

**Davis Selected Advisers, LP**  
**(“Davis Advisors”)**  
**Proxy Voting Policies and Procedures**

**Amended as of August 20, 2008**

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## **I. Introduction**

Davis Advisors votes on behalf of its clients in matters of corporate governance through the proxy voting process. Davis Advisors takes its ownership responsibilities very seriously and believes the right to vote proxies for its clients' holdings is a significant asset of the clients. Davis Advisors exercises its voting responsibilities as a fiduciary, solely with the goal of maximizing the value of its clients' investments.

Davis Advisors votes proxies with a focus on the investment implications of each issue. For each proxy vote, Davis Advisors takes into consideration its duty to clients and all other relevant facts available to Davis Advisors at the time of the vote. Therefore, while these guidelines provide a framework for voting, votes are ultimately cast on a case-by-case basis.

Davis Advisors has established a Proxy Oversight Group to oversee voting policies and deal with potential conflicts of interest. In evaluating issues, the Proxy Oversight Group may consider information from many sources, including the portfolio manager for each client account, management of a company presenting a proposal, shareholder groups, and independent proxy research services.

## **II. Guiding Principles**

Proxy voting is a valuable right of company shareholders. Through the voting mechanism, shareholders are able to protect and promote their interests by communicating views directly to the company's board, as well as exercise their right to grant or withhold approval for actions proposed by the board of directors or company management. The interests of shareholders are best served by the following principles when considering proxy proposals:

Creating Value for Existing Shareholders. The most important factors that we consider in evaluating proxy issues are: (i) the Company's or management's long-term track record of creating value for shareholders. In general, we will consider the recommendations of a management with a good record of creating value for shareholders as more credible than the recommendations of managements with a poor record; (ii) whether, in our estimation, the current proposal being considered will significantly enhance or detract from long-term value for existing shareholders; and (iii) whether a poor record of long term performance resulted from poor management or from factors outside of managements control.

Other factors which we consider may include:

(a) Shareholder Oriented Management. One of the factors that Davis Advisors considers in selecting stocks for investment is the presence of shareholder-oriented management. In general, such managements will have a large ownership stake in the company. They will also have a record of taking actions and supporting policies designed to increase the value of the company's shares and thereby enhance shareholder wealth. Davis Advisors' research analysts are active in meeting with top management of portfolio companies and in discussing their views on policies or actions which could enhance shareholder value. Whether management shows evidence of responding to reasonable shareholder suggestions, and otherwise improving general corporate governance, is a factor which may be taken into consideration in proxy voting.

(b) Allow responsible management teams to run the business. Because we try generally to invest with “owner oriented” managements (see above), we vote with the recommendation of management on most routine matters, unless circumstances such as long standing poor performance or a change from our initial assessment indicate otherwise. Examples include the election of directors and ratification of auditors. Davis Advisors supports policies, plans and structures that give management teams appropriate latitude to run the business in the way that is most likely to maximize value for owners. Conversely, Davis Advisors opposes proposals that limit management’s ability to do this. Davis Advisors will generally vote with management on shareholder social and environmental proposals on the basis that their impact on share value is difficult to judge and is therefore best done by management.

(c) Preserve and expand the power of shareholders in areas of corporate governance – Equity shareholders are owners of the business, and company boards and management teams are ultimately accountable to them. Davis Advisors supports policies, plans and structures that promote accountability of the board and management to owners, and align the interests of the board and management with owners. Examples include: annual election of all board members and incentive plans that are contingent on delivering value to shareholders. Davis Advisors generally opposes proposals that reduce accountability or misalign interests, including but not limited to classified boards, poison pills, excessive option plans, and repricing of options.

(d) Support compensation policies that reward management teams appropriately for performance. We believe that well thought out incentives are critical to driving long-term shareholder value creation. Management incentives ought to be aligned with the goals of long-term owners. In our view, the basic problem of skyrocketing executive compensation is not high pay for high performance, but high pay for mediocrity or worse. In situations where we feel that the compensation practices at companies we own are not acceptable, we will exercise our discretion to vote against compensation committee members and specific compensation proposals.

Davis Advisors exercises its professional judgment in applying these principles to specific proxy votes. Exhibit A, “Detailed Proxy Voting Policies” provides additional explanation of the analysis which Davis Advisors may conduct when applying these guiding principles to specific proxy votes.

