

Chou Associates Management Inc.  
Independent Review Committee  
Annual Report to Unitholders 2011

In late 2007 securities regulators in Canada approved National Instrument 81-107 which calls for every reporting mutual fund to have an Independent Review Committee (I.R.C.). The regulation specifically states that the I.R.C. is not to be involved in the day-to-day decision making of the fund manager. The role of the I.R.C. is to provide direction when the fund manager brings a possible conflict of interest to its attention. Each year the I.R.C. must report to unitholders of the fund.

1. Members of the Independent Review Committee

Name	Occupation	Length of Service on the I.R.C.
Sandford Borins, Chair	Professor, University of Toronto	5 years
Bruce Kerr	Retired school administrator	5 years
Joe Tortolano	Retired Bell Canada Employee	5 years

- a) No member of the I.R.C. is a member of an I.R.C. for any other mutual fund.
- b) The members of the I.R.C., in the aggregate, beneficially own, directly or indirectly, less than 1% of the fund. None holds any ownership in the fund manager, Chou Associates Management Inc. or in any person or company that provides services to the investment fund or manager.
- c) There was no change in the composition of the I.R.C. in 2011.

2. Compensation paid to the members of the Independent Review Committee

- a) In the aggregate the compensation paid to the members of the IRC for the year 2011 was \$24,170. There were no indemnities paid to any member during that period.
- b) There were no additional expenses incurred by the I.R.C. in 2011.
- c) National Instrument 81-107 gives the I.R.C. members the responsibility for setting their own level of compensation after taking into consideration the recommendation of the fund manager. This must be reviewed each year. The committee has not increased its level of compensation since its inception.
- d) At the date of this report the Chair of the I.R.C. receives an annual retainer of \$7,000 plus \$1,000 per meeting. Other members receive an annual retainer of \$5,000 per year plus \$1,000 per meeting. The committee held two meetings.

3. Summary of the Findings of the Independent Review Committee

- a) There were no conflicts of interest referred to the committee by the fund manager in 2011.
- b) The Committee is not aware of any instance in which the fund manager acted in a conflict of interest matter.

In accordance with National Instrument 81-107 this report:

- a) should be part of the fund manager's annual report to unitholders;
- b) must be sent by the fund without charge to any unitholder of the fund who requests it;
- c) must be displayed on the fund's web site until the posting of the Independent Review Committee's next annual report;
- d) must be filed with the securities regulators
- e) must be filed on the SEDAR group profile number of the investment fund as a continuous disclosure document.