

Brochure About

**GREENHAVEN ASSOCIATES, INC.**

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Purchase, New York 10577

Contact: Edgar Wachenheim III, Chairman (914-253-9366)

January 9, 2015

Please note that this brochure, which was prepared to comply with regulations of the Securities and Exchange Commission, has not been approved by the Securities and Exchange Commission or by any state securities authority.

## **Material Changes**

This brochure was prepared for two reasons: (1) to serve as Part 2 of Form ADV, which is a required form of the Securities and Exchange Commission (“SEC”), and (2) to keep clients as fully informed about Greenhaven as possible. We urge clients to ask questions about Greenhaven and to suggest any additions they would like to see made to the brochure.

There have been no material changes to this brochure since our last Part 2 - ADV was filed in January of 2014.

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## **Advisory Business of Greenhaven Associates**

Greenhaven manages discrete investment portfolios for clients on a discretionary basis. We primarily focus on purchasing and holding undervalued common stocks. The underlying companies of the stocks we own might be of any size, in any type of business, or domiciled in any country. In other words, we do not specialize by size, industry, or geography.

While we primarily own common stocks, we might purchase warrants, convertible or other debt securities, or other types of securities that might serve as a proxy for common stocks. In addition, if an account is less than fully invested in common stocks, we might purchase U.S. Treasury Bills or Notes, or other “cash equivalents”.

As of December 31, 2014, Greenhaven had approximately \$5,720,000,000 under management, including funds that belong to or are controlled by Edgar Wachenheim III and his immediate family.

## **Fees and Compensation**

Greenhaven charges its clients (1) a quarterly management fee based on the amount of assets under management at the start of each quarter<sup>1</sup> and (2) in years when an account has appreciated by more than 20%, an annual incentive fee.

The annualized quarterly management fee is:

- 1.000% of the first \$5 million under management
- .875% of the next \$10 million under management
- .750% of the next \$10 million under management
- .625% of amounts in excess of \$25 million under management

The annual incentive is based on the annual appreciation, gross of investment management fees, in the account and is an amount equal to 5% of the appreciation that is in excess of 20% of the value of the account on January 1 of the year. For example, if an account appreciates 30% in a given year (before deducting the quarterly investment management fees), the incentive fee for the year is 5% of 10%, or ½% of the adjusted assets under management at the start of the year<sup>2</sup>. When the incentive fee is calculated, the appreciation in the account is adjusted for any additions to or withdrawals from the account during the year.

The above fee schedule is not negotiable. Fees are not refunded if a client withdraws funds or closes an account during a quarter.

Quarterly management fees are payable close to the start of the relevant quarter. Under an arrangement with First Manhattan & Co., Greenhaven Associates' clients may use Pershing & Company (a division of the Bank of New York) as a custodian for their securities (or clients may use a custodian of their choice). Pershing does not charge a fee for this service. Clients who elect to use Pershing & Co. may, at their option, have their quarterly management fees and incentive fees withdrawn directly from their account at Pershing.

## **Performance-Based Fees and Side-By-Side Management**

As mentioned above, Greenhaven charges an incentive fee in years when the value (as defined) of an account appreciates by more than 20%. The SEC is concerned that investment managers who manage both accounts that are subject to incentive fees and accounts that are not subject to incentive fees will favor the accounts that are subject to the incentive fees. Since all Greenhaven's accounts are subject to incentive fees, this conflict of interest does not exist at Greenhaven.

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<sup>1</sup> One client, in order to comply with its internal policies, is billed at the end of each quarter based on the average assets under management during the quarter.

<sup>2</sup> Assets are adjusted for the time weighted effect that additions or withdrawals had on the funds available for investment.

## **Types of Clients**

Greenhaven's clients include individuals, trusts, foundations, pension plans, IRAs, and endowments.