### **III. Fiduciary Duties of Care and Loyalty**

Advisers are fiduciaries. As fiduciaries, advisers must act in the best interests of their clients. Thus, when voting portfolio securities, Davis Advisors must act in the best interest of the client and not in its own interest.

When Davis Advisors has been granted the authority to vote client proxies, Davis Advisors owes the client the duties of “care” and “loyalty”:

- (1) The duty of care requires Davis Advisors to monitor corporate actions and vote client proxies if it has undertaken to do so.

- (2) The duty of loyalty requires Davis Advisors to cast the proxy votes in a manner that is consistent with the best interests of the client and not subrogate the client's interest to Davis Advisors' own interests.

#### **IV. Detailed Proxy Voting Policies**

Section II, "Guiding Principles" describe Davis Advisors' pre-determined proxy voting policies. Exhibit A, Detailed Proxy Voting Policies provides greater insight into specific factors which Davis Advisors may sometimes consider.

#### **V. Ensuring Proxies are Voted**

If Davis Advisors has been assigned the right to vote the proxies on behalf of a client, then the Chief Compliance Officer shall conduct periodic tests to ensure that Davis Advisors is monitoring corporate actions and voting proxies on behalf of such clients.

Scope. If a client has not authorized Davis Advisors to vote its proxies, then these Policies and Procedures shall not apply to that client's account. The scope of Davis Advisors' responsibilities with respect to voting proxies are ordinarily determined by Davis Advisors' contracts with its clients, the disclosures it has made to its clients, and the investment policies and objectives of its clients.

Cost/Benefit Analysis. Davis Advisors is NOT required to vote every proxy. There may be times when refraining from voting a proxy is in the client's best interest, such as when Davis Advisors determines that the cost of voting the proxy exceeds the expected benefit to the client. Davis Advisors shall not, however, ignore or be negligent in fulfilling the obligation it has assumed to vote client proxies.

Davis Advisors is not expected to expend resources if it has no reasonable expectation that doing so will provide a net benefit to its clients. For example, if clients hold only a small position in a company, or if the company's shares are no longer held by Davis Advisors clients at the time of the meeting, a decision to not vote the proxies, engage management in discussions, or to sell the securities rather than fight the corporate action, may be appropriate, particularly if the issue involved would not significantly affect the value of clients' holdings.

Practical Limitations Relating To Proxy Voting While Davis Advisors uses its best efforts to vote proxies, it may not be practical or possible to vote every client proxy. For example, (i) when a client has loaned securities to a third party and Davis Advisors or the client is unable to recall the securities before record date; (ii) if Davis does not receive the proxy ballot/statement in time to vote the proxy; or (iii) if Davis is unable to meet the requirements necessary to vote foreign securities (e.g., shareblocking).

Errors by Proxy Administrators. Davis Advisors may use a proxy administrator or administrators to cast its proxy votes. Errors made by these entities may be beyond Davis' Advisors' control to prevent or correct.

## Record of Voting

The Chief Compliance Officer shall maintain records of how client proxies were voted. The Chief Compliance Officer shall also maintain a record of all votes which are inconsistent with Guiding Principles.

## **VI. Identifying and Resolving Potential Conflicts of Interest**

### Potential Conflicts of Interest

A potential conflict of interest arises when Davis Advisors has business interests that may not be consistent with the best interests of its client. In reviewing proxy issues to identify any potential material conflicts between Davis Advisors' interests and those of its clients, Davis Advisors will consider:

- (1) Whether Davis Advisors has an economic incentive to vote in a manner that is not consistent with the best interests of its clients. For example, Davis Advisors may have an economic incentive to vote in a manner that would please corporate management in the hope that doing so might lead corporate management to direct more business to Davis Advisors. Such business could include managing company retirement plans or serving as sub-adviser for funds sponsored by the company; or
- (2) Whether there are any business or personal relationships between a Davis Advisors employee and the officers or directors of a company whose securities are held in client accounts that may create an incentive to vote in a manner that is not consistent with the best interests of its clients.

### Identifying Potential Conflicts of Interest

The Chief Compliance Officer is responsible for identifying potential material conflicts of interest and voting the proxies in conformance with direction received from the Proxy Oversight Group. The Chief Compliance Officer shall bring novel or ambiguous issues before the Proxy Oversight Group for guidance.

