

## Proxy Voting

Chou America Management Inc. (the "Manager") manages the affairs of Chou America Mutual Funds. As part of its fiduciary obligations to the shareholders 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.

#### Guidelines pertaining to Shareholder Rights:

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:

Chou America may have a conflict of interest in voting a particular proxy. A conflict of interest could arise, for example, as a result of a business relationship with a company, or a direct or indirect business interest in the matter being voted upon, or as a result of a personal relationship with corporate directors or candidates for directorships. Whether a relationship creates a material conflict of interest will depend upon the facts and circumstances.

Chou America will use its best efforts to identify and resolve potential conflicts of interest. When Chou America becomes aware of any vote that presents a conflict, the conflict will be reported to the Chief Compliance Officer and proxies will be voted in a manner consistent with the best interests of Chou America's clients and shareholders of Chou America Mutual Funds ("Trust"), without regard to any other business relationship that may exist. In cases where a conflict of interest arises between the interests of shareholders of the Trust and those of Chou America or any affiliate or associate of the Trust, Chou America will always vote in accordance with the best interests of the Trust.

Chou America may determine that there is a conflict of interest as a result of:

- Significant Business Relationships – Chou America will consider whether the matter involves an issuer or proponent with which Chou America has a significant business relationship. Chou America has significant business relationships with certain entities, such as other investment advisory firms, vendors, clients and

broker-dealers. For this purpose, a “significant business relationship” is one that is reasonably likely to create an incentive for the Adviser to vote in favor of management.

- Significant Personal or Family Relationships – Chou America will consider whether the matter involves an issuer, proponent or individual with which an employee of the Chou America has a significant personal or family relationship. For this purpose, a “significant personal or family relationship” is one that would be reasonably likely to influence how the Adviser votes the proxy.

In the event that the Chief Compliance Officer determines that the Chou America has a conflict of interest with respect to a proxy proposal, the Chief Compliance Officer shall also determine whether the conflict is “material” to that proposal. The Chief Compliance Officer may determine on a case-by-case basis that a particular proposal does not involve a material conflict of interest. If the Chief Compliance Officer determines that a conflict is not material, then Chou America may vote the proxy in a manner consistent with the best interests of Chou America’s clients and shareholders of the Trust.

In the event that the Chief Compliance Officer determines that Chou America has a material conflict of interest with respect to a proxy proposal, Chou America will vote on the proposal in accordance with the determination of the Chief Compliance Officer. Alternatively, prior to voting on the proposal, Chou America may: (i) contact an independent third party to recommend how to vote on the proposal and vote in accordance with the recommendation of such third party (or have the third party vote such proxy); (ii) with respect to clients that are not subject to ERISA, fully disclose the nature of the conflict to the client, in the case of the Trust, the Trust’s Chief Compliance Officer, and obtain the consent of the client or the Trust’s Board of Trustees (“Board”) as to how Chou America will vote on the proposal; or (iii) otherwise obtain instructions from the client or the Board as to how the proxy should be voted. Chou America may not address a material conflict of interest by abstaining from voting, unless the Chief Compliance Officer, the third party, the client, or the Trust’s Chief Compliance Officer or Board, as appropriate, has determined that abstaining from voting on the proposal is in the client’s or the Trust’s best interests or that the potential costs involved with voting the proxy outweigh the potential benefits to a client, a Fund or its shareholders.

The Chief Compliance Officer shall document the manner in which proxies involving a material conflict of interest have been voted as well as the basis for any determination that the Adviser does not have a material conflict of interest in respect of a particular matter.

### **Books and Records Relating to Proxies**

In connection with voting proxies and this Proxy Voting Policy, CAM shall maintain (in hardcopy or electronic form) such books and records as may be required by applicable law, rules or regulations, including:

- CAM's policies and procedures relating to voting proxies;
- A copy of each proxy statement that CAM receives regarding clients' securities, provided that CAM may rely on:
  - a third party to make and retain, on CAM 's behalf, pursuant to a written undertaking, a copy of proxy statements or by obtaining a copy of proxy statements from the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system;
- A record of each vote cast by CAM on behalf of clients, provided that CAM may rely on a third party to make and retain, on CAM's behalf, pursuant to a written undertaking, records of votes cast;
- Copies of any documents created by CAM that were material to making a decision on how to vote proxies on behalf of a client or that memorialize the basis for that decision; and A record of each written client request for proxy voting information and a copy of any written response by CAM to any written or oral client request for information on how CAM voted proxies on behalf of the requesting client.

Such books and records shall be maintained and preserved in an easily accessible place for a period of not less than six years from the end of the fiscal year during which the last entry was made on such record, the first two years in an easily accessible location at an appropriate CAM office.