, in Pittsburgh, Pennsylvania.

MARY ANN TAYLOR

777 East Wisconsin Avenue
Milwaukee, Wisconsin
(VICE PRESIDENT OF THE FUND)

Ms. Taylor is a First Vice President of Baird and the director of Baird's Equity and Fixed Income Mutual Funds Department and has been employed by Baird in various capacities since 1980.

GLEN F. HACKMANN

777 East Wisconsin Avenue
Milwaukee, Wisconsin
(SECRETARY AND TREASURER OF THE FUND)

Mr. Hackmann is a Managing Director, the Secretary and General Counsel and a Director of Baird and has been General Counsel since September, 1984.

PRINCIPAL SHAREHOLDERS

As of December 31, 1995, Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, owned of record 49.0% of the outstanding shares of the Fund. Of the shares owned of record by Baird, 109,722 shares, or 5.26% of the total shares outstanding, are owned either beneficially or of record by Baird Capital Participation Plan, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. To the knowledge of the Fund, no other person owned beneficially 5% or more of the outstanding shares of the Fund as of December 31, 1995.

As of December 31, 1995 the Fund's officers and directors as a group (9 persons) beneficially owned less than 1% of the outstanding shares of the Fund.

INVESTMENT ADVISER AND SUB-ADVISER

The investment adviser to the Fund is Fiduciary Management, Inc. (the "Adviser"). The Adviser is wholly-owned by Ted D. Kellner, its Chairman and Chief Executive Officer, and Donald S. Wilson, its President and Treasurer. The Adviser's executive officers include Messrs. Kellner and Wilson, Mr. Gary G. Wagner, Executive Vice President, Ms. Maria Blanco, Senior Vice President and Secretary, Mr. Patrick English, Senior Vice President, Mr. Jeff Bryden, Senior Vice President, Ms. Camille Wildes, Vice President and Ms. Judy Koteski, Vice President. The directors of the Adviser are Messrs. Kellner and Wilson.

Pursuant to the investment advisory agreement between the Fund and the Adviser (the "Advisory Agreement") the Adviser furnishes continuous investment advisory services to the Fund. During the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993, the Fund paid the Adviser fees of \$225,719, \$221,153 and \$186,363, respectively.

The sub-adviser to the Fund is Baird. Baird is also the Fund's distributor. Baird is an indirect partially-owned subsidiary of, and controlled by, The Northwestern Mutual Life Insurance Company. The Fund and Baird have entered into a Sub-Advisory Agreement (the "Sub-Advisory Agreement") pursuant to which Baird provides research services to the Adviser. During the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993, the Fund paid Baird fees of \$179,231, \$175,603 and \$147,963, respectively, pursuant to the Sub-Advisory Agreement.

The Fund pays all of its expenses not assumed by the Adviser and Baird pursuant to the Advisory Agreement, Sub-Advisory Agreement and Administration

Agreement described below, including but not limited to the professional costs of preparing and printing its registration statements required under the Securities Act of 1933 and the Investment Company Act of 1940 and any amendments thereto, the expense of registering its shares with the Securities and Exchange Commission and in the various states, the printing and distribution cost of prospectuses mailed to existing shareholders, the cost of stock certificates, director and officer liability insurance, reports to shareholders, reports to government authorities and proxy statements, interest charges, brokerage commissions and expenses in connection with portfolio transactions. The Fund also pays the fees of directors who are not interested persons of the Fund, salaries of administrative and clerical personnel, association membership dues, auditing and accounting services, fees and expenses of any custodian or trustees having custody of Fund assets, expenses of repurchasing and redeeming shares, printing and mailing expenses, charges and expenses of dividend disbursing agents, registrars and stock transfer agents, including the cost of keeping all necessary shareholder records and accounts and handling any problems related thereto.

The Adviser and Baird have undertaken to reimburse the Fund to the extent that the aggregate annual operating expenses, including the investment advisory fee, sub-advisory and administration fees, but excluding interest, taxes, brokerage commissions, fees paid pursuant to the Fund's Distribution Plan and extraordinary items, exceed that percentage of the average net assets of the Fund for such year, as determined by valuations made as of the close of each business day of the year, which is the most restrictive percentage provided by the state laws of the various states in which the Common Stock is qualified for sale. As of the date of this Statement of Additional Information the percentage applicable to the Fund is 2-1/2% on the first \$30,000,000 of its daily net assets, 2% on the next \$70,000,000 of its daily net assets and 1-1/2% on assets in excess of \$100,000,000. Additionally, commencing with the fiscal year ended September 30, 1989, Baird will reimburse the Fund to the extent aggregate annual operating expenses as described above, but including fees paid pursuant to the Fund's Distribution Plan, exceed 1.8% of the Fund's daily net assets. The Fund monitors its expense ratio on a monthly basis. If the accrued amount of the expenses of the Fund exceeds the expense limitation, the Fund creates an account receivable from the Adviser and Baird for the amount of such excess. In such a situation the monthly payment of Baird's fee will be reduced by the amount of such excess (and if the amount of such excess in any month is greater than the monthly payment of Baird's fee, Baird will pay the Fund the amount of such difference), subject to adjustment month by month during the balance of the Fund's fiscal year if accrued expenses thereafter fall below this limit. The Adviser's fees will be reduced only in the event Baird fails to make any required reimbursements to the Fund. No reimbursement was required during the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993.

The Adviser is also the administrator to the Fund. Pursuant to an administration agreement (the "Administration Agreement") between the Fund and the Adviser, the Adviser prepares and maintains the books, accounts and other documents required by the Investment Company Act of 1940 (the "Act"), determines the Fund's net asset value, responds to shareholder inquiries, prepares the Fund's financial statements and excise tax returns, prepares reports and filings with the Securities and Exchange Commission, furnishes statistical and research data, clerical, accounting and bookkeeping services and stationery and office supplies, keeps and maintains the Fund's financial accounts and records and generally assists in all aspects of the Fund's operations other than portfolio management. During the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993, the Fund paid the Adviser fees of \$42,361, \$41,808 and \$37,589, respectively, pursuant to the Administration Agreement.

The Administration Agreement, Sub-Advisory Agreement and the Advisory Agreement will remain in effect as long as their continuance is specifically approved at least annually, by (i) the Board of Directors of the Fund, or by the vote of a majority (as defined in the Act) of the outstanding shares of the Fund, and (ii) by the vote of a majority of the directors of the Fund who are not parties to the Administration Agreement, Advisory Agreement or Sub-Advisory Agreement or interested persons of the Adviser or Baird, cast in person at a meeting called for the purpose of voting on such approval. Each of the Administration Agreement, Advisory Agreement and the Sub-Advisory Agreement provide that they may be terminated at any time without the payment of any penalty, by the Board of Directors of the Fund or by vote of a majority of the Fund's shareholders, on sixty days written notice to the Adviser or Baird, as the case may be, and by the Adviser or Baird, as the case may be, on the same notice to the Fund and that they shall be automatically terminated if they are assigned.

The Advisory Agreement, the Sub-Advisory Agreement and the Administration Agreement provide that the Adviser and Baird shall not be liable to the Fund or its shareholders for anything other than willful misfeasance, bad faith, gross negligence or reckless disregard of their obligations or duties. The Advisory Agreement, the Sub-Advisory Agreement and the Administration Agreement also provide that the Adviser and Baird and their officers, directors and employees may engage in other businesses, devote time and attention to any other business whether of a similar or dissimilar nature, and render services to

others.

DISTRIBUTION OF SHARES

Pursuant to a Distribution Agreement between the Fund and Baird, Baird acts as underwriter of the shares of Common Stock. The Distribution Agreement provides that Baird will use its best efforts to distribute the shares of Common Stock on a continuous basis and will receive commissions on such sales as described in the Prospectus under "Purchase of Shares." No sales charge is imposed on sales to retirement plans which purchase at least \$500,000 of shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund, sales pursuant to the reinstatement privilege as described in the Prospectus, and sales to employees, present and former directors of the Fund, employees and directors of Baird and the Adviser or to licensed securities representatives of Baird, and to members of the immediate family of any of the foregoing, because of the reduced level of sales-related expenses associated with sales to such groups. The term "members of the immediate family" is defined to mean a person's parents, brothers and sisters, children and grandchildren. Additionally Baird does not charge a front-end sales charge on (i) purchases of \$1,000,000 or more, (ii) purchases by investment advisory clients (or affiliates of investment advisory clients) and (iii) purchases with the proceeds of a redemption of shares of an unrelated mutual fund but the Fund imposes a contingent deferred sales load upon the redemption of certain shares so purchased, which contingent deferred sales load is paid to Baird. During the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993, Baird received approximately \$97,000, \$173,000 and \$281,000, respectively, in front-end sales commissions, all of which it retained. During the fiscal years ended September 30, 1995, September 30, 1994 and September 30, 1993, Baird received \$75, \$2,164 and \$146, respectively, in deferred sales commissions, all of which it retained. The Distribution Agreement further provides that Baird bears the costs of advertising and any other costs attributable to the distribution of the Common Stock. (A portion of these costs may be reimbursed by the Fund pursuant to the Fund's Distribution Plan pursuant to Rule 12b-1 under the Act (the "Plan") and related Distribution Assistance Agreement.) It may receive brokerage commissions for executing portfolio brokerage for the Fund. See "Allocation of Portfolio Brokerage."

The Plan was adopted in anticipation that the Fund will benefit from the Plan through increased sales of shares of Common Stock thereby reducing the Fund's expense ratio and providing an asset size that allows the Adviser greater flexibility in management. The Plan may be terminated at any time by a vote of the directors of the Fund who are not interested persons of the Fund and who have no direct or indirect financial interest in the Plan or any agreement related thereto (the "Rule 12b-1 directors") or by a vote of a majority of the outstanding shares of Common Stock. Reverend DiUlio and Messrs. Kaiser and Selig are the Rule 12b-1 directors. Any change in the Plan that would materially increase the distribution expenses of the Fund provided for in the Plan requires approval of the shareholders and the Board of Directors, including the Rule 12b-1 directors.

While the Plan is in effect, the selection and nomination of Directors who are not interested persons of the Fund will be committed to the discretion of the Directors of the Fund who are not interested persons of the Fund. The Board of Directors of the Fund must review the amount and purposes of expenditures pursuant to the Plan quarterly as reported to it by Baird. The Plan will continue in effect for as long as its continuance is specifically approved at least annually by the Directors, including the Rule 12b-1 directors. During the fiscal year ended September 30, 1995 the Fund paid Baird a fee of \$148,437 pursuant to the Plan and the related Distribution Assistance Agreement. During such year Baird incurred distribution expenses of \$148,438, of which \$141,604 was compensation to sales personnel and \$6,834 was related to the printing of the Fund's IRA materials and prospectuses.

During the fiscal ended September 30, 1995, Baird received the following commissions and other compensation from the Fund:

<TABLE>
<CAPTION>

	COMPENSATION ON		FEES PURSUANT TO THE	
	REDEMPTION AND	BROKERAGE	PLAN AND DISTRIBUTION	INVESTMENT
UNDERWRITING	REPURCHASES	COMMISSIONS	ASSISTANCE AGREEMENT	ADVISORY FEES
COMMISSIONS				
<S> <C>	<C>	<C>	<C>	<C>
\$97,202	\$75	\$21,221	\$148,437	\$179,231

</TABLE>

DETERMINATION OF NET ASSET VALUE AND PERFORMANCE

The net asset value of the Fund is determined as of the close of regular trading (currently 4:00 P.M. Eastern Time) on the New York Stock Exchange on each day the New York Stock Exchange is open for trading. The New York Stock Exchange is open for trading Monday through Friday except New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Additionally, if any of the aforementioned holidays falls on a Saturday, the New York Stock Exchange will not be open for trading on the preceding Friday and when any such holiday falls on a Sunday, the New York Stock Exchange will not be open for trading on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period.

Any total rate of return quotation of the Fund will be for a period of three or more months and will assume the reinvestment of all dividends and capital gain distributions which were made by the Fund during that period. Any period total rate of return quotation of the Fund will be calculated by dividing the net change in the value of a hypothetical shareholder account established by an initial payment of \$1,000 at the beginning of a period by \$1,000. The net change in the value of a shareholder account is determined by subtracting \$1,000 from the product obtained by multiplying the net asset value per share at the end of the period by the sum obtained by adding (A) the number of shares purchased at the beginning of the period (assuming the maximum sales charge of 5.75%) plus (B) the number of shares purchased during the period with reinvested dividends and distributions. Any average annual compounded total rate of return quotation of the Fund will be calculated by dividing the redeemable value at the end of the period (i.e., the product referred to in the preceding sentence) by

\$1,000. A root equal to the period, measured in years, in question is then determined and 1 is subtracted from such root to determine the average annual compounded total rate of return.

The foregoing computation may also be expressed by the following formula:

$$P(1+T)^n = ERV$$

P = a hypothetical initial payment of \$1,000

T = average annual total return

n = number of years

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the stated periods at the end of the stated periods.

The average annual returns for the Fund for the one-, five- and ten-year periods ended September 30, 1995 were 10.46%, 17.38% and 12.76%, respectively.

EXCHANGE PRIVILEGE

Shareholders may exchange shares of Common Stock for shares of Portico Money Market Fund at their net asset value and at a later date exchange such shares and shares purchased with reinvested dividends for shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund, at the then net asset value (without a sales or other service charge). If the shares of Portico Money Market Fund are not exchanged for shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund, within 24 months after the initial exchange, Baird reserves the right to terminate the Exchange Privilege. If the Exchange Privilege is so terminated, any shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund purchased with the proceeds from the redemption of the Portico Money Market Fund will be purchased at the current offering price, which includes the sales charge described in the Prospectus. The acquisition of shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund pursuant to the exercise of the Exchange Privilege will not qualify as a purchase under the Letter of Intent as qualifying purchases must be at the current offering price. Exchanges of shares of the Baird Mutual Funds for shares of Portico Money Market Fund and exchanges of shares of Portico Money Market Fund for shares of the Baird Mutual Funds may only be made on days on which shares of Portico Money Market Fund are priced. Shares of Portico Money Market Fund are priced on each day on which both the New York Stock Exchange is open for trading and the Federal Reserve Bank's Fedline System is open. Shares of Portico Money Market Fund are not priced on New Year's Day, Martin Luther King, Jr. Day (observed), Good Friday, President's Day (observed), Memorial Day (observed), Independence Day, Labor Day, Columbus Day (observed), Veteran's Day (observed), Thanksgiving Day and Christmas Day. Exchanges must comply with the applicable initial and subsequent purchase minimums as established by the fund whose shares are being acquired pursuant to the exchange. Refer to the prospectus of the Portico Money Market Fund and under the heading "Purchase of Shares" in this prospectus for the current minimum amounts for initial and subsequent purchases.

Shareholders who are interested in exercising the Exchange Privilege

should first contact Baird to obtain instructions and any necessary forms. The Exchange Privilege does not in any way constitute an offering of, or recommendation on the part of Baird, the Adviser, the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund of, an investment in Portico Money Market Fund. Any shareholder who considers making such an investment through the Exchange Privilege should first obtain and review the Prospectus of Portico Money Market Fund before exercising the Exchange Privilege.

The Exchange Privilege will not be available if (i) the proceeds from a redemption of shares of Common Stock are paid directly to the shareholder or at his direction to any persons other than Portico Money Market Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund or (ii) the proceeds from a redemption of the shares of Portico Money Market Fund are not immediately reinvested in shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund. Exercise of the Exchange Privilege will be limited to four exchanges (with each redemption or reinvestment being considered an exchange) in each calendar year for each investor (without accumulation if not exercised in prior years). The Exchange Privilege may be terminated at any time by the Fund. However at the time of termination former shareholders who hold shares of Portico Money Market Fund acquired pursuant to the Exchange Privilege may reinvest such monies in shares of the Fund, Baird Blue Chip Fund, Inc. or Baird Quality Bond Fund at net asset value (without a sales charge) within the 24 month period referred to above.

For federal income tax purposes a redemption of shares of Common Stock pursuant to the Exchange Privilege will result in a capital gain if the proceeds received exceed the shareholder's tax-cost basis of the shares of Common Stock redeemed. Such a redemption may also be taxed under state and local tax laws which may differ from the Internal Revenue Code.