Assessing Materiality. Materiality will be defined as the potential to have a significant impact on the outcome of a proxy vote. A conflict will be deemed material if (i) Davis Advisors' clients control more than 2 ½% of the voting company's eligible vote; and (ii) more than 2 ½% of Davis Advisors' assets under management are controlled by the voting company. If either part of this two part test is not met, then the conflict will be presumed to be immaterial. Materiality will be judged by facts reasonably available to Davis Advisors at the time the materiality determination is made and Davis Advisors is not required to investigate remote relationships or affiliations.

### Resolving Potential Conflicts of Interest

The Proxy Oversight Group is charged with resolving material potential conflicts of interest which it becomes aware of. It is charged with resolving conflicts in a manner that is consistent with the best interests of clients. There are many acceptable methods of resolving potential conflicts, and the Proxy Oversight Group shall exercise its judgment and discretion to determine an appropriate means of resolving a potential conflict in any given situation:

- (1) Votes consistent with the Guiding Principles listed in Section II. are presumed to be consistent with the best interests of clients;
- (2) Davis Advisors may disclose the conflict to the client and obtain the client's consent prior to voting the proxy;
- (3) Davis Advisors may obtain guidance from an independent third party;
- (4) The potential conflict may be immaterial; or
- (5) Other reasonable means of resolving potential conflicts of interest which effectively insulate the decision on how to vote client proxies from the conflict.

## **VII. Proxy Oversight Group**

Davis Advisors has established a Proxy Oversight Group, a committee of senior Davis Advisors officers, to oversee voting policies and decisions for clients. The Proxy Oversight Group:

- (1) Establishes, amends, and interprets proxy voting policies and procedures; and
- (2) Resolves conflicts of interest identified by the Compliance Department.

### Composition of the Proxy Oversight Group

The following are the members of the Proxy Oversight Group. Davis Advisors':

- (1) A Proxy Analyst as designated by the Chief Investment Officer from time to time;
- (2) Davis Advisors' Chief Compliance Officer; and
- (3) Davis Advisors' Chief Legal Officer.

Two or more members shall constitute a quorum. Meetings may be held by telephone. A vote by a majority of the Proxy Oversight Group shall be binding. Action may be taken without a meeting by memorandum signed by two or more members.

## **VIII. Shareholder Activism**

Davis Advisors' fiduciary duties to its clients do not necessarily require Davis Advisors to become a "shareholder activist." As a practical matter, Davis Advisors will determine whether to engage in management discussion based upon its costs and expected benefits to clients.

Prior to casting a single vote, Davis Advisors may use its influence as a large shareholder to highlight certain management practices. Consistent with its fiduciary duties, Davis Advisors may discuss with company management its views on key issues that affect shareholder value. Opening lines of communication with company management to discuss these types of issues can often prove beneficial to Davis Advisors' clients.

## **IX. Obtaining Copies of Davis Advisors' Proxy Voting Policies and Procedures and/or How Proxies Were Voted**

Davis Advisors' clients may obtain a copy of Davis Advisors' Proxy Voting Policies and Procedures and/or a record of how their own proxies were voted by writing to:

Davis Selected Advisers, L.P.  
Attn: Chief Compliance Officer  
2949 East Elvira Road, Suite 101  
Tucson, Arizona, 85706

Information regarding how mutual funds managed by Davis Advisors voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available through the Funds' website (<http://www.davisfunds.com>, <http://www.selectedfunds.com>, and <http://www.clipperfund.com>) and also on the SEC's website at <http://www.sec.gov>.

No party is entitled to obtain a copy of how proxies other than their own were voted without valid government authority.

#### **X. Summary of Proxy Voting Policies and Procedures**

Davis Advisors shall maintain a summary of its Proxy Voting Policies and Procedures which also describes how a client may obtain a copy of Davis Advisors' Proxy Voting Policies and Procedures. This summary shall be included in Davis Advisors' Form ADV Part II, which is delivered to all new clients.

#### **XI. Records**

Davis Advisors' Chief Compliance Officer shall retain for the legally required periods the following records:

- (a) Copies of Davis Advisors' Proxy Voting Policies and Procedures and each amendment thereof;
- (b) Proxy statements received regarding client securities;
- (c) Records of votes Davis Advisors cast on behalf of clients;
- (d) Records of written client requests for proxy voting information and Davis Advisors' response; and
- (e) Any documents prepared by Davis Advisors that were material to making a decision how to vote, or that memorialized the basis of the decision.

