

**BRIDGES INVESTMENT FUND, INC.**  
**PROXY VOTING POLICY**

**INTRODUCTION**

The Board of Directors of Bridges Investment Fund, Inc. (the "Fund") has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of Fund shareholders, in accordance with its fiduciary duties and Securities and Exchange Commission (SEC) rules under the Investment Company Act of 1940. While the Fund Board of Directors, acting on behalf of the Fund, has the ultimate authority and responsibility with respect to the voting of proxies relating to Fund portfolio securities, as part of the general investment management duties undertaken by the Fund's investment adviser, Bridges Investment Counsel, Inc. ("BIM"), the Fund Board of Directors has delegated the function of voting of proxies for Fund portfolio securities to BIM, subject to the Board's continuing oversight, and in accordance with the Fund's Proxy Voting Policy and Proxy Voting Procedures. The Fund Board of Directors is responsible for updating the Fund's Proxy Voting Policy for new developments in corporate governance practices and changes in regulatory requirements.

The Fund authorizes BIM to exercise its proxy voting responsibilities with a goal of maximizing the long-term value of the Fund's investments. The Board of Directors of the Fund strongly believes that sound corporate governance is an important element in maximizing shareholder value. The Fund's policy on voting proxies is segmented into six areas: executive and director compensation, shareholder rights, changes in corporate control, election of directors, approval of independent auditors, and corporate/social policy issues. Proxy proposals can be complex and their economic impact is subject to professional interpretation and judgement. This proxy voting policy is to be used as a guideline, but each voting decision involves a unique set of facts that will need to be considered in determining whether the vote is in the best interests of the Fund and its shareholders.

Acting on behalf of the Fund, BIM may abstain from voting or decline to vote proxies where, in its opinion, the cost of voting the proxy exceeds the economic value of the expected effect of the vote on the Fund's investment. This may occur when the number of shares owned by the Fund is insignificant, or when an extraordinary effort will be required by BIM to interpret the proxy statement, such as in the case of some foreign securities.

**CONFLICTS OF INTEREST**

In situations where BIM or its affiliated parties have a material conflict of interest with respect to the voting of a Fund portfolio security, BIM will provide the Fund with full disclosure of the material conflict of interest, and forward the proxy to a Proxy Subcommittee appointed by the Fund's Administrative and Nominating Committee, which shall be comprised solely of independent directors, for voting in accordance with the Fund's Proxy Voting Policy. A material conflict of interest shall refer a situation where BIM or an affiliated party of BIM, including its executive officers and directors, has a beneficial financial interest in, or is so closely linked, to

the company or transaction with respect to which a vote is solicited, that the interest would reasonably be expected to exert an influence on the judgment of BIM or affiliated party with respect to such vote. As an example, a conflict of interest may occur where BIM manages the retirement plan assets of a publicly-held company whose securities are held by the Fund.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

The Fund believes that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of long-term shareholders and the interests of management, directors and employees. Conversely, the Fund is opposed to plans that substantially dilute the shareholders' interest, provide participants with excessive awards, or have inherently objectionable features. The Fund believes common stock and restricted common stock grants awarded in lieu of cash bonuses are the most preferred means of providing incentive to management and best align the interests of insiders with shareholders. The Fund views stock options plans as the least desirable form of equity-based incentives because, unlike shareholders, the option holder has nothing at risk except opportunity costs.

1. The Fund will generally vote against plans where the potential dilution (including all equity-based plans) exceeds 15% of the shares outstanding.
2. The Fund will generally vote against plans if annual option grants have exceeded 2% of shares outstanding.
3. The Fund will generally vote against plans that have any of the following structural features:
  - a. Ability to re-price underwater options.
  - b. Ability to issue options with an exercise price below the stock's current market price.
  - c. Ability to issue reload options.
  - d. Automatic share replenishment ("evergreen") feature.
  - e. Plans that can be amended without shareholder approval.
  - f. Management having discretion in the granting of awards to non-employee directors.
4. The Fund will generally support measures intended to promote long-term stock ownership by executives. These may include:
  - a. Requiring senior executives to hold a minimum amount of stock in the company (frequently expressed as a certain multiple of the executive's salary).
  - b. Requiring stock acquired through option exercise to be held for a certain period of time (three years or longer is preferred).
  - c. Using restricted stock grants instead of options.
5. The Fund generally supports expensing the fair value of option grants in order to recognize that value has been transferred to the option holder at the expense of the shareholder.
6. The Fund will generally support the use of employee stock purchase plans provided those shares purchased under the plan are acquired for no less than 85% of their market value.
7. The Fund will generally oppose the use of accelerated employment contracts that will result in total compensation (cash and present value of future payments, retirement benefits and equity-based awards) that exceeds three times annual compensation (salary and bonus) in the event of termination of employment.