ALLOCATION OF PORTFOLIO BROKERAGE

Decisions to buy and sell securities for the Fund are made by the Adviser subject to review by the Fund's Board of Directors. In placing purchase and sale orders for portfolio securities for the Fund, it is the policy of the Adviser to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided, as described in this and the following paragraph. In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental considerations. Among these are the Adviser's evaluation of the broker's efficiency in executing and clearing transactions, block trading capability (including the broker's willingness to position securities) and the broker's financial strength and stability. The most favorable price to the Fund means the best net price without regard to the mix between purchase or sale price and commission, if any. Over-the-counter securities are generally purchased and sold directly with principal market makers who retain the difference in their cost in the security and its selling price. In some instances, the Adviser feels that better prices are available from non-principal market makers who are paid commissions directly. The Adviser may allocate portfolio brokerage on the basis of whether the broker has sold or is currently selling shares of the Fund's Common Stock and may also allocate portfolio brokerage to Baird, but, in each case, only if the Adviser reasonably believes the commissions and transaction quality are comparable to that available from other qualified brokers. Under the Act Baird is prohibited from dealing with the Fund as a principal in the purchase and sale of securities. Since transactions in the over-the-counter securities market generally involve transactions with dealers acting as principal for their own account, Baird may not serve as the Fund's dealer in connection with such transactions. Baird when acting as a broker for the Fund in any of its portfolio transactions executed on a securities exchange of which Baird is a member, will act in accordance with the requirements of Section 11(a) of the Securities Exchange Act of 1934 and the rules of such exchanges.

In allocating brokerage business for the Fund, the Adviser also takes into consideration the research, analytical, statistical and other information and services provided by the broker, such as general economic reports and information, reports or analyses of particular companies or industry groups, market timing and technical information, and the availability of the brokerage firm's analysts for consultation. While the Adviser believes these services have substantial value, they are considered supplemental to the Adviser's own efforts in the performance of its duties under the Advisory Agreement and the efforts of Baird under the Sub-Advisory Agreement. Other clients of the Adviser may indirectly benefit from the availability of these services to the Adviser, and the Fund may indirectly benefit from services available to the Adviser as a result of transactions for other clients. The Advisory Agreement provides that the Adviser may cause the Fund to pay a broker which provides brokerage and research services to the Adviser a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting the transaction, if the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by the executing broker viewed in terms of either the particular transaction or the Adviser's overall responsibilities with respect to the Fund and the other accounts as to which he exercises investment discretion.

Since Baird provides research services to the Fund pursuant to the Sub-Advisory Agreement, it will not receive higher commissions because of research services provided.

Brokerage commissions paid by the Fund during the fiscal year ended September 30, 1995 to brokers, other than Baird, totaled \$23,940 on transactions involving securities having a total market value of \$23,253,942. All of such brokers provided research services to the Adviser. During such year, the Fund paid Baird brokerage commissions of \$21,221 on transactions involving securities having a total market value of \$6,987,422. Brokerage commissions paid by the Fund during the fiscal year ended September 30, 1994 to brokers, other than Baird, totaled \$35,592 on transactions involving securities having a total market value of \$25,076,573. All of such brokers provided research services to the Adviser. During such year, the Fund paid Baird \$10,220 on transactions involving securities having a total market value of \$3,074,125. Brokerage commissions paid by the Fund during the fiscal year ended September 30, 1993 to brokers, other than Baird, totaled \$23,486 on transactions involving securities having a total market value of \$21,385,736. All of such brokers provided research services to the Adviser. During such year the Fund paid Baird commissions of \$17,040 on transactions involving securities having a total market value of \$5,137,469.

CUSTODIAN

Firststar Trust Company, 615 East Michigan Street, Milwaukee, Wisconsin 53202, acts as custodian for the Fund. As such, Firststar Trust Company holds all securities and cash of the Fund, delivers and receives payment for securities sold, receives and pays for securities purchased, collects income from investments and performs other duties, all as directed by officers of the Fund. Firststar Trust Company does not exercise any supervisory function over the management of the Fund, the purchase and sale of securities or the payment of distributions to shareholders.

TAXES

General -----

The Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund will not be subject to Federal income tax on its net investment income and net short-term capital gains, if any, realized during any fiscal year to the extent that it distributes such income and capital gains to its shareholders.

The Fund will determine either to distribute or to retain for reinvestment all or part of any net long-term capital gain. If any such gain is retained, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its shareholders, each of whom (1) will be required to include in income for tax purposes as long-term capital gain its share of such undistributed amount, (2) will be entitled to credit its proportionate share of the tax paid by the Fund against its Federal income tax liability and to claim refunds to the extent the credit exceeds such liability, and (3) will increase its basis in its shares of the Fund by an amount equal to 65% of the amount of undistributed capital gain included in such shareholder's gross income.

A distribution will be treated as paid during any calendar year if it is declared by the Fund in October, November or December of the year, payable and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received on December 31 of the year the distributions are declared, rather than when the distributions are received. Under the Code, amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a 4% excise tax. To avoid the tax, the Fund must distribute during each calendar year an amount equal to at least the sum of (1) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of its capital gains in excess of its capital losses for the twelve-month period ending on October 31 of the calendar year, and (3) all ordinary income and net capital gains for previous years that were not previously distributed.

Gains or losses on the basis of securities by the Fund will be long-term capital gains or losses if the securities have been held by the Fund for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

Distributions -----

Distributions of investment company taxable income (which includes taxable interest income and the excess of net short-term capital gains over long-term capital losses) are taxable to a U.S. shareholder as ordinary income,

whether paid in cash or in additional Fund shares. Dividends paid by the Fund will qualify for the 70% deduction for dividends received by corporations to the extent the Fund's income consists of qualified dividends received from U.S. corporations. Distributions of net capital gain (which consist of the excess of long-term capital gains over net short-term capital losses), if any, are taxable as long-term capital gain, whether paid in cash or in shares, regardless of how long the shareholder has held the Fund's shares, and are not eligible for the dividends received deduction. Shareholders receiving distributions in the form of newly issued shares will have a basis in such shares of the Fund equal to the fair market value of such shares on the distribution date. If the net asset value of shares is reduced below a shareholder's cost as a result of a distribution by the Fund, such distribution may be taxable even though it represents a return of invested capital. The price of shares purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing shares just prior to a distribution will receive a distribution which will be taxable to them even though the distribution represents in part a return of invested capital.

Sale of Shares

Upon a sale or exchange of shares, a shareholder will realize a taxable gain or loss depending upon the basis in the shares. Such gain or loss will be treated as a long-term capital gain or loss if the shares have been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced within a 61-day period beginning 30 days before and ending 30 days after the date the shares are disposed of. In such case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a shareholder on the sale of Fund shares held by the shareholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any distributions of net capital gain received by the shareholder with respect to such shares.

Backup Withholding

The Fund may be required to withhold Federal income tax at a rate of 31% on all taxable distributions payable to shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the Internal Revenue Service that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the shareholder's Federal income tax liability.

SHAREHOLDER MEETINGS

The Wisconsin Business Corporation Law permits registered investment companies, such as the Fund, to operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the Act. The Fund has adopted the appropriate provisions in its bylaws and may, at its discretion, not hold an annual meeting in any year in which none of the following matters is required to be acted upon by the shareholders under the Act: (i) election of directors; (ii) approval of an investment advisory agreement; (iii) ratification of the selection of auditors; and (iv) approval of a distribution agreement.

The Fund's bylaws also contain procedures for the removal of directors by its shareholders. At any meeting of shareholders, duly called and at which a quorum is present, the shareholders may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

Upon the written request of the holders of shares entitled to not less than ten percent (10%) of all the votes entitled to be cast at such meeting, the Secretary of the Fund shall promptly call a special meeting of shareholders for the purpose of voting upon the question of removal of any director. Whenever ten or more shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a net asset value of at least \$25,000 or at least one percent (1%) of the total outstanding shares, whichever is less, shall apply to the Fund's Secretary in writing, stating that they wish to communicate with other shareholders with a view to obtaining signatures to a request for a meeting as described above and accompanied by a form of communication and request which they wish to transmit, the Secretary shall within five business days after such application either: (1) afford to such applicants access to a list of the names and addresses of all shareholders as recorded on the books of the Fund; or (2) inform such applicants as to the approximate number of shareholders of record and the approximate cost of mailing to them the proposed communication and form of request.

If the Secretary elects to follow the course specified in clause (2) of the last sentence of the preceding paragraph, the Secretary, upon the written

request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, shall, with reasonable promptness, mail such material to all shareholders of record at their addresses as recorded on the books unless within five business days after such tender the Secretary shall mail to such applicants and file with the Securities and Exchange Commission, together with a copy of the material to be mailed, a written statement signed by at least a majority of the Board of Directors to the effect that in their opinion either such material contains untrue statements of fact or omits to state facts necessary to make the statements contained therein not misleading, or would be in violation of applicable law, and specifying the basis of such opinion.

After opportunity for hearing upon the objections specified in the written statement so filed, the Securities and Exchange Commission may, and if demanded by the Board of Directors or by such applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the Securities and Exchange Commission shall enter an order refusing to sustain any of such objections, or if, after the entry of an order sustaining one or more of such objections, the Securities and Exchange Commission shall find, after notice and opportunity for hearing, that all objections so sustained have been met, and shall enter an order so declaring, the Secretary shall mail copies of such material to all shareholders with reasonable promptness after the entry of such order and the renewal of such tender.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, 100 East Wisconsin Avenue, Suite 1500, Milwaukee, Wisconsin 53202 currently serves as the independent accountants for the Fund and has so served since the fiscal year ended September 30, 1989. As such Price Waterhouse LLP performs an audit of the Fund's financial statements and considers the Fund's internal control structure. The audited financial statements of the Fund incorporated by reference into the Fund's Prospectus and included in this Statement of Additional Information have been so incorporated or included in reliance on the report of Price Waterhouse LLP, given on the authority of said firm as experts and auditing in rendering said report.

FINANCIAL STATEMENTS

The following audited financial statements and notes thereto of the Fund, together with the report of Price Waterhouse LLP thereon, are included herein.

- (1) Report of Independent Accountants.
- (2) Statement of Net Assets for the Fund as of September 30, 1995.
- (3) Statement of Operations for the Fund for the year ended September 30, 1995.
- (4) Statements of Changes in Net Assets for the Fund for the years ended September 30, 1995 and 1994.
- (5) Financial Highlights.
- (6) Notes to Financial Statements.

REPORT OF INDEPENDENT ACCOUNTANTS

100 East Wisconsin Avenue
Suite 1500
Milwaukee, WI 53202

(Price Waterhouse LLP Logo)

To the Shareholders and Board of Directors
of Baird Capital Development Fund, Inc.

In our opinion, the accompanying statement of net assets and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Baird Capital Development Fund, Inc. (the "Fund") at September 30, 1995, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the ten years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at September 30, 1995 by

correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP
October 25, 1995

BAIRD CAPITAL DEVELOPMENT FUND, INC.
STATEMENT OF NET ASSETS
September 30, 1995

Shares or Principal Amount	Cost	Quoted Market Value
-----	----	-----
LONG-TERM INVESTMENTS 82.4% (A)<F4>		
COMMON STOCKS - 77.3% (A)<F4>		
BANKS/SAVINGS & LOANS - 2.0%		
46,500	Marshall & Ilsley Corp.	\$ 582,430 \$1,168,312
COMPUTERS- 2.0%		
45,000	Stratus Computer, Inc.*<F3>	1,403,475 1,181,250
CONSUMER PRODUCTS - DURABLES - 4.8%		
40,000	Harley-Davidson, Inc.	265,750 975,000
65,000	Juno Lighting, Inc.	731,000 991,250
30,000	Kimball International, Inc. Cl B	778,379 840,000
	-----	-----
	1,775,129	2,806,250
CONSUMER PRODUCTS - NON-DURABLES - 1.2%		
28,000	Newell Co.	500,150 693,000
ENERGY/ENERGY SERVICES - 1.6%		
25,000	Burlington Resources Inc.	974,125 968,750
FOOD & BEVERAGES - 1.5%		
25,000	Universal Foods Corp.	782,860 871,875
HEALTH INDUSTRIES - 11.4%		
90,000	Biomet, Inc.*<F3>	1,006,875 1,552,500
35,000	Dentsply International Inc.	1,133,750 1,207,500
10,000	Haemonetics Corp.*<F3>	220,800 230,000
30,000	Sofamor/Danek Group, Inc.*<F3>	480,950 832,500
20,000	St. Jude Medical, Inc.*<F3>	751,500 1,265,000
40,000	Sybron International Corp.*<F3>	998,860 1,610,000
	-----	-----
	4,592,735	6,697,500
INDUSTRIAL SERVICES - 1.9%		
13,800	Bandag, Inc.	731,120 729,675
7,400	Bandag, Inc. Cl A	319,428 360,750
	-----	-----
	1,050,548	1,090,425
INSURANCE- 5.2%		
10,000	Poe & Brown, Inc.	246,250 245,000
30,000	Progressive Corp. (Ohio)	1,065,210 1,342,500
35,000	Providian Corp.	809,870 1,452,500
	-----	-----
	2,121,330	3,040,000
LEISURE/RESTAURANTS - 4.9%		
97,600	Brinker International, Inc.*<F3>	1,699,528 1,451,800
181,200	Ryan's Family Steak Houses, Inc.*<F3>	1,367,125 1,426,950
	-----	-----
	3,066,653	2,878,750
MACHINERY/TOOLS - 1.4%		
24,000	Harnischfeger Industries, Inc.	599,200 801,000
MISCELLANEOUS-BUSINESS SERVICES - 1.3%		
28,500	G & K Services, Inc.	281,625 662,625
5,000	On Assignment, Inc.*<F3>	81,650 126,875
	-----	-----
	363,275	789,500
MISCELLANEOUS-CONSUMER MANUFACTURING - 2.3%		
20,000	Lancaster Colony Corp.	612,500 680,000
35,000	LSI Industries Inc.	372,350 682,500
	-----	-----
	984,850	1,362,500
MISCELLANEOUS-FINANCE - 2.3%		
13,000	Federal National Mortgage Association	677,710 1,345,500
PAPER/PACKAGING - 2.5%		
18,800	Liqui-Box Corp.	652,255 556,950
38,500	Wausau Paper Mills Co.	717,199 933,625

		-----	-----
		1,369,454	1,490,575
	POLLUTION CONTROL - 2.4%		
40,000	Browning-Ferris Industries, Inc.	1,206,207	1,215,000
25,000	Harding Associates, Inc.*<F3>	355,250	171,875
		-----	-----
		1,561,457	1,386,875
	PRINTING/PUBLISHING/FORMS - 2.3%		
17,300	Banta Corp.	562,250	735,250
27,000	CCH INC. C1 B	556,875	600,750
		-----	-----
		1,119,125	1,336,000
	PRODUCER MANUFACTURING - 5.7%		
70,000	Pall Corp.	1,102,096	1,627,500
24,200	Regal-Beloit Corp.	166,980	450,725
50,000	Watts Industries, Inc.	1,108,676	1,243,750
		-----	-----
		2,377,752	3,321,975
	RETAIL TRADE - 9.3%		
90,000	Casey's General Stores, Inc.	844,375	2,036,250
60,000	Elek-Tek, Inc.*<F3>	764,375	285,000
115,000	Family Dollar Stores, Inc.	1,593,200	2,185,000
60,000	Mac Frugal's Bargains Close-outs Inc.*<F3>	1,016,230	945,000
		-----	-----
		4,218,180	5,451,250
	SOFTWARE/SERVICE - 11.3%		
15,000	Compuware Corp.*<F3>	607,500	330,000
80,000	Mentor Graphics Corp.*<F3>	802,500	1,670,000
45,000	Policy Management Systems Corp.*<F3>	1,446,368	2,306,250
80,000	SunGard Data Systems Inc.*<F3>	708,605	2,340,000
		-----	-----
		3,564,973	6,646,250
	WARRANTS- 0.0%		
790	Windmere Warrants, 01/19/98*<F3>	0	0
		-----	-----
	Total common stocks	33,685,411	45,327,537
	U.S. TREASURY NOTES - 5.1% (a)<F4>		
\$3,000,000	U.S. Treasury Notes, 4.375%, due 8/15/96	3,019,218	2,965,314
		-----	-----
	Total long-term investments	36,704,629	48,292,851
	SHORT-TERM INVESTMENTS 17.6% (A)<F4>		
	VARIABLE RATE DEMAND NOTES		
\$2,665,000	General Mills, Inc.	2,665,000	2,665,000
2,850,000	Pitney Bowes Credit Corp.	2,850,000	2,850,000
1,998,440	Sara Lee Corp.	1,998,440	1,998,440
2,830,000	Wisconsin Electric Power Co.	2,830,000	2,830,000
		-----	-----
	Total short-term investments	10,343,440	10,343,440
		-----	-----
	Total investments	\$47,048,069	58,636,291
		-----	-----
	Cash and receivables, less liabilities - 0.0% (a)<F4>		9,433

	NET ASSETS		\$58,645,724

	Net Asset Value Per Share (\$0.01 par value 20,000,000 shares authorized), redemption price (\$58,645,724 / 2,234,499 shares outstanding)		\$ 26.25

	Maximum Offering Price Per Share (net asset value plus 6.10% of the net asset value or 5.75% of the offering price calculated as \$26.25 x 100 / 94.25)		\$ 27.85

*<F3>Non-income producing security.