#### **XII. Amendments**

Davis Advisors' Proxy Oversight Group may amend these Proxy Voting Policies and Procedures from time to time. Clients shall be notified of material changes.

**Exhibit A**  
**Davis Selected Advisers, L.P.**  
**Detailed Proxy Voting Policies**

**As Amended: June 2, 2006**

**The Guiding Principles control Davis Advisors' Proxy Voting.** Davis Advisors attempts to votes proxies in conformance with the Guiding Principles articulated in Section II of the Proxy Voting Policies and Procedures.

Following is additional explanation of the analysis which Davis Advisors may conduct when applying these Guiding Principles to specific proxy votes. We will NOT vote as indicated below if, in our judgment, the result would be contrary to our Guiding Principles.

- I. The Board of Directors
- II. Executive Compensation
- III. Tender Offer Defenses
- IV. Proxy Contests
- V. Proxy Contest Defenses
- VI. Auditors
- VII. Miscellaneous Governance Provisions
- VIII. State of Incorporation
- IX. Mergers and Corporate Restructuring
- X. Social and Environmental Issues
- XI. Capital Structure

**I. The Board of Directors**

**A. Voting on Director Nominees in Uncontested Elections**

- (1) We generally vote with management in the routine election of Directors. As Directors are elected to represent the economic interests of shareholders, our voting on Director Nominees may be shaped by our assessment of a director's record in representing the interests of shareholders. The most important responsibility of a director is the selection, evaluation and compensation of senior management, and we pay particular attention to directors' performance in this area. In assessing a director's performance in selecting and evaluating management, the primary consideration is the company's long-term track record of creating value for shareholders. In terms of their record on compensation, long-term results will also be a key consideration. Philosophically, we look for directors to construct long-term compensation plans that do not allow for senior executives to be excessively compensated if long-term returns to shareholders are poor. We prefer directors to specify the benchmarks or performance hurdles by which they are evaluating management's performance. Appropriate hurdles may include the company's performance relative to its peers and the S&P 500 as well as its cost of equity capital. We



expect directors to construct plans such that incentive compensation will not be paid if performance is below these hurdles.

- (2) In addition, we believe that stock option re-pricings and exchanges sever the alignment of employee and shareholder interests. Therefore, we will generally withhold votes for any director of any company that has allowed stock options to be re-priced or exchanged at lower prices in the previous year.
- (3) Directors also bear responsibility for the presentation of a company's financial statements and for the choice of broad accounting policies. We believe directors should favor conservative policies. Such policies may include reasonable pension return assumptions and appropriate accounting for stock based compensation, among others.
- (4) In voting on director nominees, we may also consider the following factors in order of importance:
  - (i) long-term corporate performance;
  - (ii) nominee's business background and experience;
  - (iii) nominee's investment in the company;
  - (iv) nominee's ethical track record;
  - (v) whether a poor record of long term performance resulted from poor management or from factors outside of managements control;
  - (vi) corporate governance provisions and takeover activity (discussed in Sections III and IV);
  - (vii) interlocking directorships: and
  - (viii) other relevant information

## **B. Majority Voting.**

We will generally vote for proposals that require a majority vote standard whereby directors must submit their resignation for consideration by the board of directors when they receive less than a majority of the vote cast.

We will review on a case-by-case basis proposals that require directors to receive greater than a majority of the vote cast in order to remain on the board.

## **C. Cumulative Voting.**

We may either support or vote against cumulative voting depending on the specific facts and circumstances.

## **B. Classification/Declassification of the Board**

We generally vote **against** proposals to classify the board.

We generally vote **for** proposals to repeal classified boards and to elect all directors annually.

## II. Executive Compensation

### A. Stock Options, Bonus Plans.

In general, we consider executive compensation such as stock option plans and bonus plans to be ordinary business activity. We analyze stock option plans, paying particular attention to their dilutive effects. While we generally support management proposals, we oppose compensation plans which we consider to be excessive.

We believe in paying for performance. We recognize that compensation levels must be competitive and realistic and that under a fair system exceptional managers deserve to be paid exceptionally well. Our test to determine whether or not a proposal for long-term incentive compensation is appropriate is based on the following two questions.

