CHOU ASSOCIATES MANAGEMENT INC.

Proxy Voting Guidelines

Introduction:

Chou Associates Management Inc. (the "Manager") manages the affairs of Chou Associates Fund, the Chou RRSP Fund, the Chou Europe Fund, the Chou Asia Fund and the Chou Bond Fund (collectively the "Funds") on behalf of Chou Associates Management Inc. in its capacity as trustee of the mutual funds. As part of its fiduciary obligations to the unitholders of the Funds, the Manager exercises its voting rights in the companies in which it invests.

The overriding objective of the Manager's proxy voting activities is to enhance shareholder value on a long-term basis. As a result, our proxy voting guidelines have been developed in a manner which we believe is consistent with this goal. However, it is important to note that this document contains guidelines only, and not rigid, inflexible, voting directives. We will evaluate each voting matter on a case-by-case basis and may vote in a manner contrary to the guidelines if we feel that this would ultimately enhance long-term shareholder value.

Guidelines pertaining to Routine Matters:

We will generally cause the Funds to vote in favour of management proposals on routine matters such as the election of directors, appointment of auditors, indemnification of directors and receipt and approval of financial statements, provided it is in line with the other guidelines set forth in the Proxy Voting Guidelines.

Guidelines pertaining to Non-Routine Matters:

With respect to non-routine matters, such as take-over defence measures and changes in capital structure, we will examine proxies and recommendations for special proposals to assess the impact on the value of the securities, generally voting in favour of proposals that would enhance the investment value of the relevant security in the long term and against proposals that increase the risk level and reduce the investment value of the relevant security in the long term. Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value.

Guidelines pertaining to the Board of Directors:

Ideally, the board of directors will be comprised of a majority of unrelated experienced directors, where an unrelated director is independent of management and is free from any relationship or interest that conflicts with the director's ability to act in the best interests of shareholders. A board of directors should be large enough to allow for sufficient coverage of responsibilities, but should not be so large that meetings and discussions become cumbersome. All boards shall have an Audit committee headed and staffed by outside directors. We are generally opposed to cumulative voting proposals, but acknowledge that it may be a useful tool if a board is unresponsive to shareholders. A staggered board is one in which some directors are elected to terms greater than one year. Our preference is for all directors to stand for election on an annual basis. While attendance is only one factor in evaluating a director's effectiveness, we view absences without extenuating circumstances negatively. We believe that directors should be provided insurance against liability claims, so long as their actions were taken honestly and in good faith with a view to the best interests of the company. We will generally support the auditor recommended by the Audit Committee, but will review proposed changes in auditors on a case-by-case basis.

Guidelines pertaining to Executive and Director Compensation:

We consider individuals within a management team as integral to the execution of the company's strategy. As a result, attracting and retaining qualified individuals through competitive compensation is necessary. Competitive compensation is considered in the context of what other leading companies in the same industries are paying to attract and retain their managers. Compensation should be tied to measurable performance and motivate managers to reach longer-term targets, rather than used as a reward for past performance. Furthermore, compensation should be tied to shareholder value so that the interests of both shareholders and managers are aligned.

We are not opposed to stock options as a form of compensation, but we are critical of compensation packages that have excessive granting of options, that cause substantial dilution of the existing shareholders, which have no, or very short, vesting periods, and/or have options priced below the current market price. We will not support the re-pricing or extension of previously issued options held by senior management. We prefer to see stock options distributed to key contributors to corporate prosperity, but generally do not support plans that are excessively concentrated in the hands of a single individual. We support companies that encourage their Executives to buy and hold a meaningful number of shares in the company so that they have the same financial interest as other shareholders. Compensation measures such as 'golden parachutes' and corporate loans to individual managers are often justified by companies as ways of attracting and retaining quality managers, however, these compensation items are often abused and we are opposed to compensation measures that are excessive and outside of competitive industry practices.

With respect to director compensation, appropriate board members provide valuable experience and strategic support to the company, and competitive compensation is necessary to attract and retain these individuals. Compensation should be aligned with the interests of shareholders and managers. We support companies that encourage their board members to buy and hold a meaningful number of shares in the company so that they have the same financial interest as other shareholders.

Guidelines pertaining to Takeover Protection:

Takeover protection measures are created to guard against takeover bids that do not represent a fair value for the company’s assets. The main purpose of a shareholder rights plan is to ensure equal treatment for all shareholders and to provide the Board sufficient time to consider alternatives. We generally will not support plans that are anti-takeover in nature and serve to entrench the power of incumbent management and Boards. However, we will generally support takeover protection measures that protect the rights and interests of all shareholders and seek to maximize shareholder value.

<u>Guidelines pertaining to Shareholder Rights:</u>

A multiple-voting class structure refers to unequal voting rights between classes of shares. This potentially allows minority shareholders with multiple voting rights to impose their interests over those of all other shareholders. Therefore, we generally will not support the creation or extension of multiple-voting structures. We will support the replacement of multiple-voting structure with one vote per share, given the cost of such change is modest and is in the best interest of non-controlling shareholders.

While supermajority requirements are appropriate in some circumstances, it can be subject to abuse and act as an anti-takeover mechanism. While a two-thirds supermajority (66.7%) is most common and is considered reasonable, we will review supermajority proposals requiring more than a two-thirds majority on a case-by-case basis.

We acknowledge that the Board may need the flexibility to issue shares to meet changing financial conditions, such as stock splits, restructurings, acquisitions, stock option plans, or takeover defenses. We will review proposals on a case-by-case basis to determine if the amount requested is necessary for sound business reasons.

"Blank-cheque" preferred shares usually carry a preference in dividends, rank ahead of common shares upon liquidation, and give the Board broad discretion (a "blank cheque") to establish voting, dividend, conversion and other rights in respect to these shares. Once those shares have been authorized, shareholders have no further power to determine how or when they will be allocated. Due to the potential for abuse, we generally will not support the authorization of, or an increase in, "blank-cheque" preferred shares.

Linked proposals are resolutions that link two issues together. It may be used to pass proposals that would not be approved if they were proposed individually. We generally will not support linked proposals except in the case where each individual issue contained in the proposal is in the best interests of shareholders. Each issue within a linked proposal will be considered as being mutually exclusive of each other.

Shareholders should have the right to bring relevant proposals to the annual general meeting. These proposals should be included on the proxy ballot for consideration by all shareholders. Certain shareholder proposals put unreasonable constraints on management and the Board, which may hinder the company’s ability to create long term shareholder value. We will review shareholder proposals on a case-by-case basis.

Voting Procedures:

The Manager is responsible for directing how proxies relating to any securities of a Fund are to be voted. The Manager is required to follow the guidelines set forth in this Proxy Voting Guideline. The Board of Directors of the Manager oversees the proxy voting process and reviews proxy voting results, policies and procedures on an annual basis to ensure that securities held by the Funds are voted in accordance with the Policies.

Conflicts of Interest:

The Manager shall use its best efforts to identify and resolve potential conflicts of interest. When the Manager becomes aware of any vote that presents a conflict, the conflict is reported to the Board of Directors of the Manager and proxies are voted in a manner consistent with the best interests of unitholders, without regard to any other business relationship that may exist. In cases where a conflict of interest arises between the interests of the unitholders and those of the Manager or any affiliate or associate of the Fund, the Manager will always vote in accordance with the best interests of the Fund.