(a)<F4>Percentages for the various classifications relate to net assets.

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF OPERATIONS
For the Year Ended September 30, 1995

INCOME:	
Dividends	\$ 444,201
Interest	451,181

Total income	895,382

EXPENSES:	
Management fees - Adviser	225,719
Management fees - Sub-Adviser	179,231
Distributor fees	148,437
Transfer agent fees	56,552
Administrative services	42,361
Printing and postage expense	32,315
Professional fees	18,196
Custodian fees	12,824
Registration fees	8,937
Other expenses	11,193

Total expenses	735,765

NET INVESTMENT INCOME	159,617

NET REALIZED GAIN ON INVESTMENTS	5,612,531
NET INCREASE IN UNREALIZED APPRECIATION ON INVESTMENTS	3,054,593

NET GAIN ON INVESTMENTS	8,667,124

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$8,826,741

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended September 30, 1995 and 1994

	1995	1994
	-----	-----
OPERATIONS:		
Net investment income	\$ 159,617	\$ 91,703
Net realized gain on investments	5,612,531	3,025,462
Net increase (decrease) in unrealized appreciation on investments	3,054,593	(1,246,508)
	-----	-----
Net increase in net assets resulting from operations	8,826,741	1,870,657
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS:		
Distributions from net investment income (\$0.02490 and \$0.04375 per share, respectively)	(56,619)	(100,460)
Distributions from net realized gains (\$1.1155 and \$0.5313 per share, respectively)	(2,536,513)	(1,221,249)
	-----	-----
Total distributions	(2,593,132)	(1,321,709)
	-----	-----
FUND SHARE ACTIVITIES:		
Proceeds from shares issued (195,408 and 395,526 shares, respectively)	4,530,286	9,199,212
Net asset value of shares issued in distributions (57,724 and 30,019 shares, respectively)	1,286,104	692,008
Cost of shares redeemed (304,827 and 381,575 shares, respectively)	(7,211,431)	(8,802,392)
	-----	-----
Net (decrease) increase in net assets derived from Fund share activities	(1,395,041)	1,088,828
	-----	-----
TOTAL INCREASE	4,838,568	1,637,776

NET ASSETS AT THE BEGINNING OF THE YEAR	53,807,156	52,169,380
	-----	-----
NET ASSETS AT THE END OF THE YEAR		
(including undistributed net investment income of \$159,464 and \$56,574, respectively)	\$58,645,724	\$53,807,156
	-----	-----
	-----	-----

*<F5>Total distributions include \$997,958 of ordinary income, of which 57% is eligible for the corporate dividends received deduction.
**<F6>Total distributions include \$136,886 of ordinary income, of which 72% is eligible for the corporate dividends received deduction.

The accompanying notes to financial statements are an integral part of this statement.

FINANCIAL HIGHLIGHTS
(Selected Data for each share of each Fund outstanding throughout each period)

<TABLE>
BAIRD CAPITAL DEVELOPMENT FUND, INC.
<CAPTION>

	YEARS ENDED SEPTEMBER 30,									
	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE										
Net asset value, beginning of year	\$23.54	\$23.27	\$21.67	\$21.35	\$15.38	\$19.16	\$14.81	\$18.50	\$15.44	\$13.33
Income from investment operations:										
Net investment income (loss)	0.07	0.04	0.04	0.11	0.13	0.19	0.14	(0.03)	(0.04)	(0.12)
Net realized and unrealized gains (losses) on investments**<F2>	3.78	0.80	3.54	2.17	6.77	(3.86)	4.21	(2.54)	3.19	4.28
Total from investment operations	3.85	0.84	3.58	2.28	6.90	(3.67)	4.35	(2.57)	3.15	4.16
Less distributions:										
Dividends from net investment income	(0.02)	(0.04)	(0.08)	(0.10)	(0.20)	(0.11)	-	-	-	-
Distributions from net realized gains	(1.12)	(0.53)	(1.90)	(1.86)	(0.73)	-	-	(1.12)	(0.09)	(2.05)
Total from distributions	(1.14)	(0.57)	(1.98)	(1.96)	(0.93)	(0.11)	-	(1.12)	(0.09)	(2.05)
Net asset value, end of year	\$26.25	\$23.54	\$23.27	\$21.67	\$21.35	\$15.38	\$19.16	\$14.81	\$18.50	\$15.44
TOTAL INVESTMENT RETURN*** <F3>										
	17.2%	3.7%	17.9%	11.6%	47.8%	(19.3%)	29.4%	(12.8%)	20.6%	35.8%
RATIOS/SUPPLEMENTAL DATA										
Net assets, end of year (in 000's \$)	58,646	53,807	52,169	38,236	26,713	18,454	21,372	18,868	23,052	10,233
Ratio of expenses to average net assets<F1>	1.3%	1.4%	1.4%	1.6%	1.7%	1.7%	1.7%	2.3%	2.5%	2.1%
Ratio of net investment income (loss) to average net assets	0.3%	0.2%	0.2%	0.5%	0.7%	1.1%	0.3%	(0.6%)	(0.4%)	(0.5%)
Portfolio turnover rate	20.4%	29.5%	25.2%	47.7%	64.1%	63.8%	50.5%	55.6%	80.1%	41.9%

*<F1> Includes a maximum 1% distribution fee through December 12, 1985, a maximum .75% distribution fee from June 21, 1986 through September 30, 1988 and a maximum .45% distribution fee beginning October 1, 1988.

**<F2> On a per share basis this amount may not agree with the net realized and unrealized gains (losses) experienced on the portfolio securities for the period because of the timing of sales and repurchases of the Fund's shares in relation to fluctuating market values of the portfolio.

***<F3>Total return does not include the sales load.

</TABLE>

NOTES TO FINANCIAL STATEMENTS
September 30, 1995

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - The following is a summary of significant accounting policies of the Baird Capital Development Fund, Inc. (the 'Fund'), which is registered under the Investment Company Act of 1940. The Fund was incorporated under the laws of Wisconsin on February 21, 1984.

(a) Each security, excluding short-term investments, is valued at the last sale price reported by the principal security exchange on which the issue is traded, or if no sale is reported, the latest bid price. Securities which are

traded over-the-counter are valued at the latest bid price. Securities for which quotations are not readily available are valued at fair value as determined by the investment adviser under the supervision of the Board of Directors. Short-term investments are valued at amortized cost which approximates quoted market value. Investment transactions are recorded no later than the first business day after the trade date. Cost amounts, as reported on the statement of net assets, are the same for Federal income tax purposes.

- (b) Net realized gains and losses on common stock are computed on the basis of the cost of specific certificates.
- (c) Provision has not been made for Federal income taxes since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies.
- (d) Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.
- (e) The Fund has significant investments in short-term variable rate demand notes, which are unsecured instruments. The Fund may be susceptible to credit risk with respect to these notes to the extent the issuer defaults on its payment obligation. The Fund's policy is to monitor the creditworthiness of the issuer and does not anticipate nonperformance by these counterparties.
- (f) Generally accepted accounting principles require that permanent financial reporting and tax differences be reclassified to capital stock.

(2) INVESTMENT ADVISER AND MANAGEMENT AGREEMENT AND TRANSACTIONS WITH RELATED PARTIES - The Fund has a management agreement with Fiduciary Management, Inc. ("FMI"), to serve as investment adviser and manager. Under the terms of the agreement, the Fund will pay FMI a monthly management fee at the annual rate of 0.4125% of the daily net assets of the Fund. The Fund has an administrative agreement with FMI to supervise all aspects of the Fund's operations except those performed by FMI pursuant to the management agreement. Under the terms of the agreement, the Fund will pay FMI a monthly administrative fee at the annual rate of 0.1% of the daily net assets up to and including \$30,000,000 and 0.05% of the daily net assets of the Fund in excess of \$30,000,000.

The Fund has a sub-advisory agreement with Robert W. Baird & Co. Incorporated ("RWB"), with whom certain officers and directors of the Fund are affiliated, to serve as the sub-advisor. Under the terms of the agreement, the Fund will pay RWB a monthly sub-advisory fee at the annual rate of 0.3275% of the daily net assets of the Fund.

The Fund has adopted a Distribution Plan (the "Plan"), pursuant to Rule 12b-1 under the Investment Company Act of 1940, with RWB. The Plan provides that the Fund may incur certain costs which may not exceed the lesser of a monthly amount equal to 0.45% per year of the Fund's daily net assets or the actual distribution costs incurred by RWB during the year. Amounts paid under the Plan are paid monthly to RWB for any activities or expenses primarily intended to result in the sale of shares of the Fund.

During the year ended September 30, 1995, the Fund was advised that RWB received \$97,202 from investors representing commissions on sales of Fund shares and \$21,221 from the Fund for brokerage fees on the execution of purchases and sales of portfolio securities.

(3) DISTRIBUTION TO SHAREHOLDERS - Net investment income and net realized gains are distributed to shareholders. On October 25, 1995, a dividend from net investment income of \$159,464 (\$0.0723 per share) was declared. In addition, the Fund distributed \$5,612,454 (\$2.5432 per share) from net long-term realized gains. The distributions will be paid on October 26, 1995 to shareholders of record on October 24, 1995. The percentage of ordinary income which is eligible for the corporate dividends received deduction for this income distribution is 100%.

(4) INVESTMENT TRANSACTIONS - For the year ended September 30, 1995, purchases and proceeds of sales of investment securities (excluding short-term securities) were \$10,030,374 and \$20,210,990, respectively.

(5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - As of September 30, 1995, liabilities of the Fund included the following:

Payable to shareholders for redemptions	\$ 91,302
Payable to FMI and RWB for management, service and distribution fees	51,861
Other liabilities	10,835

(6) SOURCES OF NET ASSETS - As of September 30, 1995, the sources of net assets were as follows:

Fund shares issued and outstanding	\$41,285,584
------------------------------------	--------------

Net unrealized appreciation on investments	11,588,222
Accumulated net realized gains on investments	5,612,454
Undistributed net investment income	159,464

	\$58,645,724

Aggregate net unrealized appreciation as of September 30, 1995, consisted of the following:

Aggregate gross unrealized appreciation	\$13,226,934
Aggregate gross unrealized depreciation	(1,638,712)

Net unrealized appreciation	\$11,588,222

APPENDIX A

DESCRIPTION OF SECURITIES RATINGS

As set forth in the Prospectus under the caption "Investment Objectives and Policies" the Fund may invest in corporate bonds and debentures assigned one of the highest three ratings of either Standard & Poor's Corporation or Moody's Investors Service, Inc. A brief description of the ratings symbols and their meanings follows.

Standard & Poor's Corporation. A Standard & Poor's corporate or

municipal debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The debt rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform any audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

I. Likelihood of default - capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;

II. Nature of and provisions of the obligation;

III. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in the higher rated categories.

Moody's Investors Service, Inc.

Aaa - Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large, or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa - Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa

securities.

A - Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Moody's applies numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa to B. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the company ranks in the lower end of its generic rating category.

Standard & Poor's Commercial Paper Ratings. A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. Ratings are graded into several categories, ranging from A-1 for the highest quality obligations to D for the lowest. These categories are as follows:

A-1. This highest category indicates that the degree of safety regarding timely payment is strong. Those issuers determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

A-2. Capacity for timely payment on issues with this designation is satisfactory. However the relative degree of safety is not as high as for issuers designed "A-1".

A-3. Issues carrying this designation have adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designation.

Moody's Short-Term Debt Ratings. Moody's short-term debt ratings are opinions of the ability of issuers to repay punctually senior debt obligations which have an original maturity not exceeding one year. Obligations relying upon support mechanisms such as letters-of-credit and bonds of indemnity are excluded unless explicitly rated.

Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

Prime-1. Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

- Leading market positions in well-established industries.
- High rates of return on funds employed.
- Conservative capitalization structure with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime-2. Issuers rated Prime-2 (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Prime-3. Issuers rated Prime-3 (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

PART C

OTHER INFORMATION

Item 24. Financial Statements and Exhibits

- (a) Financial Statements (all included in Parts A and B)

- (1) Report of Independent Accountants
- (2) Statement of Net Assets as of September 30, 1995
- (3) Statement of Operations for the year ended September 30, 1995
- (4) Statements of Changes in Net Assets for the years ended September 30, 1995 and 1994
- (5) Financial Highlights
- (6) Notes to Financial Statements

(b) Exhibits

- (1) Registrant's Articles of Incorporation; Exhibit 1 to Registrant's Registration Statement on Form N-1A and Exhibit 1.1 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A are incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (2) Registrant's By-Laws, as amended; Exhibit 2 to Amendment No. 9 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (3) None
- (4) Specimen Stock Certificate; Exhibit 4 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (5) Investment Advisory Agreement; Exhibit 5 to Amendment No. 1 to Registrant's Registration Statement on Form N-1A and Exhibit 5.1 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A are incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (5.1) Sub-Advisory Agreement; Exhibit 5.2 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (6) Distribution Agreement; Exhibit 6 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (7) None
- (8) Custodian Agreement with Firststar Trust Company; Exhibit 8 to Amendment No. 1 to Registrant's Registration Statement on Form N-1A and Exhibit 8.1 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A are incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (9) Administration Agreement; Exhibit 9 to Amendment No. 8 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933
- (9.1) Agreement and Plan of Reorganization dated December 20, 1995 between the Fund and AIM Equity Funds, Inc., on behalf of the AIM Capital Development Fund
- (10) Opinion of Foley & Lardner, counsel for Registrant; Exhibit 10 to Amendment No. 9 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (11) Consent of Independent Accountants
- (12) None
- (13) Subscription Agreement; Exhibit 13 to Amendment No. 1 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (14.1) Individual Retirement Account; Exhibit 14.1 to Amendment No. 8 to Registrant's Registration Statement on Form N-1A is

incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.

- (14.2) Defined Contribution Retirement Plan; Exhibit 14.2 to Amendment No. 9 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (15.1) Registrant's Amended and Restated Distribution Plan; Exhibit 15.1 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (15.2) Distribution Assistance Agreement; Exhibit 15.2 to Amendment No. 5 to Registrant's Registration Statement on Form N-1A is incorporated by reference pursuant to Rule 411 under the Securities Act of 1933.
- (16) Schedule for Computation of Performance Quotations.
- (27) Financial Data Schedule

Item 25. Persons Controlled by or under Common Control with Registrant

Registrant is not controlled by any person. Registrant neither controls any person nor is under common control with any other person.

Item 26. Number of Holders of Securities

Title of Class -----	Number of Record Holders as of December 31, 1995 -----
Common Stock, \$.01 par value	2,409

Item 27. Indemnification

Pursuant to the authority of the Wisconsin Business Corporation Law, Registrant's Board of Directors has adopted the following By-Law which is in full force and effect and has not been modified or canceled:

Article VII

INDEMNIFICATION

7.01 Provision of Indemnification. The corporation shall

indemnify all of its corporate representatives against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by them in connection with the defense of any action, suit or proceeding, or threat or claim of such action suit or proceeding, whether civil, criminal, administrative, or legislative, no matter by whom brought, or in any appeal in which they or any of them are made parties or a party by reason of being or having been a corporate representative, if the corporate representative acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation and with respect to any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful provided that the corporation shall not indemnify corporate representatives in relation to matters as to which any such corporate representative shall be adjudged in such action, suit or proceeding to be liable for gross negligence, willful misfeasance, bad faith, reckless disregard of the duties and obligations involved in the conduct of his office, or when indemnification is otherwise not permitted by the Wisconsin Business Corporation Law.

7.02 Determination of Right to Indemnification. In the absence

of an adjudication which expressly absolves the corporate representative, or in the event of a settlement, each corporate representative shall be indemnified hereunder only if there has been a reasonable determination based on a review of the facts that indemnification of the corporate representative is proper because he has met the applicable standard of conduct set forth in Section 7.01.