1. Over the long-term, what is the minimum level of shareholder returns below which management's performance would be considered poor?
  - Performance below that of the S&P 500.
  - Performance below a pre-selected group of competitors.
  - Performance below the company's cost of equity capital.
2. Does the company's proposed incentive compensation plan (including options and restricted stock) allow for the management to receive significant incentive compensation if long-term returns to shareholders fall below the answer specified above?

In most cases, the answer to the first question is unspecified. In virtually all cases, the answer to the second question is "yes," as most companies use non-qualified stock options and restricted stock for the bulk of their long-term compensation. These options and shares will become enormously valuable *even if* the shares compound at an unacceptably low rate – or actually do not go up at all but are simply volatile – over the long term. A fair system of long-term incentive compensation should include a threshold rate of performance below which incentive compensation is not earned. To the extent that long-term incentive compensation proposals are put to a vote, we will examine the long-term track record of the management team, past compensation history, and use of appropriate performance hurdles.

We will generally vote against any proposal to allow stock options to be re-priced or exchanged at lower prices. We will generally vote against multi-year authorizations of shares to be used for compensation unless the company's past actions have been consistent with these policies. We will generally vote in favor of shareholder proposals advocating the addition of appropriate and reasonable performance criteria to long-term compensation plans.

### B. Positive Compensation Practices.

Examples of the positive compensation practices we look for in both selecting companies and deciding how to cast our proxy votes include:

- (1) A high proportion of compensation derived from variable, performance-based incentives;
- (2) Incentive formulas that cut both ways, allowing for outsized pay for outsized performance but ensuring undersized pay when performance is poor;

- (3) Base salaries that are not excessive;
- (4) Company-wide stock-based compensation grants that are capped at reasonable levels to limit dilution;
- (5) Stock-based compensation that appropriately aligns management incentives with shareholders, with a strong preference for equity plans that have a cost-of-capital charge or escalating strike price feature as opposed to ordinary restricted stock or plain vanilla options;
- (6) Appropriate performance targets and metrics, spelled out in detail in advance of the performance period;
- (7) Full and clear disclosure of all forms of management compensation and stock ownership (including full listing of the dollar value of perquisites, value of CEO change of control and termination provisions, pensions, and detail on management's direct ownership of stock vs. option holdings, ideally presented in a format that is easy to compare and tally rather than tucked away in footnotes);
- (8) Compensation committee members with the experience and wherewithal to make the tough decisions that frequently need to be made in determining CEO compensation;
- (9) Policies that require executives to continue holding a meaningful portion of their equity compensation after vesting/exercise;
- (10) Appropriate cost allocation of charges for stock-based compensation;
- (11) Thoughtful evaluation of the present value tradeoff between options, restricted stock and other types of compensation; and
- (12) Compensation targets that do not seek to provide compensation above the median of the peer group for mediocre performance. We believe this has contributed to the unacceptably high rates of CEO pay inflation.

### **III. Tender Offer Defenses**

#### **A. Poison Pills**

We will generally vote **against** management proposals to ratify a poison pill.

We will generally vote **for** shareholder proposals to redeem a poison pill.

#### **B. Fair Price Provisions**

We will generally vote **for** fair price proposals, as long as the shareholder vote requirement embedded in the provision is no more than a majority of disinterested shares.

We will generally vote **for** shareholder proposals to lower the shareholder vote requirement in existing fair price provisions.

#### **C. Greenmail**

We will generally vote **for** proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

We review on a **case-by-case** basis anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

#### **D. Pale Greenmail**

We review on a **case-by-case** basis restructuring plans that involve the payment of pale greenmail.

#### **E. Unequal Voting Rights**

We will generally vote **against** dual class exchange offers.

We will generally vote **against** dual class recapitalizations.

#### **F. Supermajority Shareholder Vote Requirement to Amend the Charter or Bylaws**

We will generally vote **against** management proposals to require a supermajority shareholder vote to approve charter and bylaw amendments.

We will generally vote **for** shareholder proposals to lower supermajority shareholder vote requirements for charter and bylaw amendments.

#### **G. Supermajority Shareholder Vote Requirement to Approve Mergers**

We will generally vote **against** management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

We will generally vote **for** shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.

#### **H. White Squire Placements**

We will generally vote **for** shareholder proposals to require approval of blank check preferred stock issues for other than general corporate purposes.