8. If the Fund determines that executive or director total compensation is excessive compared to that of other similar companies, it may vote against any proposal that could result in increased compensation, or it may vote against the reelection of directors who are members of the board's compensation committee, or it may vote against the reelection of all directors.

## **SHAREHOLDER RIGHTS**

The Fund believes that shareholders should have voting power equal to their equity interest in the company and should be able to approve (or reject) changes to the corporation's by-laws by a simple majority vote, to the extent permitted by state corporation or other applicable laws.

1. The Fund will generally support proposals to remove super-majority voting requirements for certain types of proposals. The Fund will generally vote against proposals to impose super-majority requirements.
2. The Fund will generally vote for proposals to lower barriers to shareholder action (e.g., limited rights to call special meetings, limited rights to act by written consent).
3. The Fund will generally vote against proposals for a separate class of stock with disparate voting rights.
4. The Fund will generally vote for proposals to subject shareholder rights plans ("poison pills") to a shareholder vote. In evaluating these plans, we will be more likely to support arrangements with short-term (fewer than three years) sunset provisions, qualified bid/permitted offer provisions ("chewable pills") and/or mandatory review by a committee of independent directors at least every three years (so-called "TIDE" provisions).
5. The Fund will generally support proposals to adopt cumulative voting.
6. The Fund supports the right of shareholders to vote on a confidential basis.

## **CHANGES IN CORPORATE CONTROL**

The Fund generally opposes measures that are designed to prevent or obstruct corporate takeovers. Such measures tend to entrench current management. The Fund believes in free capital markets and that the potential transfer of corporate control through a takeover, hostile or otherwise, must be permitted to occur, if it is approved by the company's shareholders.

1. The Fund will generally oppose the use of accelerated employment contracts that will result in total compensation (cash and present value of future payments, retirement benefits and equity-based awards) that exceeds three times annual compensation (salary and bonus) in the event of termination of employment following a change in control of a company. The Fund opposes such "golden parachute" plans because they impede potential takeovers that shareholders should be free to consider.
2. The Fund will generally vote against proposals to authorize preferred stock whose voting, conversion, dividend and other rights are determined at the discretion of the Board of Directors (commonly referred to as "blank check" preferred stock) and are intended to be issued in an anti-takeover situation. The Fund will generally support the authorization of preferred stock if provisions are included that limit the voting rights to one vote per share and

shareholders are permitted to vote on the issuance of preferred if it is to be issued in a takeover situation.

3. The Fund generally votes for the annual election of all directors and against classified boards. The Fund believes that the shareholders should have the right to vote on all directors annually. Classified boards can be used to delay or obstruct a takeover that is in the shareholders' best interests.
4. When voting on a resolution to approve a corporate merger or acquisition, the Fund will make a determination of the merits of the proposed transaction based on the Fund's opinion of whether it will increase the long term economic value of the shareholders' investment. The Fund may vote against such transactions where in its opinion the offer is at a price that is less than fair value.
5. The Fund will generally vote for resolutions endorsed by the board of directors regarding changes in the state of incorporation or increases in the authorization of common or preferred stock, unless in its opinion the purpose of the resolution is to obstruct a corporate takeover, reduce shareholders' rights or materially dilute the shareholders' voting or economic interests.

### **ELECTION OF DIRECTORS**

The Fund will usually vote for the recommendations of the board of directors of the company soliciting proxies for directors, except when the board of directors has shown a history of approving poor corporate governance policies. The Fund will make a determination based on the past actions of such board of directors compared with the corporate governance standard outlined in the Fund's proxy voting policy. If the Fund determines that there is a deficiency in corporate governance policies, it may vote against certain directors, such as the members of a board committee or against all directors. The Fund will vote against all inside directors if independent directors do not comprise a majority of the board of directors. The Fund may also vote against any specific director if it has knowledge that the person has shown poor business judgment, is not qualified, or lacks personal integrity.

### **APPROVAL OF INDEPENDENT AUDITORS**

The Fund will generally vote for the approval of the independent auditors, except where the audit and audit-related fees comprise less than 50% of the total fees paid by the company to the audit firm. The Fund believes the auditor's independence could be impaired if its non-audit fees are larger than its audit fees.

### **CORPORATE/SOCIAL POLICY ISSUES**

The Fund believes that "ordinary business matters" are primarily the responsibility of management and should be approved solely by the corporation's board of directors. Proposals in this category, initiated by shareholders, typically request that the company disclose or amend certain business practices. The Fund will generally vote against these proposals unless it believes that the proposal has substantial economic implications which may favorably impact shareholder value.

As adopted by the Bridges Investment Fund, Inc. Board of Directors on July 8, 2003.

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