Such determination shall be made: (i) by the board of directors, by a majority vote of a quorum which consists of directors who were not parties to the action, suit or proceeding nor interested persons of the corporation as defined in Section 2(a)(19) of the Investment Company Act of 1940; (ii) if the required quorum is not obtainable or if a quorum of disinterested directors so direct, by independent legal

counsel in a written opinion; or (iii) by the shareholders. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person was guilty of willful misfeasance, bad faith, gross negligence or reckless disregard to the duties and obligations involved in the conduct of his or her office, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

7.03 Allowance of Expenses. Expenses, including attorneys' fees,

incurred in the preparation of and/or presentation of the defense of a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Sections 180.0853 or 180.0856 of the Wisconsin Business Corporation Law and in accordance with requirements of the Securities and Exchange Commission upon receipt of an undertaking by or on behalf of the corporate representative to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this by-law.

7.04 Additional Rights to Indemnification. The indemnification

provided by this by-law shall not be deemed exclusive of any other rights to which those indemnified may be entitled under these by-laws, any agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person subject to the limitations imposed from time to time by the Investment Company Act of 1940, as amended.

7.05 Insurance. This corporation shall have power to purchase

and maintain insurance on behalf of any corporate representative against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under this by-law, provided that no insurance may be purchased or maintained to protect any corporate representative against liability for gross negligence, willful misfeasance, bad faith, or reckless disregard of the duties and obligations involved in the conduct of his or her office.

7.06 Definitions. "Corporate Representative" means an individual

who is or was a director, officer, agent or employee of the corporation or who serves or served another corporation, partnership, joint venture, trust or other enterprise in one of these capacities at the request of the corporation and who, by reason of his or her position, is, was or is threatened to be made a party to a proceeding described herein.

In reference to Article VII, Section 7.01 of the By-laws, Section 180.0851 of the Wisconsin Business Corporation Law provides for mandatory indemnification (a) if a corporate representative was successful on the merits or otherwise in the defense of a proceeding, and (b) if the corporate representative was not successful on the merits or otherwise but the liability incurred was not the result of a breach or failure to perform a duty which constituted any of the following: (1) a willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the corporate representative has a material conflict of interest; (2) a violation of criminal law, unless the corporate representative had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful; (3) a transaction from which the corporate representative derived an improper personal profit; or (4) willful misconduct.

Insofar as indemnification for and with respect to liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Registrant pursuant to the foregoing provisions or otherwise, Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a director, officer or controlling person or Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification is

against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Adviser

Information with respect to Messrs. Bell, Low, Hackmann, Kellner and Wilson, and Ms. Gough and Ms. Taylor, is incorporated by reference to pages 3-5 of the Statement of Additional Information pursuant to Rule 411 under the Securities Act of 1933. For information as to the business, profession, vocation and employment of a substantial nature of directors and officers of Baird, reference is made to Baird's current Form ADV (File No. 801-7571) filed under the Investment Advisers Act of 1940, as amended, incorporated herein by reference pursuant to Rule 411 under the Securities Act of 1933.

Item 29. Principal Underwriters

(a) Robert W. Baird & Co. Incorporated, the Fund's principal underwriter and sub-adviser, is the principal underwriter for, and investment adviser to, Baird Blue Chip Fund, Inc., Baird Quality Bond Fund and Baird Adjustable Rate Income Fund.

(b) Incorporated by reference to Item 28 and pages 3-5 of the Statement of Additional Information pursuant to Rule 411 under the Securities Act of 1933.

(c) None

Item 30. Location of Accounts and Records

All accounts, books, or other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the rules promulgated thereunder are in the physical possession of the Adviser's Treasurer, Ted D. Kellner, at the Adviser's corporate offices, 225 East Mason Street, Milwaukee, Wisconsin 53202, or Registrant's Secretary, Glen F. Hackmann, at Registrant's corporate offices, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

Item 31. Management Services

All management-related service contracts entered into by Registrant are discussed in Parts A and B of this Registration Statement.

Item 32. Undertakings

Not required.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this Amended Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Amended Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Milwaukee and State of Wisconsin on the 9th day of January, 1996.

BAIRD CAPITAL DEVELOPMENT
FUND, INC.
(Registrant)

By: /s/ Marcus C. Low, Jr.

Marcus C. Low, Jr., President

Pursuant to the requirements of the Securities Act of 1933, this Amended Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

Name ----	Title -----	Date ----
/s/ Marcus C. Low, Jr. ----- Marcus C. Low, Jr.	Principal Executive, Financial and Accounting Officer	January 9, 1996
/s/ James D. Bell	Director	January 9, 1996

James D. Bell

/s/ Albert J. DiUlio Director January 9, 1996

Albert J. DiUlio

/s/ George C. Kaiser Director January 9, 1996

George C. Kaiser

/s/ Allan H. Selig Director January 9, 1996

Allan H. Selig

/s/ Edward J. Zore Director January 9, 1996

Edward J. Zore

EXHIBIT INDEX

Exhibit No. -----	Exhibit -----	Page No. -----
(1)	Registrant's Articles of Incorporation	*<F3>
(2)	Registrant's By-Laws	*<F3>
(3)	None	
(4)	Specimen Stock Certificate	*<F3>
(6)	Investment Advisory Agreement	*<F3>
(5.1)	Sub-Advisory Agreement	*<F3>
(6)	Distribution Agreement	*<F3>
(7)	None	
(8)	Custodian Agreement with Firststar Trust Company	*<F3>
(9)	Administration Agreement	*<F3>
(9.1)	Agreement and Plan of Reorganization	
(10)	Opinion of Foley & Lardner	*<F3>
(11)	Consent of Price Waterhouse LLP	
(12)	None	
(13)	Subscription Agreement	*<F3>
(14.1)	Individual Retirement Account	*<F3>
(14.2)	Defined Contribution Retirement Plan	*<F3>
(15.1)	Registrant's Amended and Restated Distribution Plan	*<F3>
(15.2)	Distribution Assistance Agreement	*<F3>
(16)	Schedule for Computation of Performance Quotations	
(27)	Financial Data Schedule	

*<F3> Incorporated by reference.

AGREEMENT

and

PLAN OF REORGANIZATION

for

BAIRD CAPITAL DEVELOPMENT FUND, INC.

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AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION, dated as of December 20, 1995 (this "Agreement"), by and between Baird Capital Development Fund, Inc., a Wisconsin corporation ("Baird Capital Development"), and AIM Equity Funds, Inc., a Maryland corporation ("AIM Equity"), acting on behalf of AIM Capital Development Fund (the "Portfolio").

WITNESSETH

WHEREAS, Baird Capital Development is an investment company registered with the Securities and Exchange Commission (the "SEC") under the Investment Company Act (as defined below); and

WHEREAS, AIM Equity is an investment company registered with the SEC under the Investment Company Act that offers separate classes of its shares representing interests in several investment portfolios for sale to the public; and

WHEREAS, Baird Capital Development owns securities in which the Portfolio is permitted to invest; and

WHEREAS, Baird Capital Development desires to provide for its reorganization through the transfer of substantially all of its assets to the Portfolio in exchange for shares of the Portfolio issued in the manner set forth in this Agreement; and

WHEREAS, this Agreement is intended to be and is adopted as a Plan of Reorganization and Liquidation within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the foregoing premises and the agreements and undertakings of AIM Equity and Baird Capital Development contained in this Agreement, AIM Equity and Baird Capital Development agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. (a) For all purposes in this Agreement,

the following terms shall have the respective meanings set forth in this Section

1.1 (such definitions to be equally applicable to both the singular and plural

forms of the terms herein defined):

"Acquisition Proposal" means, except for the transactions contemplated hereby, any proposal with respect to a merger, reorganization, consolidation, share exchange or similar transaction involving Baird Capital Development, or any purchase of all or any significant portion of the assets of Baird Capital Development, or any equity interest in Baird Capital Development.

"AEF Registration Statement" means the registration statement on Form N-1A of AIM Equity, as amended, Registration No. 2-25469/811-1424, that is applicable to the Portfolio.

"Advisers Act" means the Investment Advisers Act of 1940, as amended, and all rules and regulations of the SEC adopted pursuant thereto.

"Affiliated Person" means an affiliated person as defined in Section 2(a)(3) of the Investment Company Act.

"Agreement" means this Agreement and Plan of Reorganization together with all schedules and exhibits attached hereto and all amendments hereto and thereof.

"AIM Equity" means AIM Equity Funds, Inc., a Maryland corporation.

"Baird Capital Development" means Baird Capital Development Fund, Inc., a Wisconsin corporation.

"BCD Financial Statements" shall have the meaning set forth in Section

3.3 of this Agreement.

"BCD Shareholders" means the holders of record as of the Closing Date of the issued and outstanding shares of the capital stock of Baird Capital Development.

"BCD Shareholders Meeting" means a meeting of the shareholders of Baird Capital Development convened in accordance with applicable law and the articles of incorporation of Baird Capital Development to consider and vote upon the approval of this Agreement and the transactions contemplated by this Agreement.

"BCD Shares" means the issued and outstanding shares of the capital stock of Baird Capital Development.

"Benefit Plan" means any material "employee benefit plan" (as defined in Section 3(3) of ERISA) and any material bonus, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, vacation, retirement, profit sharing, welfare plans or other plan, arrangement or understanding maintained or contributed to by Baird Capital Development, or otherwise providing benefits to any current or former employee, officer or director of Baird Capital Development.

"Closing" means the transfer of the assets of Baird Capital Development against the delivery of Portfolio Shares directly to the shareholders of Baird Capital Development as described in Section 2.1 of this

Agreement.

"Closing Date" means March 29, 1996, or such other date as the parties may mutually determine.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Information" shall have the meaning set forth in Section

5.2(a) of this Agreement.

"Custodian" means State Street Bank and Trust Company acting in its capacity as custodian for the assets of the Portfolio.

"Effective Time" shall mean 2:00 p.m. Central Time on the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended, and all rules and regulations adopted by the SEC pursuant thereto.

"Excluded Assets" shall have the meaning set forth in Section 2.3 of

this Agreement.

"Governmental Authority" means any foreign, United States or state government, government agency, department, board, commission (including the SEC) or instrumentality, and any court, tribunal or arbitrator of competent jurisdiction, and any governmental or non-governmental self-regulatory organization, agency or authority (including the National Association of Securities Dealers, Inc., the Commodities and Futures Trading Commission, the National Futures Association, the Investment Management Regulatory Organization Limited and the Office of Fair Trading).

"Investment Company Act" means the Investment Company Act of 1940, as amended, and all rules and regulations adopted by the SEC pursuant thereto.

"Lien" means any pledge, lien, security interest, charge, claim or encumbrance of any kind.

"Material Adverse Effect" means an effect that would cause a change in the condition (financial or otherwise), properties, assets or prospects of an entity having an adverse monetary effect in an amount equal to or greater than \$50,000.

"Person" means an individual or a corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

"Portfolio" means AIM Capital Development Fund, an investment portfolio of AIM Equity.

"Portfolio Shares" means shares of common stock of AIM Equity, par value \$.001, each representing an interest in the Portfolio.

"Reorganization" means the acquisition of certain of the assets of Baird Capital Development by the Portfolio in consideration of the issuance of Portfolio Shares directly to BCD Shareholders as described in this Agreement.

"Required BCD Shareholder Vote" shall have the meaning set forth in Section 3.19 of this Agreement.

"Return" means any return, report or form or any attachment thereto required to be filed with any taxing authority.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and all rules and regulations adopted by the SEC pursuant thereto.

"Tax" means any tax or similar governmental charge, impost or levy (including, without limitation, income taxes (including, without limitation, alternative minimum tax and estimated tax), franchise taxes, transfer taxes or fees, sales taxes, use taxes, gross receipts taxes, value added taxes, employment taxes, excise taxes, ad valorem taxes, property taxes, withholding taxes, payroll taxes, minimum taxes, or windfall profit taxes), together with any related penalties, fines, additions to tax or interest, imposed by the United States or any state, county, local or foreign government or subdivision or agency thereof.

"Valuation Date" shall have the meaning set forth in Section 2.4 of

this Agreement.

ARTICLE II
TRANSFER OF ASSETS

Section 2.1. Reorganization of Baird Capital Development. At

the Effective Time, all of the assets of Baird Capital Development, except the Excluded Assets, shall be delivered to the Custodian for the account of the Portfolio in exchange for, and against delivery by AIM Equity directly to the BCD Shareholders at the opening of business on the Closing Date of a number of Portfolio Shares (including, if applicable, fractional shares rounded to the nearest thousandth) having an aggregate net asset value equal to the net value of the assets of Baird Capital Development so transferred, assigned and delivered, all determined and adjusted as provided in Section 2.2 below. Upon

delivery of such assets, the Portfolio will receive good and marketable title to such assets free and clear of all Liens.

Section 2.2. Computation of Net Asset Value.

(a) The net asset value of the Portfolio Shares and the net value of the assets of Baird Capital Development subject to this Agreement shall, in each case, be determined as of the close of business on the NYSE on the Valuation Date.

(b) The net asset value of the Portfolio Shares shall be computed in the manner set forth in accordance with the policies and procedures of the Portfolio as described in the AEF Registration Statement.

(c) The net value of the assets of Baird Capital Development subject to this Agreement shall be computed by AIM Equity and shall be subject to adjustment by the amount, if any, agreed to by Baird Capital Development and AIM Equity. In determining the value of the securities transferred by Baird Capital Development to the Portfolio, each security shall be priced in accordance with the policies and procedures of the Portfolio as described in the AEF Registration Statement. For such purposes, market quotes and the security

characteristics relating to establishing such quotes shall be determined by AIM Equity, with the approval of Baird Capital Development. Securities for which market quotes are not available shall be valued as mutually agreed by AIM Equity and Baird Capital Development, provided that such value is consistent with the pricing procedures adopted by AIM Equity. All computations shall be made by AIM Equity in cooperation with the auditors of AIM Equity and the auditors of Baird Capital Development, who will apply certain procedures agreed to by AIM Equity and Baird Capital Development to test such computations.

Section 2.3. Excluded Assets. There shall be deducted from the

assets of Baird Capital Development described in Section 2.1 all organizational

expenses, any prepaid expenses that would not have value to the Portfolio and cash in an amount estimated by Baird Capital Development to be sufficient to pay all the liabilities of Baird Capital Development, including, without limitation, (I) amounts owed or to be owed to any BCD Shareholder, including declared but unpaid dividends, (ii) accounts payable, taxes and other accrued and unpaid expenses, if any, incurred in the normal operation of its business up to and including the Closing Date and (iii) the costs and expenses incurred by Baird Capital Development in making and carrying out the transactions contemplated by this Agreement.

Section 2.4. Valuation Date. The assets of Baird Capital

Development and the net asset value per share of the Portfolio Shares shall be valued as of the close of business on the NYSE on the business day next preceding the Closing Date (the "Valuation Date"). The stock transfer books of Baird Capital Development will be permanently closed as of the close of business on the Valuation Date and only requests for the redemption of shares of Baird Capital Development received in proper form prior to the close of trading on the NYSE on the Valuation Date shall be accepted by Baird Capital Development. Redemption requests thereafter received by Baird Capital Development shall be deemed to be redemption requests for Portfolio Shares (assuming that the transactions contemplated by this Agreement have been consummated) to be distributed to BCD Shareholders under this Agreement.

Section 2.5. Delivery.

(a) Assets held by Baird Capital Development shall be delivered by Baird Capital Development to the Custodian on the Closing Date. No later than three (3) business days preceding the Closing Date Baird Capital Development shall instruct its custodian to make such delivery to the Custodian. Baird Capital Development shall further instruct its custodian that any trade made by Baird Capital Development during the three day period before the Closing Date shall settle at the Custodian. The assets so delivered shall be duly endorsed in proper form for transfer in such condition as to constitute a good delivery thereof, in accordance with the custom of brokers, and shall be accompanied by all necessary state stock transfer stamps, if any, or a check for the appropriate purchase price thereof. Cash held by Baird Capital Development

(other than cash held as part of the Excluded Assets) shall be delivered at the Effective Time and shall be in the form of currency or wire transfer in Federal funds, payable to the order of the account of the Portfolio at the Custodian.

(b) If, on the Closing Date, Baird Capital Development is unable to make delivery in the manner contemplated by Section 2.5(a) of securities held

by Baird Capital Development for the reason that any of such securities purchased prior to the Closing Date have not yet been delivered to Baird Capital Development, its broker or brokers, then, AIM Equity shall waive the delivery requirements of Section 2.5(a) with respect to said undelivered securities, if

Baird Capital Development has delivered to the Custodian by or on the Closing Date and with respect to said undelivered securities, executed copies of an agreement of assignment and escrow agreement and due bills executed on behalf of said broker or brokers, together with such other documents as may be required by AIM Equity or the Custodian, including brokers' confirmation slips.