## IV. Proxy Contests

### A. Voting for Director Nominees in Contested Elections

Votes in a contested election of directors are evaluated on a **case-by-case** basis, considering the following factors:

- long-term financial performance of the target company relative to its industry
- management's track record
- background to the proxy contest
- qualifications of director nominees (both slates)
- evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met
- stock ownership positions

### B. Reimburse Proxy Solicitation Expenses

Decisions to provide full reimbursement for dissidents waging a proxy contest are made on a **case-by-case** basis.

## V. Proxy Contest Defenses

### A. Board Structure: Staggered vs. Annual Elections

We will generally vote **against** proposals to classify the board.

We will generally vote **for** proposals to repeal classified boards and to elect all directors annually.

### B. Shareholder Ability to Remove Directors

We will generally vote **against** proposals that provide that directors may be removed *only* for cause.

We will generally vote **for** proposals to restore shareholder ability to remove directors with or without cause.

We will generally vote **against** proposals that provide that only continuing directors may elect replacements to fill board vacancies.

We will generally vote **for** proposals that permit shareholders to elect directors to fill board vacancies.

### C. Cumulative Voting

See discussion under “The Board of Directors”.

## **D. Shareholder Ability to Call Special Meetings**

We will generally vote **against** proposals to restrict or prohibit the ability of significant shareholders to call special meetings.

We will generally vote **for** proposals that remove restrictions on the right of significant shareholders to call special meetings.

## **E. Shareholder Ability to Act by Written Consent**

We will generally vote **against** proposals to restrict or prohibit shareholder ability to take action by written consent.

We will generally vote **for** proposals to allow or make easier shareholder action by written consent.

## **VI. Auditors**

### **A. Ratifying Auditors**

We will generally vote **for** proposals to ratify auditors, unless any of the following apply:

- An auditor has a financial interest in or association with the company (other than to receive reasonable compensation for services rendered), and is therefore not independent,
- Fees for non-audit services are excessive, or
- There is reason to believe that the independent auditor has rendered an opinion that materially misstates the company's financial position and either knew or should have known of the accounting improprieties that led to the restatement.

We vote **case-by-case** on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

We will generally vote **for** shareholder proposals asking for audit firm rotation or partner rotation within an audit firm, unless the rotation period is so short (less than five years) that it would be unduly burdensome to the company (Sarbanes-Oxley mandates that the partners on a company's audit engagement be subject to five-year term limits).

## **VII. Miscellaneous Governance Provisions**

### **A. Confidential Voting**

We will generally vote **for** shareholder proposals that request corporations to adopt confidential voting, use independent tabulators and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: In the case of a contested election, management is permitted to request that the dissident group honor its confidential voting policy. If

the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

We will generally vote **for** management proposals to adopt confidential voting.

## **B. Equal Access**

We will generally vote **for** shareholder proposals that would allow significant company shareholders equal access to management's proxy material in order to evaluate and propose voting recommendations on proxy proposals and director nominees, and in order to nominate their own candidates to the board.

## **C. Bundled Proposals**

We review on a **case-by-case** basis bundled or "conditioned" proxy proposals. In the case of items that are conditioned upon each other, we examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, we will generally vote **against** the proposals. If the combined effect is positive, we will generally vote **for** the proposals.

## **D. Shareholder Advisory Committees**

We review on a **case-by-case** basis proposals to establish a shareholder advisory committee.

## **E. Stock Ownership Requirements**

We will generally vote **against** shareholder proposals *requiring* directors to own a minimum amount of company stock in order to qualify as a director or to remain on the board (we prefer Directors to be long-term shareholders). We oppose the awarding of stock options to directors.

## **F. Term of Office and Independence of Committees**

We will generally vote **against** shareholder proposals to limit the tenure of outside directors.

We will generally vote **for** shareholder proposals that request that the board audit, compensation and/or nominating committees include independent directors exclusively.

## **G. Director and Officer Indemnification and Liability Protection**

Proposals concerning director and officer indemnification and liability protection are evaluated on a **case-by-case** basis.

We will generally vote **against** proposals to limit or eliminate entirely director and officer liability for monetary damages for violating the duty of care.

We will generally vote **against** indemnification proposals that would expand coverage beyond just legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligations than mere carelessness.

We will generally vote **for** only those proposals that provide such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if: (1) the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company, *and* (2) only if the director's legal expenses would be covered.

## **H. Charitable Contributions**

We will generally vote **against** shareholder proposals to eliminate, direct or otherwise restrict charitable contributions.