Importantly, Greenhaven manages substantial portfolios owned or controlled by Ed Wachenheim and his immediate family. We call these accounts "Wachenheim Family" accounts. In addition, Greenhaven manages substantial portfolios owned or controlled by Ed Wachenheim's wife (Sue Wallach Wachenheim) and her close relatives. We call these accounts "Wallach Family" accounts. Wachenheim Family and Wallach Family accounts include individual accounts, trusts, corporations, charitable foundations, and ERISA and other retirement plans. The total value of Wachenheim Family and Wallach Family accounts approximates 50% of the total funds under Greenhaven's management.

Although the securities owned in Wachenheim Family and Wallach Family accounts largely are the same as those owned by Greenhaven's non-family clients, differences may occur for a variety of reasons, including the amount of cash available for investments and tax considerations. Sometimes, Wachenheim Family accounts are more concentrated (hold larger positions in fewer securities) than non-Wachenheim accounts. Securities are often purchased or sold for Wachenheim Family or Wallach Family accounts at the same time they are purchased or sold for non-family clients. In such cases, purchases and sales are made in conformity with Greenhaven's policies on personal trading (please refer to the section of this brochure titled "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" for details on Greenhaven's policies on personal trading).

It is important that Greenhaven's clients weigh the advantages and disadvantages (including potential conflicts of interest) of being a client of a firm where the principal investment manager and his relatives account for roughly 50% of the funds under management.

Greenhaven wishes to control the total amount of money under its management and therefore usually does not accept new accounts, except, under certain circumstances, for existing clients. The minimum account size for a new client normally is \$10 million.

## **Methods of Analysis, Investment Strategies, and Risk of Loss**

Greenhaven performs its own research on every security it purchases for clients. While we do not rely on Wall Street research, we do often read research reports written by Wall Street analysts in order to learn about their estimates, valuations, and opinions.

Greenhaven's research is performed by three analysts. Ed Wachenheim is one of the analysts – and he spends the bulk of his time researching companies and industries. For every company owned by Greenhaven, one analyst is assigned primary responsibility for the research and analysis and one analyst is assigned secondary responsibility. Thus, every company is researched and followed by two analysts.

Our research normally includes the study of public information (Form 10Ks, annual reports, newspapers, magazines, etc.). In addition we usually meet with and interview top management and we try to obtain information from industry sources, suppliers, customers, etc.

Our investment strategy is to purchase undervalued securities and then to sell the securities when they become fully or overvalued. When we appraise the value of a security, we typically look ahead two or three years. Our belief is that many other investors have a much shorter time horizon than two or three years and will shun, or even sell, a security that appears unattractive in the shorter-run, even if its longer-term potential appears attractive. Therefore, by being willing to de-emphasize the importance of the short-term performance of a security, or of an entire portfolio, we believe that we often have a good opportunity to purchase out-of-favor securities that are selling at undervalued prices.

In addition, Greenhaven often finds a security that will become appreciated as the result of a positive change, such as the introduction of an exciting new product, a systemic increase in the demand for an existing product or service, or the execution of a major cost reduction program.

While Greenhaven usually holds a security for a period longer than one year, occasionally a security is held for less than a year, especially in cases when the security appreciates sharply soon after it is purchased, or when an unexpected event detracts from the attractiveness of the security, or when Greenhaven discovers that it has made an error in judgment.

Greenhaven normally does not attempt to “time” the stock market. Our prime strategy is to remain relatively fully invested as long as we can find a sufficient number of attractive securities. At times when we cannot find a sufficient number of attractive securities, we are willing to hold cash or cash equivalent balances. While we ordinarily do not attempt to “time” the market, we do alter the amount of risk we are willing to accept based on our outlook for the economy (including the financial risks in the economy). If we decide to tighten our investment standards in response to a perceived increase in risk in the economy, we might sell stocks that have risk profiles that we were willing to accept before we tightened our standards, but not after we tightened our standards. In such cases, the selling of the securities might result in material cash balances being generated in our accounts.