Section 2.6. Dissolution. As soon as reasonably practicable

after the Closing Date, Baird Capital Development shall pay or make provisions for all of its debts, liabilities and taxes and distribute all remaining assets to the BCD Shareholders, and Baird Capital Development shall be dissolved and deregistered under the Investment Company Act and under applicable state laws, provided that, in the event that the transactions contemplated herein are not approved by the BCD Shareholders, Baird Capital Development shall not be obligated to so dissolve and deregister.

Section 2.7. Issuance of AIM Equity Shares. At the Closing

Date, Baird Capital Development shall instruct AIM Equity that the pro rata interest of each of BCD Shareholders of record as of the close of business on the Valuation Date, as certified by Baird Capital Development's transfer agent, in the Portfolio Shares be registered on the books of AIM Equity in full and fractional shares in the name of each BCD Shareholder, and AIM Equity agrees promptly to comply with said instruction. All issued and outstanding shares of Baird Capital Development's capital stock shall thereupon be canceled on the books of Baird Capital Development. AIM Equity shall have no obligation to inquire as to the validity, propriety or correctness of any such instruction, but shall, in each case, assume that such instruction is valid, proper and correct. AIM Equity shall record on its books the ownership of the Portfolio Shares by BCD Shareholders and shall forward a confirmation of such ownership to the BCD Shareholders. No redemption or repurchase of such shares credited to former BCD Shareholders in respect of Baird Capital Development shares represented by unsurrendered stock certificates shall be permitted until such certificates have been surrendered to AIM Equity for cancellation, or if such certificates are lost or misplaced, until lost certificate affidavits have been executed and delivered to AIM Equity.

Section 2.8. Investment Securities.

(a) It is expressly understood that Baird Capital Development may hereafter sell any securities owned by it in the ordinary course of its business as a diversified, open-end, management investment company. Upon written request by AIM Equity, Baird Capital Development shall (i) prior to the Closing Date, dispose of equity securities held by it to assure that AIM Equity does not own ten percent (10%) or more of the outstanding voting securities of any issuer as a result of the Reorganization, or (ii) cooperate with and assist AIM Equity in preparing and filing on the Closing Date the notification and report form required by the Hart-Scott-Rodino Antitrust Improvements Act, in which case the Closing shall be delayed until the end of the waiting period prescribed by such act.

(b) On or prior to the Valuation Date, Baird Capital Development shall deliver a list setting forth the securities it then owns together with the respective Federal income tax bases thereof. Baird Capital Development shall provide to AIM Equity on or before the Valuation Date, detailed tax basis accounting records for each security to be transferred to it pursuant to this Agreement. Such records shall be prepared in accordance with the requirements for specific identification tax lot accounting and clearly reflect the bases used for determination of gain and loss realized on the partial sale of any security transferred to the Portfolio hereunder. Such records shall be made available by Baird Capital Development prior to the Valuation Date for inspection by the Treasurer (or his designee) or the auditors of AIM Equity upon reasonable request.

2.9. Liabilities and Expenses. The Portfolio shall not assume any

liabilities of Baird Capital Development and Baird Capital Development shall use its reasonable best efforts to discharge all known liabilities, as far as may be possible, prior to the Closing Date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BAIRD CAPITAL DEVELOPMENT

Baird Capital Development represents and warrants to AIM Equity that:

Section 3.1. Incorporation: Qualification and Corporate Authority.

Baird Capital Development has been duly incorporated and is validly existing and in active status under the laws of the State of Wisconsin with all requisite corporate power and authority to conduct its business as presently conducted.

Section 3.2. Registration and Regulation of Baird Capital

Development. Baird Capital Development is duly registered with the SEC as an

investment company under the Investment Company Act and all BCD Shares which have been or are being offered for sale have been duly registered under the Securities Act and have been duly registered, qualified or are exempt from

registration or qualification under the securities laws of each state or other jurisdiction in which such shares have been or are being offered for sale, and no action has been taken by Baird Capital Development to revoke or rescind any such registration or qualification. Baird Capital Development is in compliance in all material respects with all applicable laws, rules and regulations, including, without limitation, the Investment Company Act, the Securities Act, the Exchange Act and all applicable state securities laws. Baird Capital Development is in compliance in all material respects with the applicable investment policies and restrictions set forth in its registration statement currently in effect. The value of the net assets of Baird Capital Development is determined using portfolio valuation methods that comply in all material respects with the requirements of the Investment Company Act and the policies of Baird Capital Development and all purchases and redemptions of BCD Shares have been effected at the net asset value per share calculated in such manner.

Section 3.3. Financial Statements. The books of account and related

records of Baird Capital Development fairly reflect in reasonable detail its assets, liabilities and transactions in accordance with generally accepted accounting principles applied on a consistent basis. The audited financial statements dated September 30, 1995 of Baird Capital Development previously delivered to AIM Equity (the "BCD Financial Statements") present fairly in all material respects the financial position of Baird Capital Development as at the dates indicated and the results of operations and cash flows for the periods then ended in accordance with generally accepted accounting principles applied on a consistent basis for the periods then ended.

Section 3.4. No Material Adverse Changes; Contingent Liabilities.

Since September 30, 1995, no material adverse change has occurred in the financial condition, results of operations, business, assets or liabilities of Baird Capital Development or the status of Baird Capital Development as a regulated investment company under the Code, other than changes resulting from any change in general conditions in the financial or securities markets or the performance of any investments made by Baird Capital Development or occurring in the ordinary course of business of Baird Capital Development. There are no contingent liabilities of Baird Capital Development not disclosed in the BCD Financial Statements which are required to be disclosed in accordance with generally accepted accounting principles.

Section 3.5. BCD Shares; Liabilities.

(a) The BCD Shares have been duly authorized and validly issued and are fully paid and non-assessable (except as provided in Wisconsin Business Corporation Law Section 180.0622(2)(b)).

(b) There is no plan or intention by the shareholders of Baird Capital Development who own five percent (5%) or more of the BCD Shares, and to the knowledge of Baird Capital Development's management, the remaining BCD

Shareholders have no present plan or intention of selling, exchanging, redeeming or otherwise disposing of a number of the Portfolio Shares received by them in connection with the Reorganization that would reduce the BCD Shareholders' ownership of Portfolio Shares to a number of shares having a value, as of the Closing Date, of less than fifty percent (50%) of the value of all of the formerly outstanding BCD Shares as of the same date. For purposes of this Section 3.5, BCD Shares exchanged for cash or other property or exchanged for -----

cash in lieu of fractional shares of the Portfolio will be treated as outstanding BCD Shares on the date of the Reorganization. Moreover, BCD Shares and Portfolio Shares held by BCD Shareholders and otherwise sold, redeemed or disposed of prior or subsequent to the Reorganization will be considered in making this representation, except for BCD Shares or Portfolio Shares which have been, or will be, redeemed by Baird Capital Development or the Portfolio in the ordinary course of its business as an open-end, diversified management investment company (or a series thereof) under the Investment Company Act.

(c) At the time of the Reorganization, Baird Capital Development shall not have outstanding any warrants, options, convertible securities or any other type of right pursuant to which any Person could acquire BCD Shares, except for the right of investors to acquire BCD Shares at net asset value in the normal course of its business as an open-end diversified management investment company operating under the Investment Company Act.

(d) Throughout the five-year period ending on the Closing Date, Baird Capital Development will have conducted its historic business within the meaning of Section 1.368-1(d) of the Income Tax Regulations under the Code in a substantially unchanged manner. In anticipation of the Reorganization, Baird Capital Development will not dispose of assets that, in the aggregate, will result in less than fifty percent (50%) of its historic business assets being transferred to the Portfolio.

(e) Baird Capital Development does not have, and has not had during the six (6) months prior to the date of this Agreement, any employees, and shall not hire any employees from and after the date of this Agreement through the Closing Date.

Section 3.6. Accountants. Price Waterhouse, LLP, which has reported -----

upon BCD Financial Statements for the period ended September 30, 1995, are independent public accountants as required by the Securities Act and the Exchange Act.

Section 3.7. Binding Obligation. This Agreement has been duly -----

authorized, executed and delivered by Baird Capital Development and, assuming this Agreement has been duly executed and delivered by AIM Equity and approved by the BCD Shareholder, constitutes the legal, valid and binding obligation of Baird Capital Development, enforceable against Baird Capital Development in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting

creditors' rights generally or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

Section 3.8. No Breaches or Defaults. The execution and delivery of

this Agreement by Baird Capital Development and performance by Baird Capital Development of its obligations hereunder has been duly authorized by all necessary corporate action on the part of Baird Capital Development, other than BCD Shareholder approval, and (i) does not and, on the Closing Date, will not result in any violation of the articles of incorporation or by-laws of Baird Capital Development and (ii) does not and, will not on the Closing Date, result in a breach of any of the terms or provisions of, or constitute (with or without the giving of notice or the lapse of time or both) a default under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation or imposition of any Lien upon any property or assets of Baird Capital Development (except for such breaches or defaults or Liens that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect) under (A) any indenture, mortgage or loan agreement or any other material agreement or instrument to which Baird Capital Development is a party or by which it may be bound or to which any of its properties may be subject; (B) any Permit; or (C) any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Authority having jurisdiction over Baird Capital Development or any of its properties. Baird Capital Development is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

Section 3.9. Authorizations or Consents. Other than those which

shall have been obtained or made on or prior to the Closing Date and those that must be made after the Closing Date to comply with Section 2.6 of this

Agreement, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority will be required to be obtained or made by Baird Capital Development in connection with the due execution and delivery by Baird Capital Development of this Agreement and the consummation by Baird Capital Development of the transactions contemplated hereby.

Section 3.10. Permits. Baird Capital Development has in full force

and effect all Federal, state, local and foreign governmental approvals, consents, authorizations, certificates, filings, franchises, licenses, notices, permits and rights (collectively, "Permits") necessary for it to conduct its business as presently conducted, and there has occurred no default under any Permit, except for the absence of Permits and for defaults under Permits the absence or default of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the knowledge of Baird Capital Development there are no proceedings relating to the suspension, revocation or modification of any Permit, except for such that would

not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 3.11. No Actions, Suits or Proceedings.

(a) There is no pending action, litigation or proceeding, nor, to the knowledge of Baird Capital Development, has any litigation been overtly threatened in writing or orally, against Baird Capital Development before any Governmental Authority which questions the validity or legality of this Agreement or of the actions contemplated hereby or which seeks to prevent the consummation of the transactions contemplated hereby, including the Reorganization.

(b) There are no legal, administrative or arbitration actions, suits, or proceedings instituted or pending or, to the knowledge of Baird Capital Development, threatened in writing or, if probable of assertion, orally against Baird Capital Development or affecting any property, asset, interest, or right of Baird Capital Development, that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. There are not in existence on the date hereof any plea agreements, judgments, injunctions, consents, decrees, exceptions or orders that were entered by, filed with or issued by Governmental Authority relating to the conduct of the business of Baird Capital Development affecting in any significant respect the conduct of its business. Baird Capital Development is not, and has not been, to the knowledge of Baird Capital Development, the target of any investigation by the SEC or any state securities administrator.

Section 3.12. Contracts.

(a) Except for the contracts and agreements listed on Schedule

3.12(a), Baird Capital Development is not a party to any material contract, debt

arrangement, futures contract, plan, lease, franchise or permit of any kind or nature whatsoever.

(b) Baird Capital Development is not in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its assets, business or operations receives benefits, and which default could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, and, to the knowledge of Baird Capital Development, there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

Section 3.13. Properties and Assets. Baird Capital Development has

good and marketable title to all properties and assets reflected in BCD Financial Statements as owned by it, free and clear of all Liens except as

described in the BCD Financial Statements.

Section 3.14. Ineligible Persons. Except as previously disclosed to

AIM Equity, neither Baird Capital Development nor any "Affiliated Person" of Baird Capital Development has been convicted of any felony or misdemeanor, described in Section 9(a)(1) of the Investment Company Act, nor has any Affiliated Person of Baird Capital Development been subject, or presently is subject, to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the Exchange Act, or for disqualification as an investment adviser, employee, officer or director of an investment company under Section 9 of the Investment Company Act, and, to Baird Capital Development's knowledge, there is no proceeding or investigation that is reasonably likely to become the basis for any such disqualification, denial, suspension or revocation.

Section 3.15. Rule 17e-1. Baird Capital Development has duly adopted

procedures pursuant to Rule 17e-1 under the Investment Company Act, to the extent applicable, and Baird Capital Development currently complies and will comply with the requirements of Section 17(e) of the Investment Company Act and Rule 17e-1 thereunder, to the extent applicable.

Section 3.16. Taxes.

(a) Baird Capital Development has elected to be treated as a regulated investment company under Subchapter M of the Code. Baird Capital Development has qualified as such for each taxable year since inception and that has ended prior to the Closing Date and will have satisfied the requirements of Section 851(b) of the Code for the period beginning on the first day of its current taxable year and ending on the Closing Date. In order to (i) insure continued qualification of Baird Capital Development as a "regulated investment company" for tax purposes and (ii) eliminate any tax liability of Baird Capital Development arising by reason of undistributed investment company taxable income or net taxable gain, Baird Capital Development will declare to the BCD Shareholders of record on or prior to the Valuation Date a dividend or dividends that, together with all such previous dividends shall have the effect of distributing (A) all of its investment company taxable income (determined without regard to any deductions for dividends paid) for the taxable year ended September 30, 1995 and for the short taxable year beginning on October 1, 1995 and ending on the Closing Date and (B) all of its net capital gains realized in its taxable year ended September 30, 1995 and in such short taxable year (after reduction for any capital loss carryover).

(b) Baird Capital Development has timely filed all Returns required to be filed by it and all Taxes with respect thereto have been paid, except where the failure so to file or so to pay, would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Adequate provision has been made in the financial statements of Baird Capital Development

for all Taxes in respect of all periods ending on or before the date of such financial statements, except where the failure to make such provisions would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. No deficiencies for any Taxes have been proposed, assessed or asserted in writing by any taxing authority against Baird Capital Development, and no deficiency has been proposed, assessed or asserted, in writing, where such deficiency would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. No waivers of the time to assess any such Taxes are outstanding nor are any written requests for such waivers pending and no Return of Baird Capital Development is currently being or has been audited since September 30, 1990 with respect to income taxes (and since September 30, 1992 with respect to all other Taxes) by any Federal, state, local, or foreign Tax authority.

(c) Baird Capital Development's fiscal year has not been changed for tax purposes since September 30, 1990.

Section 3.17. Benefit and Employment Obligations. Baird Capital

Development has no obligation to provide any post-retirement or post-employment benefit to any Person, including but not limited to under any Benefit Plan, and has no obligation to provide unfunded deferred compensation or other unfunded or self-funded benefits to any Person.

Section 3.18. Brokers. No broker, finder or similar intermediary has

acted for or on behalf of Baird Capital Development in connection with this Agreement or the transactions contemplated hereby, and no broker, finder, agent or similar intermediary is entitled to any broker's, finder's or similar fee or other commission in connection therewith based on any agreement, arrangement or understanding with Baird Capital Development or any action taken by it.

Section 3.19. Voting Requirements; Dissenter's Rights. The

affirmative votes of a majority of the holders of the outstanding BCD Shares (the "Required BCD Shareholder Vote") are the only votes of the holders of any class or series of Baird Capital Development's capital stock necessary to approve this Agreement and the transactions contemplated by this Agreement. The BCD Shareholders may not exercise dissenter's rights granted under the Wisconsin Business Corporation Law with respect to the Reorganization.

Section 3.20. State Takeover Statutes. No state takeover statute or

similar Statute or regulation applies or purports to apply to the Reorganization, this Agreement or any of the transactions contemplated by this Agreement.

Section 3.21. Books and Records. The books and records of Baird

Capital Development reflecting, among other things, the purchase and sale of BCD Shares by BCD Shareholders, the number of issued and outstanding shares

owned by each BCD Shareholder and the state or other jurisdiction in which such shares were offered and sold, are complete and accurate in all material respects.

Section 3.22. Prospectus. The current prospectus and statement of

additional information for Baird Capital Development as of the date on which they were issued did not contain, and as supplemented by any supplement thereto dated prior to or on the Closing Date, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, provided, however, that no representation or warranty is made with respect to written information provided by AIM Equity for inclusion in the prospectus or statement of additional information of Baird Capital Development, or any supplement thereto.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF AIM EQUITY

AIM Equity represents and warrants to Baird Capital Development as follows:

Section 4.1. Incorporation: Qualification and Corporate Authority.

AIM Equity has been duly incorporated and is validly existing and in good standing under the laws of Maryland, with all requisite corporate power and authority to enter into this Agreement and perform its obligations hereunder.