## **I. Age Limits**

We will generally vote **against** shareholder proposals to impose a mandatory retirement age for outside directors.

## **J. Board Size**

We will generally vote **for** proposals seeking to fix the board size or designate a range for the board size.

We will generally vote **against** proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

## **K. Establish/Amend Nominee Qualifications**

We vote **case-by-case** on proposals that establish or amend director qualifications. Votes should be based on how reasonable the criteria are and to what degree they may preclude dissident nominees from joining the board.

We will generally vote **against** shareholder proposals requiring two candidates per board seat.

## **L. OBRA-Related Compensation Proposals**

- **Amendments that Place a Cap on Annual Grant or Amend Administrative Features**



We will generally vote **for** plans that simply amend shareholder-approved plans to include administrative features or place a cap on the annual grants any one participant may receive to comply with the provisions of Section 162(m) of OBRA.

- **Amendments to Added Performance-Based Goals**

We will generally vote **for** amendments to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) of OBRA.

- **Amendments to Increase Shares and Retain Tax Deductions Under OBRA**

Votes on amendments to existing plans to increase shares reserved and to qualify the plan for favorable tax treatment under the provisions of Section 162(m) are evaluated on a **case-by-case** basis.

- **Approval of Cash or Cash-and-Stock Bonus Plans**

We will generally vote **for** cash or cash-and-stock bonus plans to exempt the compensation from taxes under the provisions of Section 162(m) of OBRA where the compensation plans have been historically consistent with our principles described in Section II of this document.

#### **M. Shareholder Proposals to Limit Executive and Director Pay**

We will generally vote **for** shareholder proposals that seek additional disclosure of executive and director pay information.

We review on a **case-by-case** basis all other shareholder proposals that seek to limit executive and director pay.

#### **N. Golden and Tin Parachutes**

We will generally vote **for** shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.

We will generally review on a **case-by-case** basis all proposals to ratify or cancel golden or tin parachutes.

#### **O. Employee Stock Ownership Plans (ESOPs)**

We will generally vote **for** proposals that request shareholder approval in order to implement an ESOP or to increase authorized shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is "excessive" (i.e., generally greater than five percent of outstanding shares).

#### **P. 401(k) Employee Benefit Plans**

We will generally vote **for** proposals to implement a 401(k) savings plan for employees.

#### **Q. Stock Plans in Lieu of Cash**

We review plans which provide participants with the option of taking all or a portion of their cash compensation in the form of stock on a **case-by-case** basis.

We will generally vote **for** plans which provide a dollar-for-dollar cash for stock exchange.

We review plans which do not provide a dollar-for-dollar cash for stock exchange on a **case-by-case** basis.

#### **R. Director Retirement Plans**

We will generally vote **against** retirement plans for non-employee directors.

We will generally vote **for** shareholder proposals to eliminate retirement plans for non-employee directors.

#### **S. Advisory Vote on Compensation**

**We will review on a case-by-case basis proposals to grant an annual advisory vote on executive compensation to shareholders (so-called “say on pay” votes).**

## VIII. State of Incorporation

### A. Voting on State Takeover Statutes

We review on a **case-by-case** basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freeze out provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, anti-greenmail provisions, and disgorgement provisions).

### B. Voting on Reincorporation Proposals

Proposals to change a company's state of incorporation are examined on a **case-by-case** basis.

## IX. Mergers and Corporate Restructurings

### A. Mergers and Acquisitions

Votes on mergers and acquisitions are considered on a **case-by-case** basis, taking into account at least the following:

- anticipated financial and operating benefits
- offer price (cost vs. premium)
- prospects of the combined companies
- how the deal was negotiated
- changes in corporate governance and their impact on shareholder rights

### B. Corporate Restructuring

Votes on corporate restructuring proposals, including minority squeeze outs, leveraged buyouts, spin-offs, liquidations, and asset sales are considered on a **case-by-case** basis.

### C. Spin-offs

Votes on spin-offs are considered on a **case-by-case** basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

### D. Asset Sales

Votes on asset sales are made on a **case-by-case** basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

### E. Liquidations

Votes on liquidations are made on a **case-by-case** basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

## **F. Appraisal Rights**

We will generally vote **for** proposals to restore, or provide shareholders with, rights of appraisal.

