

**Chou Associates Management Inc.
Independent Review Committee
Annual Report to Unitholders 2020**

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 funds.

1. Members of the Independent Review Committee

Name	Occupation	Length of Service on the I.R.C.
Sandford Borins	Retired Professor, University of Toronto	14 years
Peter Gregoire	Retired Zayo Canada manager	7 year
Joe Tortolano	Retired Bell Canada Employee	14 years

- a) Sandford Borins is Chair of the IRC for the Canadian Scholarship Trust Plans. Peter Gregoire and Joe Tortolano are not members of the IRC for any other mutual fund.
- b) The members of the I.R.C., in the aggregate, beneficially own, directly or indirectly, less than 3 percent of the funds managed by Chou Associates Management Inc. 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.

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 2020 was \$34,300. There were no indemnities paid to any member during that period.
- b) There were no additional expenses incurred by the I.R.C. in 2020.
- c) The IRC reviews and determines its own compensation on an annual basis, taking into consideration the following factors:
 - The best interests of the funds
 - The benefit accruing to the funds as a result of the IRC activity
 - The complexity and difficulty of the tasks undertaken by the IRC
 - The workload of the IRC including the commitment of time and energy that is expected from each member
 - Industry best practices including industry averages and surveys of IRC compensation
 - The recommendations of the manager.

The committee determined that current compensation practices are appropriate.

3. Summary of the Findings of the Independent Review Committee

- a) Except as provided below, there were no conflicts of interest referred to the committee by the fund manager in 2020.
- b) Except as provided below, the Committee is not aware of any instance in which the fund manager acted in a conflict of interest matter.
- c) On June 25, 2020 an affiliate of the Manager purchased 242,914 units of EXCO Resources from the Chou RRSP Fund for proceeds of \$3,153,029 and 60,136 units of EXCO Resources from the Chou Bond Fund for proceeds of \$780,567 to reduce both funds' exposure to illiquid securities. The security was sold at the fair market value price as determined by an independent pricing company as at December 31, 2019, which was the most recent valuation report of the shares at the time of the trade. These related party transactions were approved by the IRC and received exemptive relief from the Ontario Securities Commission (OSC) to record a trade transaction with an affiliate.
- d) The IRC, in response to the OSC's position that Fairfax Financial Holdings is a related issuer to Chou Associates Management because it holds more than 20 % of the Class A units of Chou Associates Fund and the fact that Fairfax holds more than 10 % of the Exco Resources securities that were purchased by the Chou Associates Fund, wrote to the OSC confirming that the Chou Associates Fund will not undertake any additional purchases of Exco Resources securities. This transaction received exemptive relief from the Ontario Securities Commission (OSC) to record a trade transaction with a related party.
- e) The IRC approved revisions to Standing Instruction Number 2 regarding market integrity requirements for exchange-traded securities and to the Compliance Policy and Procedures Manual for market integrity requirements for exchange-traded securities, requirements to reduce illiquid securities held by the funds, and requirements for maintaining Know Your Client (KYC) information on an annual basis.

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.