Section 4.2. Binding Obligation. This Agreement has been duly

authorized, executed and delivered by AIM Equity and, assuming this Agreement has been duly executed and delivered by Baird Capital Development, constitutes the legal, valid and binding obligation of AIM Equity, enforceable against AIM Equity in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors' rights generally or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

Section 4.3. No Breaches or Defaults. The execution and delivery of

this Agreement by AIM Equity and performance by AIM Equity of its obligations hereunder have been duly authorized by all necessary corporate action on the part of AIM Equity and (i) do not, and on the Closing Date will not, result in any violation of the charter or by-laws of AIM Equity and (ii) does not, and on the Closing Date will not, result in a breach of any of the terms or provisions of, or constitute (with or without the giving of notice or the lapse of time or both) a default under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation or imposition of any Lien upon any property or assets of the Portfolio (except for such breaches or defaults or Liens that would not

reasonably be expected, individually or in the aggregate, to adversely affect the consummation of the Reorganization) under (A) any indenture, mortgage or loan or any other material agreement or instrument to which AIM Equity is a party or by which it may be bound which relates to the Portfolio or to which any properties of the Portfolio may be subject; (B) any Permit; or (C) any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Authority having jurisdiction over AIM Equity or any of the Portfolio's properties.

Section 4.4. Authorizations or Consents. Other than those which

shall have been obtained or made on or prior to the Closing Date, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority will be required to be obtained or made by AIM Equity in connection with the due execution and delivery by AIM Equity of this Agreement and the consummation by AIM Equity of the transactions contemplated hereby.

Section 4.5. Permits. AIM Equity has in full force and effect all

Permits necessary for it to conduct its business as presently conducted as it relates to the Portfolio, and there has occurred no default under any Permit, except for the absence of Permits and for defaults under Permits the absence or default of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the knowledge of AIM Equity there are no proceedings relating to the suspension, revocation or modification of any Permit, except for such that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 4.6. No Actions, Suits or Proceedings.

(a) There is no pending action, suit or proceeding, nor, to the knowledge of AIM Equity, has any litigation been overtly threatened in writing or, if probable of assertion, orally, against AIM Equity before any Governmental Authority which questions the validity or legality of this Agreement or of the transactions contemplated hereby, or which seeks to prevent the consummation of the transactions contemplated hereby, including the Reorganization.

(b) There are no legal, administrative or arbitration actions, suits, or proceedings instituted or pending or, to the knowledge of AIM Equity, threatened in writing or, if probable of assertion, orally against AIM Equity or affecting any property, asset, interest, or right of the Portfolio, that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. There are not in existence on the date hereof any plea agreements, judgments, injunctions, consents, decrees, exceptions or orders that were entered by, filed with or issued by Governmental Authority relating to AIM Equity's conduct of the business of the Portfolio affecting in any significant respect the conduct of such business. AIM Equity is not, and has not been, to the knowledge of AIM Equity, the target of any investigation by the SEC or any state securities administrator.

Section 4.7. Ineligible Persons. Neither AIM Equity nor any

"Affiliated Person" of AIM Equity has been convicted of any felony or misdemeanor, described in Section 9(a)(1) of the Investment Company Act, nor has any affiliated person of AIM Equity been subject, or presently is subject, to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the Exchange Act, or for disqualification as an investment adviser, employee, officer or director of an investment company under Section 9 of the Investment Company Act, and, to AIM Equity's knowledge, there is no proceeding or investigation that is reasonably likely to become the basis for any such disqualification, denial, suspension or revocation.

Section 4.8. Brokers. No broker, finder or similar intermediary has

acted for or on behalf of AIM Equity in connection with this Agreement or the transactions contemplated hereby, and no broker, finder, agent or similar intermediary is entitled to any broker's, finder's or similar fee or other commission in connection therewith based on any agreement, arrangement or understanding with AIM Equity or any action taken by AIM Equity.

Section 4.9. Registration and Regulation. AIM Equity is registered

with the SEC under the Investment Company Act as an open-end, management, series, investment company and the Portfolio has elected to qualify as a regulated investment company under Section 851 of the Code. On the Closing Date the Portfolio will be in compliance in all material respects with all applicable laws, rules and regulations, including, without limitation, the Investment Company Act, the Securities Act, the Exchange Act and all applicable state securities laws. On the Closing Date the Portfolio will be in compliance in all material respects with the applicable investment policies and restrictions set forth in its registration statement currently in effect. After the Closing Date the value of the net assets of the Portfolio will be determined using portfolio valuation methods that comply in all material respects with the requirements of the Investment Company Act.

Section 4.10. Registration of Portfolio Shares.

(a) The authorized capital stock of AIM Equity consists of 7,000,000,000 shares with a par value of \$0.001 each.

(b) The Portfolio Shares of AIM Equity to be issued pursuant to Section 2.7 shall on the Closing Date be duly registered under the Securities

Act by a Registration Statement on Form N-14 of AIM Equity then in effect.

(c) The Portfolio Shares to be issued pursuant to Section 2.7 are -----

duly authorized and on the Closing Date will be validly issued and fully paid and non-assessable and will conform in all substantial respects to the description thereof contained in the Registration Statement on Form N-14 then in effect. At the time of the Reorganization, the Portfolio shall not have outstanding any warrants, options, convertible securities or any other type of right pursuant to which any Person could acquire Portfolio Shares, except for the right of investors to acquire Portfolio Shares at the public offering price in the normal course of its business as an open-end diversified management investment company operating under the Investment Company Act.

(d) The combined proxy statement/prospectus (the "Combined Proxy Statement/Prospectus") which forms a part of AIM Equity's Registration Statement on Form N-14 shall be furnished to Baird Capital Development and BCD Shareholders entitled to vote at the BCD Shareholders Meeting. The Combined Proxy Statement/Prospectus and related Statement of Additional Information of the Portfolio, when they become effective, shall conform in all material respects to the applicable requirements of the Securities Act and the Investment Company Act and shall not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not materially misleading, provided, however, that no representation or warranty is made with respect to written information provided by Baird Capital Development for inclusion in the Combined Prospectus/Proxy Statement.

(e) The Portfolio Shares which AIM Equity intends to offer for sale to the public after the Closing Date shall be duly registered under the Securities Act by the AEF Registration Statement then in effect.

Section 4.11. Representations Concerning the Reorganization.

(a) AIM Equity has no plan or intention to reacquire any of the Portfolio Shares issued in the Reorganization, except to the extent that the Portfolio is required by the Investment Company Act to redeem any of its shares presented for redemption.

(b) The Portfolio has no plan or intention to sell or otherwise dispose of any of the assets of Baird Capital Development acquired in the Reorganization, other than in the ordinary course of its business and to the extent necessary to maintain its status as a "regulated investment company" under the Code.

(c) Following the Reorganization, the Portfolio will continue the "historic business" of Baird Capital Development (within the meaning of Section 1.368-1(d) of the Income Tax Regulations under the Code) or use a significant portion of Baird Capital Development's historic assets in a business.

(d) Upon consummation of the Reorganization, the investment portfolios of AIM Equity, in the aggregate, will not own ten percent or more of

the voting securities any issuer.

Section 4.12. Prospectus. The prospectus and statement of additional

information for Baird Capital Development that will become effective on the Closing Date will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, provided, however, that no representation or warranty is made with respect to written information provided by Baird Capital Development for inclusion in such prospectus or statement of additional information, or any supplement thereto.

ARTICLE V

COVENANTS

Section 5.1. Conduct of Business.

(a) From the date of this Agreement up to and including the Closing Date (or, if earlier, the date upon which this Agreement is terminated pursuant to Article VII), Baird Capital Development shall conduct its businesses only in

the ordinary course and substantially in accordance with past practices, and shall use its reasonable best efforts to preserve intact its business organization and material assets and maintain the rights, franchises and business and customer relations necessary to conduct its businesses in the ordinary course in all material respects. Without limiting the generality of the foregoing, Baird Capital Development shall not do any of the following without the prior written consent of AIM Equity, which consent shall not be unreasonably withheld:

(i) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

(ii) amend its articles of incorporation or by-laws;

(iii) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof or any assets that are material, individually or in the aggregate, to Baird Capital Development taken as a whole, except purchases of assets in the ordinary course of business consistent with past practice, and except as permitted under Sections 5.9 and 5.10;

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(iv) sell, lease or otherwise dispose of any of its material properties or assets, or mortgage or otherwise encumber or subject to any

Lien any of its material properties or assets, other than in the ordinary course of business;

(v) incur any indebtedness for borrowed money or guarantee any indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Baird Capital Development, guarantee any debt securities of another Person, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person, or enter into any arrangement having the economic effect of any of the foregoing;

(vi) settle or compromise any income tax liability or make any material tax election;

(vii) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than in the ordinary course of business;

(viii) change its methods of accounting, except as required by changes in generally accepted accounting principles as concurred in by its independent auditors, or change its fiscal year;

(ix) make or agree to make any material severance, termination, indemnification or similar payments except pursuant to existing agreements; or

(x) adopt any Benefit Plan.

(b) From the date of this Agreement up to and including the Closing Date (or, if earlier, the date upon which this Agreement is terminated pursuant to Article VII), AIM Equity shall conduct the business of the Portfolio only in -----

the ordinary course and substantially in accordance with past practices, and shall use its reasonable best efforts to preserve intact its business organization and material assets and maintain the rights, franchises and business and customer relations necessary to conduct the business operations of the Portfolio in the ordinary course in all material respects.

Section 5.2. Confidentiality and Announcements.

(a) As used herein, "Confidential Information" means all information, whether oral, written or otherwise (including any information furnished prior to the execution of this Agreement), furnished to AIM Equity, or its directors, officers, partners, affiliates, employees, agents, advisors or representatives (collectively "representatives") by Baird Capital Development or its representatives relating to Baird Capital Development, and all reports, analyses, compilations, studies and other materials prepared by AIM Equity or its representatives (in whatever form maintained, whether documentary, computer storage or otherwise) containing, reflecting or based upon, in whole or in part, any such information or reflecting its review or view of, or interest in, Baird

Capital Development, a possible transaction with Baird Capital Development or the Confidential Information. The term "Confidential Information" does not include information which (i) is or becomes generally available to the public other than as a result of disclosure by AIM Equity, its representatives or anyone to whom AIM Equity or its representatives transmits any Confidential Information, in breach of this Agreement or (ii) is or becomes known or available to AIM Equity on a non-confidential basis from a source (other than Baird Capital Development, or its representatives) who, insofar as is known to AIM Equity after due inquiry, is not prohibited from transmitting the information to AIM Equity or its representatives by a contractual, legal, fiduciary or other obligation.

(b) Subject to Section 5.2(c) below, AIM Equity and its

representatives shall keep the Confidential Information confidential and shall not, without prior written consent of Baird Capital Development disclose, in whole or in part, and will not use, Confidential Information, directly or indirectly, for any purpose other than in connection with evaluating the transaction contemplated by this Agreement. Moreover, AIM Equity shall transmit Confidential Information to its representatives only if and to the extent that such representatives need to know the Confidential Information for the purpose of evaluating such transaction and, prior to being furnished any Confidential Information, are informed by AIM Equity of the confidential nature of the Confidential Information, are provided with a copy of the provisions of this Section 5.2 and agree to be bound hereby. In any event, AIM Equity shall be

responsible for any actions by its representatives which are not in accordance with the provisions hereof. AIM Equity agrees that neither AIM Equity nor its representatives will make inquiries of, or conduct any discussions with, any representative of Baird Capital Development or regarding the Confidential Information other than with the permission of Marcus C. Low, Jr., Ronald J. Kruszewski or Glen F. Hackmann.

(c) In the event that AIM Equity, its representatives or anyone to whom AIM Equity or its representatives supply the Confidential Information are requested or required to disclose any Confidential Information, AIM Equity agrees (i) to immediately notify Baird Capital Development of the existence, terms and circumstances surrounding such a request, (ii) to consult with Baird Capital Development on the advisability of taking legally available steps to resist or narrow the Confidential Information which, in the opinion of its counsel, AIM Equity is legally compelled to disclose and (iii) to cooperate with any action by Baird Capital Development or to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information; provided, however, that this Section 5.2(c) shall

not prohibit AIM Equity or its representatives from disclosing Confidential Information that consists of its or their own work product to persons that have a need to know such information in the ordinary course of business.

(d) Upon termination of this Agreement pursuant to Article VII,

and promptly upon request from Baird Capital Development thereafter, AIM Equity shall redeliver to Baird Capital Development or destroy all tangible Confidential Information and any other tangible material containing, prepared on the basis of, or reflecting any information in the Confidential Information (whether prepared by Baird Capital Development, its advisors or otherwise), and neither AIM Equity nor its representatives will retain any copies, extracts or other reproductions in whole or in part of such tangible material. For purposes of this Agreement, "tangible" Confidential Information shall include, without limitation, information contained in printed, magnetic or other tangible media, or in information storage and retrieval systems. At the request of Baird Capital Development, compliance with the foregoing shall be certified in writing to Baird Capital Development by an authorized officer supervising the same.

(e) Notwithstanding the other provisions of this Section 5.2,

promptly following execution and delivery of this Agreement, Baird Capital Development and AIM Equity shall agree upon and release a mutually acceptable press release and Baird Capital Development shall give any and all notices required to be given by law. Except as described in the preceding sentence and as required by law, prior to the Closing Date, none of Baird Capital Development, AIM Equity or the parent or any affiliate of either will issue any press release or make any other public statement with respect to this Agreement, without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

(f) The provisions of this Section 5.2 shall terminate on the

closing of the Reorganization.

Section 5.3. Expenses. Baird Capital Development and AIM Equity

shall each bear their respective direct and indirect expenses incurred in connection with this Agreement, the Reorganization and the other transactions contemplated hereby.

Section 5.4. Further Assurances. Each of the parties hereto shall

execute such documents and other papers and perform such further acts as may be reasonably required to carry out the provisions hereof and the transactions contemplated hereby. Each such party shall, on or prior to the Closing Date, use its reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the Reorganization, including the execution and delivery of any documents, certificates, instruments or other papers that are reasonably required for the consummation of the Reorganization.

Section 5.5. Notice of Events. AIM Equity shall give prompt notice

to Baird Capital Development, and Baird Capital Development shall give prompt notice to AIM Equity, of (i) the occurrence or nonoccurrence of any event of which to the knowledge of AIM Equity or to the knowledge of Baird Capital Development, the occurrence or non-occurrence of which would be likely to result

in any of the conditions specified in (x) in the case of AIM Equity, Sections

6.1 and 6.2 or (y) in the case of Baird Capital Development, Sections 6.2 and
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6.3, not being satisfied so as to permit the consummation of the Reorganization

and (ii) any material failure on its part, or on the part of the other party
hereto of which it has knowledge, to comply with or satisfy any covenant,
condition or agreement to be complied with or satisfied by it hereunder;
provided, however, that the delivery of any notice pursuant to this Section 5.5

shall not limit or otherwise affect the remedies available hereunder to any
party.

Section 5.6. Access to Information.

(a) Baird Capital Development will, during regular business hours and
on reasonable prior notice, allow AIM Equity and its authorized representatives
reasonable access to employees, books and records of Baird Capital Development;
provided, however, that any such access shall not significantly interfere with

the business or operations of Baird Capital Development.

(b) Any information made available to or obtained by AIM Equity or its
authorized representatives pursuant to subsection (a) above, or otherwise in
connection with this Agreement, shall be subject to the confidentiality
provisions described in Section 5.2 above.

(c) AIM Equity will, during regular business hours and on reasonable
prior notice, allow Baird Capital Development and its authorized representatives
reasonable access to the books and records of AIM Equity pertaining to the
assets of the Portfolio and to employees of AIM Equity with knowledge thereof,
provided, however, that any such access shall not significantly interfere with

the business or operations of AIM Equity.

Section 5.7. Consents, Approvals and Filings. Each of Baird Capital

Development and AIM Equity shall make all necessary filings, as soon as
reasonably practicable, including, without limitation, those required under the
Securities Act, the Exchange Act, the Investment Company Act and the Advisers
Act, in order to facilitate prompt consummation of the Reorganization and the
other transactions contemplated by this Agreement. In addition, each of Baird
Capital Development and AIM Equity shall use its reasonable best efforts, and
shall cooperate fully with each other (i) to comply as promptly as reasonably
practicable with all requirements of Governmental Authorities applicable to the
Reorganization and the other transactions contemplated herein and (ii) to obtain
as promptly as reasonably practicable all necessary permits, orders or other
consents of Governmental Authorities and consents of all third parties necessary

for the consummation of the Reorganization and the other transactions contemplated herein. Each of Baird Capital Development and AIM Equity shall use reasonable efforts to provide such information and communications to Governmental Authorities as such Governmental Authorities may request.