## **G. Changing Corporate Name**

We will generally vote **for** changing the corporate name.

## **X. Social and Environmental Issues**

Davis Advisors will generally vote with management on shareholder social and environmental proposals on the basis that their impact on share value is difficult to judge and is therefore best done by management.

## **XI. Capital Structure**

### **A. Common Stock Authorization**

We review on a **case-by-case** basis proposals to increase the number of shares of common stock authorized for issue, giving weight to a company's history of past equity grants, long term performance, peer company practices, and evolving compensation practices (e.g. cash vs. equity weightings).

### **B. Reverse Stock Splits**

We will review management proposals to implement a reverse stock split on a **case-by-case** basis. We will generally support a reverse stock split if management provides a reasonable justification for the split.

### **C. Blank Check Preferred Authorization**

We will generally vote **for** proposals to create blank check preferred stock in cases when the company expressly states that the stock will not be used as a takeover defense or carry superior voting rights.

We review on a **case-by-case** basis proposals that would authorize the creation of new classes of preferred stock with unspecified voting, conversion, dividend and distribution, and other rights.

We review on a **case-by-case** basis proposals to increase the number of authorized blank check preferred shares. If the company does not have any preferred shares outstanding we will generally vote **against** the requested increase. If the company does have preferred shares outstanding we will use the criteria set forth herein.

### **D. Shareholder Proposals Regarding Blank Check Preferred Stock**

We will generally vote **for** shareholder proposals to have blank check preferred stock placements, other than those shares issued for the purpose of raising capital or making acquisitions in the normal course of business, submitted for shareholder ratification.

### **E. Adjust Par Value of Common Stock**

We will generally vote **for** management proposals to reduce the par value of common stock.

### **F. Preemptive Rights**

We review on a **case-by-case** basis proposals to create or abolish preemptive rights. In evaluating proposals on preemptive rights, we look at the size of a company and the characteristics of its shareholder base.

### **G. Debt Restructurings**

We review on a **case-by-case** basis proposals to increase common and/or preferred shares and to issue shares as part of a debt-restructuring plan. We consider the following issues:

- *Dilution* - How much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- *Change in Control* - Will the transaction result in a change in control of the company?
- *Bankruptcy* - Is the threat of bankruptcy, which would result in severe losses in shareholder value, the main factor driving the debt restructuring?

Generally, we approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.

## **H. Share Repurchase Programs**

We will generally vote **for** management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

## **I. Dual-class Stock**

We will generally vote **against** proposals to create a new class of common stock with superior voting rights.

We will generally vote **for** proposals to create a new class of nonvoting or subvoting common stock if:

- It is intended for financing purposes with minimal or no dilution to current shareholders.
- It is not designed to preserve the voting power of an insider or significant shareholder.

## **J. Issue Stock for Use with Rights Plan**

We will generally vote **against** proposals that increase authorized common stock for the explicit purpose of implementing a shareholder rights plan (poison pill).

## **K. Preferred Stock**

We will generally vote **against** proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).

We will generally vote **for** proposals to create "declawed" blank check preferred stock (stock that cannot be used as a takeover defense).

We will generally vote **for** proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

We will generally vote **against** proposals to increase the number of blank check preferred stock authorized for issuance when no shares have been issued or reserved for a specific purpose.

We vote **case-by-case** on proposals to increase the number of blank check preferred shares after analyzing the number of preferred shares available for issue given a company's industry and performance in terms of shareholder returns.

## **L. Recapitalization**

We vote **case-by-case** on recapitalizations (reclassifications of securities), taking into account the following: more simplified capital structure, enhanced liquidity, fairness of conversion terms, impact on voting power and dividends, reasons for the reclassification, conflicts of interest, and other alternatives considered.

## **M. Reverse Stock Splits**

We will generally vote **for** management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

We will generally vote **for** management proposals to implement a reverse stock split to avoid delisting.

Votes on proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorized for issue should be determined on a **case-by-case** basis.

## **N. Stock Distributions: Splits and Dividends**

We will generally vote **for** management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance.

## **O. Tracking Stock**

Votes on the creation of tracking stock are determined on a **case-by-case** basis, weighing the strategic value of the transaction against such factors as: adverse governance changes, excessive increases in authorized capital stock, unfair method of distribution, diminution of voting rights, adverse conversion features, negative impact on stock option plans, and other alternatives such as a spin-off.