Section 5.8. Submission of Agreement to Shareholders. Baird Capital

Development shall take all action necessary in accordance with applicable law and its articles of incorporation and by-laws to convene the BCD Shareholders Meeting. Baird Capital Development shall, through its Board of Directors, recommend to the BCD Shareholders approval of this Agreement and the other transactions contemplated by this Agreement, except to the extent provided in Section 5.10 hereof. Baird Capital Development shall use its reasonable best

efforts to hold the BCD Shareholders Meeting as soon as practicable after the date hereof.

Section 5.9. Acquisition Proposals. Baird Capital Development shall

not, nor shall it authorize any officer, director or employee of, or any investment banker, attorney or other advisor or representative of Baird Capital Development to, directly or indirectly (i) solicit, initiate or encourage the submission of any Acquisition Proposal or (ii) participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal, and Baird Capital Development shall promptly terminate any such discussions with any Person that has expressed or expresses an interest in acquiring Baird Capital Development or negotiations pending at the date of this Agreement provided, however, Baird Capital Development or any officer, director

or employee of, or any investment banker, attorney or other adviser or representative of Baird Capital Development may, following the receipt of an Acquisition Proposal that the Board of Directors of Baird Capital Development determines in good faith, after consultation with outside counsel, would permit the Board of Directors to take any of the actions referred to in Section 5.10,

participate in negotiations regarding such Acquisition Proposal. Baird Capital Development shall promptly notify AIM Equity, orally and in writing, of the receipt by it after the date hereof of any Acquisition Proposal or any inquiry from a potential acquiror of Baird Capital Development which could reasonably be expected to lead to any Acquisition Proposal, the material terms and conditions of such Acquisition Proposal or inquiry and the identity of the Person making any such Acquisition Proposal or inquiry, except to the extent Baird Capital Development's Board of Directors concludes, after consultation with outside counsel, that the disclosure of any such information would be a breach of a duty of confidentiality imposed on Baird Capital Development with respect to such information. Subject to the foregoing, Baird Capital Development shall keep AIM Equity informed of the status and details of any such Acquisition Proposal or inquiry.

Section 5.10. Fiduciary Duties. The Board of Directors of Baird

Capital Development shall not (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to AIM Equity, its approval or recommendation of this Agreement or the Reorganization, (ii) approve or recommend, or propose to approve or recommend, any Acquisition Proposal or (iii) authorize Baird Capital Development to enter into any agreement with respect to any Acquisition Proposal, unless Baird Capital Development receives an Acquisition Proposal and

the Board of Directors of Baird Capital Development determines in good faith, after consultation with outside counsel, that in order to comply with its fiduciary duties to the shareholders of Baird Capital Development under applicable law, the Board of Directors of Baird Capital Development should withdraw or modify its approval or recommendation of this Agreement or the Reorganization, approve, recommend or enter into negotiations concerning such Acquisition Proposal, or authorize Baird Capital Development to enter into an agreement with respect to such Acquisition Proposal or terminate this Agreement. Nothing contained in this Section 5.10 shall prohibit Baird Capital Development

from making any disclosure to the BCD Shareholders which, in the good faith and reasonable judgment of the Board of Directors of Baird Capital Development based on the advice of outside counsel, is required under applicable law.

Notwithstanding any provision of this Agreement to the contrary, any action by the Board of Directors of Baird Capital Development permitted by this Section

5.10 shall not constitute a breach of this Agreement by Baird Capital

Development.

Section 5.11. Section 15(f) of the 1940 Act.

(a) Each of AIM Equity and Baird Capital Development shall use its reasonable best efforts to assure compliance with the conditions of Section 15(f) of the Investment Company Act as it applies to the transactions contemplated by this Agreement.

(a) AIM Equity shall for a period of not less than three years after the Closing Date, use its reasonable best efforts to assure that no more than 25% of the members of the board of directors AIM Equity shall be "interested persons" (as defined in the Investment Company Act) of the investment adviser of Baird Capital Development or any entity that served as investment advisor to Baird Capital Development or any Person that before or after the Closing Date was or is an Affiliated Person of any of the foregoing. Without limiting the generality of the foregoing, AIM Equity will not take, recommend or endorse any action that would cause more than 25% of the number of members of its board of directors to be such "interested persons."

(b) AIM Equity represents and warrants that there is no express or implied understanding, arrangement or intention on its part to impose an "unfair burden" within the meaning of Section 15(f) of the Investment Company Act on the

Portfolio as a result of the transactions contemplated hereby, and that for a period of not less than two years after the Closing Date, it shall not take or recommend any act that would constitute an "unfair burden" on the Portfolio.

Section 5.12. Sales Charges. Baird Capital Development shall deliver

to AIM Equity on the Closing Date a certificate showing (a) the Remaining Amount and Balance for Interest relating to Asset Based Sales Charges, as such terms are used in NASD Notice to Members 93-12 at page 56, and (b) the total sales charges, and the components thereof, paid by Baird Capital Development shareholders, collected by Baird Capital Development or paid by Baird Capital Development in connection with sales of its shares since July 1, 1993.

ARTICLE VI
CONDITIONS PRECEDENT TO THE REORGANIZATION

Section 6.1. Conditions Precedent of AIM Equity. The obligation of

AIM Equity to consummate the Reorganization is subject to the satisfaction, at or prior to the Closing Date, of all of the following conditions, any one or more of which may be waived in writing by AIM Equity.

(a) The representations and warranties of Baird Capital Development set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made as of the Closing Date.

(b) Baird Capital Development shall have complied with and satisfied in all material respects all agreements and all conditions set forth herein on its part to be performed or satisfied at or prior to the Closing Date.

(c) AIM Equity shall have received at the Closing Date (i) a certificate, dated as of the Closing Date, from an officer of Baird Capital Development on behalf of Baird Capital Development, in such individual's capacity as an officer of Baird Capital Development and not as an individual, to the effect that the conditions specified in Section 6.1(a) and (b) have been

satisfied and (ii) a certificate, dated as of the Closing Date, from the Secretary or Assistant Secretary of Baird Capital Development certifying as to the accuracy and completeness of the attached articles of incorporation and by-laws, and resolutions, consents and authorizations with respect to the execution and delivery of this Agreement and the transactions contemplated hereby.

(d) AIM Equity shall have received the signed opinion of Quarles & Brady, counsel to Baird Capital Development, or other counsel reasonably acceptable to AIM Equity, in form and substance reasonably acceptable to counsel for AIM Equity, as to the matters set forth in Schedule 6.1(d).

Development and AIM Equity to consummate the Reorganization is subject to the satisfaction, at or prior to the Closing Date, of all of the following further conditions, any one or more may be waived in writing by Fund and AIM Equity, but only if and to the extent that such waiver is mutual.

(a) All filings required to be made prior to the Closing Date with, and all consents, approvals, permits and authorizations required to be obtained on or prior to the Closing Date from Governmental Authorities, in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated herein by Baird Capital Development and AIM Equity shall have been made or obtained, as the case may be; provided, however, that

such consents, approvals, permits and authorizations may be subject to conditions that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(b) This Agreement, the Reorganization and related corporate matters shall have been approved and adopted at the BCD Shareholders Meeting by the shareholders of Baird Capital Development on the record date by the Required BCD Shareholder Vote.

(c) The assets of Baird Capital Development to be acquired by the Portfolio shall constitute at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets of Baird Capital Development immediately prior to the Reorganization. For these purposes, assets used by Baird Capital Development to pay the expenses it incurs in connection with this Agreement and the Reorganization and to effect all shareholder redemptions and distributions (other than regular, normal dividends and regular, normal redemptions pursuant to the Investment Company Act, and not in excess of the requirements of Section 852 of the Code, occurring in the ordinary course Baird Capital Development's business as an open-end diversified management investment company) after the date of this Agreement shall be included as assets of Baird Capital Development immediately prior to the Reorganization.

(d) No temporary restraining order, preliminary or permanent injunction or other order issued by any Governmental Authority preventing the consummation of the Reorganization on the Closing Date shall be in effect; provided, however, that the party or parties invoking this condition shall use

reasonable efforts to have any such order or injunction vacated.

(e) The Registration Statement on Form N-14 filed by AIM Equity with respect to the Portfolio Shares to be issued to BCD Shareholders in connection with the Reorganization shall have become effective under the Securities Act and no stop orders suspending the effectiveness thereof shall have been issued and, to the best knowledge of the parties hereto, no investigation or proceeding for that purpose shall have been instituted or be pending, threatened or contemplated under the Securities Act.

(f) A post-effective amendment to the AEF Registration Statement filed by AIM Equity to register Portfolio Shares to be offered to the public shall have become effective under the Securities Act and no stop orders suspending the effectiveness thereof shall have been issued and, to the best knowledge of the parties hereto, no investigation or proceeding for that purpose shall have been instituted or be pending, threatened or contemplated under the Securities Act.

(g) Baird Capital Development and AIM Equity shall have received on or before the Closing Date an opinion of Ballard Spahr Andrews and Ingersoll in form, scope and substance satisfactory to Baird Capital Development and AIM Equity, set forth on Schedule 6.2(g).

(h) The transactions contemplated by that certain Agreement and Plan of Reorganization dated December 20, 1995, between Baird Blue Chip Fund, Inc. and AIM Equity acting on behalf of AIM Blue Chip Fund, and that certain Agreement and Plan of Reorganization dated December 20, 1995 between The Baird Funds, Inc., acting on behalf of Baird Quality Bond Fund, and AIM Funds Group, acting on behalf of AIM Income Fund, shall be consummated on the Closing Date.

(i) The dividend or dividends described in the last sentence of Section 3.16(b) shall have been declared.

(j) A I M Advisors, Inc. ("AIM") shall have executed and delivered to Baird Capital Development a certificate to the effect that:

(i) its balance sheet as of December 31, 1994 has been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly reflects the financial condition of AIM as of the date indicated; since December 31, 1994 there has not been any change in AIM's financial condition, assets, liabilities or business that would have a material adverse effect upon its ability to provide investment advisory services to the Portfolio and the other funds advised by AIM (the "AIM Funds").

(ii) AIM is, and on the Closing Date shall be, registered as an investment adviser under the Investment Advisers Act and, registered as an investment adviser in all states where it is required to be a so registered.

(iii) AIM is in compliance in all material respects with all laws, rules and regulations applicable to its business of providing investment advisory services to the Portfolio and the AIM Funds, including, without limitation, federal and state securities laws.

(iv) Neither AIM nor any affiliated person of AIM is ineligible to serve an employee, officer, director, member of an advisory board, investment adviser, depositor or principal underwriter of any investment company registered under the Investment Company Act by reason of any conviction of a felony or misdemeanor, described in Section 9(a)(1) of the Investment Company Act, and is

not subject to any order issued by the SEC under Section 9(b) of the Investment Company Act. To the best of AIM's knowledge, no facts exist with respect to AIM, or any Affiliated Person of AIM, which would form a basis for any such conviction or the issuance of any such order, judgment or decree.

(v) No litigation, proceeding or governmental investigation or inquiry is pending or, to the best of AIM's knowledge, threatened, against AIM that, if determined against AIM would be reasonably likely to have a material adverse effect on the Portfolio or a material adverse effect on AIM's ability to provide investment advisory services to the Portfolio or any of the AIM Funds.

(k) The transactions contemplated by that certain Acquisition Agreement dated December 20, 1995 between Robert W. Baird & Co. Incorporated and A I M Advisors, Inc. shall be consummated on the Closing Date.

Section 6.3. Conditions Precedent of Baird Capital Development. The

obligation of Baird Capital Development to consummate the Reorganization is subject to the satisfaction, at or prior to the Closing Date, of all of the following conditions, any one or more of which may be waived in writing by Baird Capital Development.

(a) The representations and warranties of AIM Equity on behalf of the Portfolio set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made as of the Closing Date.

(b) AIM Equity shall have complied with and satisfied in all material respects all agreements and all conditions set forth herein on its part to be performed or satisfied at or prior to the Closing Date.

(c) Baird Capital Development shall have received on the Closing Date (i) a certificate, dated as of the Closing Date, from an officer of AIM Equity, in such individual's capacity as an officer of AIM Equity and not as an individual, to the effect that the conditions specified in Section 6.3(a) and

(b) have been satisfied and (ii) a certificate, dated as of the Closing Date, of

AIM Equity, certifying as to the accuracy and completeness of the attached articles of incorporation and by-laws, and resolutions, consents and authorizations with respect to the execution and delivery of this Agreement and the transactions contemplated hereby.

(d) Baird Capital Development shall have received the signed opinion of Ballard Spahr Andrews & Ingersoll, counsel to AIM Equity, or other counsel reasonably acceptable to Baird Capital Development, in form and substance reasonably acceptable to special counsel for Baird Capital Development, as to the matters set forth on Schedule 6.3(d).

ARTICLE VII
TERMINATION OF AGREEMENT

Section 7.1. Termination.

(a) This Agreement may be terminated on or prior to the Closing Date as follows:

(i) by mutual written consent of Baird Capital Development and AIM Equity; and

(ii) at the election of Baird Capital Development or AIM Equity:

(A) if the Closing Date shall not be on or before June 30, 1996, or such later date as the parties hereto may agree upon, unless the failure to consummate the Reorganization is the result of a willful and material breach of this Agreement by the party seeking to terminate this Agreement;

(B) if, upon a vote at BCD Shareholders Meeting or any adjournment thereof, the Required BCD Shareholder Vote shall not have been obtained as contemplated by Section 5.8; or

(C) if any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Reorganization and such order, decree, ruling or other action shall have become final and nonappealable; or

(iii) by Baird Capital Development in the event Baird Capital Development receives an Acquisition Proposal and the Board of Directors of Baird Capital Development determines in good faith, after consultation with outside counsel, that, in order to comply with its fiduciary duties to the stockholders of Baird Capital Development under applicable law, the Board of Directors of Baird Capital Development should authorize Baird Capital Development to terminate this Agreement; or

(iv) by AIM Equity 45 days following the date on which Baird Capital Development first actively participates in any discussions on negotiations regarding, or furnishes to any Person any confidential information with respect to, any Acquisition Proposal, unless prior to the expiration of such 45 day period Baird Capital Development notifies AIM Equity that such Acquisition Proposal has been rejected and any such negotiations have been terminated.

(b) The termination of this Agreement shall be effectuated by the delivery by the terminating party to the other party of a written notice of such termination. If this Agreement so terminates, it shall become null and void and

have no further force or effect, except as provided in Section 7.2.

Section 7.2. Survival After Termination. If this Agreement is

terminated in accordance with Section 7.1 hereof and the transactions

contemplated hereby are not consummated, this Agreement shall become void and of
no further force and effect, except for the provisions of Section 5.2 and

Section 5.3.

ARTICLE VIII
MISCELLANEOUS

Section 8.1. Nonsurvival of Representations and Warranties. Except

as set forth below, none of the representations, warranties or covenants in this
Agreement or in any certificate or instrument delivered pursuant to this
Agreement shall survive the Closing Date and no party shall, therefore, have any
recourse therefor against any other party in connection therewith. This Section

8.1 shall not limit any covenant or agreement of the parties which by its terms

contemplates performance after the Closing Date.

Section 8.2. Law Governing. This Agreement shall be construed and

interpreted according to the laws of the State of Maryland applicable to
contracts made and to be performed wholly within such state.

Section 8.3. Binding Effect, Persons Benefiting, No Assignment.

This Agreement shall inure to the benefit of and be binding upon the parties
hereto and the respective successors and assigns of the parties and such
Persons. Nothing in this Agreement is intended or shall be construed to confer
upon any entity or Person other than the parties hereto and their respective
successors and permitted assigns any right, remedy or claim under or by reason
of this Agreement or any part hereof. Without the prior written consent of the
parties hereto, this Agreement may not be assigned by any of the parties hereto.

Section 8.4. Obligation of AIM Equity Portfolio. Baird Capital

Development and AIM Equity hereby acknowledge and agree that the Portfolio is a
separate investment portfolio of AIM Equity, that AIM Equity is executing this
Agreement on behalf of the Portfolio, and that any amounts payable by AIM Equity
under or in connection with this Agreement shall be payable solely from the

revenues and assets of the Portfolio.

Section 8.5. Amendments. This Agreement may not be amended, altered

or modified except by a written instrument executed by Baird Capital Development and AIM Equity.

Section 8.6. Enforcement. The parties agree irreparable damage

would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States or any state having jurisdiction, in addition to any other remedy to which they are entitled at law or in equity.

Section 8.7. Interpretation. When a reference is made in this

Agreement to a Section or Schedule, such reference shall be to a Section of, or a Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". Each representation and warranty contained in Article III or IV
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that relates to a general category of a subject matter shall be deemed superseded by a specific representation and warranty relating to a subcategory thereof to the extent of such specific representation or warranty.

Section 8.8. Counterparts. This Agreement may be executed in

counterparts, each of which shall be deemed an original and each of which shall constitute one and the same instrument.

Section 8.9. Entire Agreement; Schedules. This Agreement, including

the Schedules, certificates and lists referred to herein, and any documents executed by the parties simultaneously herewith or pursuant thereto, constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such subject matter.

Section 8.10. Notices. All notices, requests, demands and other

communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or by overnight courier, two days after being sent by registered mail, return receipt requested, or when sent by telecopier (with receipt confirmed), provided, in the case of a telecopied notice, a copy

is also sent by registered mail, return receipt requested, or by courier, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to AIM Equity:

AIM Equity Funds, Inc.
11 Greenway Plaza, Suite 1919
Houston, Texas 77046-1173
Attn: Carol F. Relihan, Esq.
Fax: (713) 993-9185

with a copy to:

Ballard Spahr Andrews & Ingersoll
1735 Market Street, 51st Floor
Philadelphia, Pennsylvania 19103-7599
Attn: William H. Rheiner, Esq.
Fax: (215) 864-8999

(b) If to Baird Capital Development:

Baird Capital Development Fund, Inc.
777 Wisconsin Avenue
Milwaukee, Wisconsin 53202
Attn: Glen F. Hackmann, Esq.
Fax: (414) 765-3662

with a copy to:

Quarles & Brady
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Attn: Conrad G. Goodkind, Esq.
Fax: (414) 271-3552

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BAIRD CAPITAL DEVELOPMENT FUND, INC.

By: /s/ M.C. LOW, JR.

AIM EQUITY FUNDS, INC., acting
on behalf of AIM Capital Development Fund

Schedule 3.12(a)

LIST OF CONTRACTS AND AGREEMENTS

1. Investment Advisory Agreement dated June 25, 1984 between Baird Growth Settlement Fund, Inc. (now named Baird Capital Development Fund, Inc.) ("BCD Fund") and Fiduciary Management, Inc. ("FMI").
2. Amendment to Investment Advisory Agreement Dated June 21, 1986 between BCD Fund and FMI.
3. Sub-Advisory Agreement dated December 12, 1986 between BCD Fund and Robert W. Baird & Co. Incorporated ("Baird").
4. Administration Agreement dated December 19, 1988 between BCD Fund and Baird.
5. Amended and Restated Distribution Plan of BCD Fund.
6. Distribution Agreement dated June 21, 1986 between BCD Fund and Baird.
7. Distribution Assistance Agreement dated June 21, 1986 between BCD Fund and Baird.
8. Custodian Agreement dated June 25, 1984 between BCD Fund and First Wisconsin Trust Company (now named Firststar Trust Company) ("Firststar").
9. Amendment to Custodian Agreement dated June 21, 1986 between BCD Fund and Firststar.
10. Transfer Agent Agreement dated July 20, 1990 between BCD Fund and Firststar.
11. License Agreement dated March 31, 1987 between BCD Fund and Baird.
12. Agreement dated September 14, 1994, as amended, among the BCD Fund, The Baird Funds, Inc. and Baird Blue Chip Fund, Inc. regarding allocation of fidelity bond coverage, pursuant to Rule

17g-1(f) under the Investment Company Act of 1940.

13. \$1,600,000 Fidelity Bond issued by Reliance Insurance Company.
14. Articles of Incorporation of BCD Fund.
15. Bylaws of BCD Fund.
16. Order under Section 6(c) of the Investment Company Act of 1940, dated February 27, 1991, granting an exemption from Sections 2(a)(32), 2(a)(35), 22(c) and 22(d) of the Act and Rule 22c-1 thereunder.

Schedule 6.1(d)

OPINION OF COUNSEL TO BAIRD CAPITAL DEVELOPMENT

1. Baird Capital Development is a corporation duly incorporated and validly existing under the laws of the State of Wisconsin.
2. Baird Capital Development is an open-end management investment company registered under the Investment Company Act of 1940.
3. The execution, delivery and performance of the Agreement by Baird Capital Development have been duly authorized and approved by all requisite corporate action on the part of Baird Capital Development. The Agreement has been duly executed and delivered by Baird Capital Development and constitutes the valid and binding obligation of Baird Capital Development.
4. The BCD Shares outstanding on the date hereof have been duly authorized and validly issued, are fully paid and are non-assessable (subject to Wisconsin Business Corporation Law Section 180.0622(2)(b)).
5. Baird Capital Development is not required to submit any notice, report or other filing with or obtain any authorization consent or approval from any governmental authority or self regulatory organization prior to the consummation of the transactions contemplated by the Agreement.

We confirm to you that to our knowledge after inquiry of each lawyer who is the current primary contact for Baird Capital Development or who has devoted substantive attention on behalf of Baird Capital Development during the preceding twelve months and who is still currently employed by or is currently a member of this firm, no litigation or governmental proceeding is pending or threatened in writing against Baird Capital Development (i) with respect to the Agreement or (ii) which involves in excess of \$500,000 in

damages.

Schedule 6.2(g)

Tax Opinions.

(i) The transfer of the assets of Baird Capital Development to the Portfolio in exchange for the Portfolio Shares distributed directly to the BCD Shareholders, as provided in the Agreement, will constitute a "reorganization" within the meaning of Section 368(a) of the Code and that Baird Capital Development and AIM Equity will each be a "party to a reorganization" within the meaning of 368(b) of the Code.

(ii) In accordance with Section 361(a) and Section 361(c) (1) of the Code, no gain or loss will be recognized by Baird Capital Development as a result of such transaction.

(iii) In accordance with Section 1032 of the Code, no gain or loss will be recognized by the Portfolio upon the receipt of assets of Baird Capital Development in exchange for Portfolio Shares issued directly to the BCD Shareholders

(iv) In accordance with Section 354(a) (1) of the Code, no gain or loss will be recognized by BCD Shareholders on issuance by AIM Equity of Portfolio Shares in exchange for their BCD Shares.

(v) In accordance with Section 362(b) of the Code, the basis to the Portfolio of the assets of Baird Capital Development transferred to it will be the same as the basis of such assets in the hands of Baird Capital Development immediately prior to the exchange.

(vi) In accordance with Section 358(a) of the Code, a BCD Shareholder's basis for Portfolio Shares issued to such BCD Shareholder pursuant to Section 2.7 of the Agreement ("Issued Shares") will be the same

as his basis for BCD Shares.

(vii) In accordance with Section 1223(1) of the Code, a BCD Shareholder's holding period for Portfolio Shares will be determined by including said BCD Shareholder's holding period for BCD Shares exchanged therefor, provided that BCD Shareholder held such BCD Shares as a capital asset.

(viii) In accordance with Section 1223(2) of the Code, the holding period with respect to the assets of Baird Capital Development transferred to the Portfolio will include the holding period for such assets in the hands of Baird Capital Development.

(ix) In accordance with Section 381(a)(2) of the Code, the Portfolio will succeed to and take into account the items of Baird Capital Development described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381 through 384 of the Code and the Internal Revenue Service regulations thereunder.

Schedule 6.3(d)

OPINION OF COUNSEL TO AIM EQUITY

1. AIM Equity is a corporation duly incorporated and validly existing under the laws of the State of Maryland.
2. AIM Equity is an open-end, management investment company registered under the Investment Company Act of 1940.
3. The execution, delivery and performance of the Agreement by AIM Equity have been duly authorized and approved by all requisite corporate action on the part of AIM Equity. The Agreement has been duly executed and delivered by AIM Equity and constitutes the valid and binding obligation of the Portfolio.
4. The Portfolio Shares outstanding on the date hereof have been duly authorized and validly issued, are fully paid and are non-assessable.
5. AIM Equity is not required to submit any notice, report or other filing with or obtain any authorization consent or approval from any governmental authority or self regulatory organization prior to the consummation of the transactions contemplated by the Agreement.

We confirm to you that to our knowledge after inquiry of each lawyer who is the current primary contact for AIM Equity or who has devoted substantive attention on behalf of AIM Equity during the preceding twelve months and who is still currently employed by or is currently a member of this firm, no litigation or governmental proceeding is pending or threatened in writing against the Portfolio (i) with respect to the Agreement or (ii) which involves in excess of \$500,000 in damages.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 14 to the registration statement on Form N-1A (the "Registration Statement") of our report dated October 25, 1995, relating to the financial statements and financial highlights of Baird Capital Development Fund, Inc., which appears in such Statement of Additional Information, and to the incorporation by reference of our report into the Prospectus which constitutes part of this Registration Statement. We also consent to the reference to us under the heading "Independent Accountants" and "Financial Statements" in such Statement of Additional Information and to the reference to us under the heading "Financial Highlights" in such Prospectus.

PRICE WATERHOUSE LLP
Milwaukee, Wisconsin
January 9, 1996

EXHIBIT 16

Schedule for Computation of Performance Quotation

BAIRD CAPITAL DEVELOPMENT FUND

1. Initial (September 30, 1994) Offering Price = \$24.98
2. Number of hypothetical shares purchased =
\$1,000 divided by \$24.98 = 40.032 shares
3. Amount of dividends and distributions =

10/25/94	- \$0.0249 per share	40.032	= \$ 1.00	/\$22.28	= 0.045 shares
10/25/94	- \$ 1.1155 per share	40.032	= \$44.66	/\$22.28	= 2.004 shares
					Total = 2.049 shares
4. Fees charged to shareholder accounts = 0
5. Ending(September 30, 1995) Net Asset Value = \$26.25
6. Ending Redeemable value of hypothetical investment =
40.032 + 2.049 = 42.081 x \$26.25 = \$1,104.63
7. Total Return = (\$1104.63 - \$1,000) divided by \$1,000 = + 10.46%
8. Annualized Compounded Return = 10.46%
Number of years = 1

Schedule for Computation of Performance Quotation

BAIRD CAPITAL DEVELOPMENT FUND

1. Initial(September 30, 1990) Offering Price = \$16.32
2. Number of hypothetical shares purchased =
\$1,000 divided by \$16.32 = 61.275 shares
3. Amount of dividends and distributions =

10/24/90	- \$	0.14	per share	61.275	= \$ 8.58	/\$14.32	= 0.599	shares
10/24/90	- \$	0.5683	per share	61.275	= \$34.82	/\$14.32	= 2.432	shares
12/28/90	- \$	0.065	per share	64.306	= \$ 4.18	/\$15.62	= 0.268	shares
12/28/90	- \$	0.157	per share	64.306	= \$10.10	/\$15.62	= 0.647	shares
10/24/91	- \$	0.0641	per share	65.221	= \$ 4.18	/\$19.68	= 0.212	shares
10/24/91	- \$	1.7269	per share	65.221	= \$112.63	/\$19.68	= 5.723	shares
12/30/91	- \$	0.105	per share	71.156	= \$ 7.47	/\$20.86	= 0.358	shares
12/30/91	- \$	0.06	per share	71.156	= \$ 4.27	/\$20.86	= 0.205	shares
10/23/92	- \$	0.07	per share	71.719	= \$ 5.02	/\$20.24	= 0.248	shares
10/23/92	- \$	1.5852	per share	71.719	= \$113.69	/\$20.24	= 5.617	shares
12/30/92	- \$	0.01	per share	77.584	= \$ 0.78	/\$21.64	= 0.036	shares
12/30/92	- \$	0.319	per share	77.584	= \$24.75	/\$21.64	= 1.144	shares
10/25/93	- \$	0.02875	per share	78.764	= \$ 2.26	/\$22.77	= 0.099	shares
10/25/93	- \$	0.3213	per share	78.764	= \$25.31	/\$22.77	= 1.112	shares
12/30/93	- \$	0.015	per share	79.975	= \$ 1.20	/\$23.50	= 0.051	shares
12/30/93	- \$	0.21	per share	79.975	= \$16.79	/\$23.50	= 0.714	shares
10/25/94	- \$	0.0249	per share	80.740	= \$ 2.01	/\$22.28	= 0.090	shares
10/25/94	- \$	1.1155	per share	80.740	= \$90.07	/\$22.28	= 4.043	shares

Total =23.598 shares

4. Fees charged to shareholder accounts = 0

5. Ending (September 30, 1995) Net Asset Value = \$26.25

6. Ending Redeemable value of hypothetical investment =

$$61.275 + 23.598 = 84.873 \times \$26.25 = \$2,227.92$$

7. Total Return = (\$2227.92 - \$1,000) divided by \$1,000 = + 122.79%

8. Annualized Compounded Return = 17.38%
Number of years = 5

Schedule for Computation of Performance Quotation

BAIRD CAPITAL DEVELOPMENT FUND

1. Initial (September 30, 1985) Offering Price = \$14.14

2. Number of hypothetical shares purchased =
\$1,000 divided by \$14.14 = 70.721 shares

3. Amount of dividends and distributions =

11/5/85	- \$	0	per share	70.721	= \$ 0.00	/\$11.83	= 0.000	shares
11/5/85	- \$	2.045	per share	70.721	= \$144.62	/\$11.83	= 12.225	shares
10/23/86	- \$	0	per share	82.946	= \$ 0.00	/\$15.60	= 0.000	shares

10/23/86	- \$	0.0936	per share	82.946	= \$ 7.76	/\$15.60	= 0.497	shares
10/23/87	- \$	0	per share	83.443	= \$ 0.00	/\$13.33	= 0.000	shares
10/23/87	- \$	0.6148	per share	83.443	= \$51.30	/\$13.33	= 3.848	shares
12/29/87	- \$	0	per share	87.291	= \$ 0.00	/\$12.41	= 0.000	shares
12/29/87	- \$	0.5082	per share	87.291	= \$44.36	/\$12.41	= 3.575	shares
10/24/89	- \$	0.0554	per share	90.866	= \$ 5.03	/\$18.59	= 0.271	shares
10/24/89	- \$	0	per share	90.866	= \$ 0.00	/\$18.59	= 0.000	shares
12/28/89	- \$	0.05	per share	91.137	= \$ 4.56	/\$17.99	= 0.253	shares
12/28/89	- \$	0	per share	91.137	= \$ 0.00	/\$17.99	= 0.000	shares
10/24/90	- \$	0.14	per share	91.390	= \$12.79	/\$14.32	= 0.893	shares
10/24/90	- \$	0.5683	per share	91.390	= \$51.94	/\$14.32	= 3.627	shares
12/28/90	- \$	0.065	per share	95.910	= \$ 6.23	/\$15.62	= 0.399	shares
12/28/90	- \$	0.157	per share	95.910	= \$15.06	/\$15.62	= 0.964	shares
10/24/91	- \$	0.0641	per share	97.273	= \$ 6.24	/\$19.68	= 0.317	shares
10/24/91	- \$	1.7269	per share	97.273	= \$167.98	/\$19.68	= 8.536	shares
12/30/91	- \$	0.105	per share	106.126	= \$11.14	/\$20.86	= 0.534	shares
12/30/91	- \$	0.06	per share	106.126	= \$ 6.37	/\$20.86	= 0.305	shares
10/23/92	- \$	0.07	per share	106.965	= \$ 7.49	/\$20.24	= 0.370	shares
10/23/92	- \$	1.5852	per share	106.965	= \$169.56	/\$20.24	= 8.377	shares
12/30/92	- \$	0.01	per share	115.712	= \$ 1.16	/\$21.64	= 0.054	shares
12/30/92	- \$	0.319	per share	115.712	= \$36.91	/\$21.64	= 1.706	shares
10/25/93	- \$	0.02875	per share	117.472	= \$ 3.38	/\$22.77	= 0.148	shares
10/25/93	- \$	0.3213	per share	117.472	= \$37.74	/\$22.77	= 1.657	shares
12/30/93	- \$	0.015	per share	119.277	= \$ 1.79	/\$23.50	= 0.076	shares
12/30/93	- \$	0.21	per share	119.277	= \$25.05	/\$23.50	= 1.066	shares
10/25/94	- \$	0.0249	per share	120.419	= \$ 3.00	/\$22.28	= 0.135	shares
10/25/94	- \$	1.1155	per share	120.419	= \$134.33	/\$22.28	= 6.029	shares

Total = 55.862 shares

4. Fees charged to shareholder accounts = 0

5. Ending (September 30, 1995) Net Asset Value = \$26.25

6. Ending Redeemable value of hypothetical investment =

$$70.721 + 55.862 = 126.583 \times \$26.25 = 3,322.80$$

7. Total Return = (\$3322.80 - \$1,000) divided by \$1,000 = + 232.28%

8. Annualized Compounded Return = 12.76%
Number of years = 10

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