Compared with most investment management firms, Greenhaven’s portfolios typically are quite concentrated in a relatively few number of securities. Typically, a Greenhaven portfolio owns 12-25 securities. When purchasing a security, Greenhaven normally limits the total cost of the purchase to less than 12% of the value of the portfolio. Of course, the market value of a security might, at times, exceed 12% of the value of the portfolio if the price of the security increases sharply or if the value of the portfolio declines by more than the price of the security. Greenhaven also monitors its total exposure to an industry or to related industries and, at times, will seek to maintain adequate diversity in a portfolio by selling securities for the sake of diversity, as opposed to valuations. As mentioned previously, Wachenheim Family accounts sometimes are more concentrated than non-Wachenheim accounts – and sometimes will own a security whose value exceeds 12% of the total value of the portfolio.

Greenhaven strongly emphasizes that investing in common stocks involves risks that its clients should be prepared and willing to bear. Sometimes unpredictable unfavorable events can trigger a permanent loss in a holding. Also, sometimes companies incur problems or other negative fundamentals that Greenhaven did not detect or anticipate in its research. While Greenhaven spends considerable time researching companies and industries, we cannot hope to be close to fully knowledgeable about a company or an industry. Furthermore, as human beings, we can be expected to sometimes err in our judgment and decisions. Over the years, many of our investments have turned out to be successful, but many also have turned out to be unsuccessful. Thus, investing in undervalued common stocks is a very imperfect science that entails substantial risk.

### **Disciplinary Information**

Neither Greenhaven nor any of its key employees has been involved in any disciplinary action by the SEC (or by any other governmental entity) or has been convicted of a major crime. Neither Greenhaven nor any of its key employees are involved in any material litigation.

### **Other Financial Industry Activities and Affiliations**

Neither Greenhaven nor any of its key employees have an employment or financial interest in another financial industry participant, except, of course, Greenhaven's employees and clients may, from time to time, own marketable securities in a public company that is a participant in the financial industry. Such ownership of marketable securities would not be a control position and would not, in Greenhaven's opinion, present a material conflict of interest with Greenhaven's clients.

Greenhaven has an informal arrangement with First Manhattan Co., an investment management firm and broker-dealer, whereby First Manhattan provides certain portfolio accounting services to Greenhaven and arranges for Greenhaven's clients, at their option, to use Pershing & Company as a custodian for the clients' securities. Neither First Manhattan nor Pershing charge Greenhaven for these services. Greenhaven does not have any obligation to execute orders through First Manhattan or to otherwise "pay" First Manhattan commissions on securities transactions. However, because Greenhaven values First Manhattan's research and idea capabilities, because of First Manhattan's ability to efficiently execute small orders, and because Greenhaven wishes to compensate First Manhattan for arranging the accounting and custodial services, Greenhaven does "pay" First Manhattan substantial commissions on securities transactions. Normally the commissions are at a rate of \$.03-.07 per share, which is in line with the commissions that Greenhaven "pays" on most transactions with brokers. Greenhaven does sometimes pay lower commissions than \$.03 per share when it executes orders on an electronic system or when it buys or sells a large block. And, infrequently, on very small orders, Greenhaven pays First Manhattan a commission rate of \$.07 per share in order to reflect First Manhattan's cost of executing and settling very small orders.

## **Code of Ethics**

Greenhaven has a code of ethics which is agreed to and signed by each employee.

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### **Material Non-Public ("Inside") Information**

*No employee ever should purchase or sell shares when he or she is in possession of material "inside" information. Furthermore, any "inside" information should not be discussed outside our firm. When it is not clear whether a particular piece of "inside" information is material, shares should not be purchased or sold.*

*Employees who have knowledge about Greenhaven's trading activities (present or probable purchases or sales) should treat the knowledge as "inside" information. Such knowledge must be kept confidential and must not be divulged to any person who is not directly involved with implementing the trades.*

### **Purchases or Sales of Shares by Employees**

*Greenhaven considers it proper for employees to purchase or sell securities owned by or being purchased or sold by clients, provided that such purchases or sales are made in amounts consistent with the normal investment practices of the employees and with an investment, rather than a trading, outlook. This policy encourages employees to maintain a continuing interest in the securities held by clients and evidences the employees' confidence in the investment decisions being made.*

*However, employees should never buy or sell shares in anticipation of purchases or sales for clients. Each employee must give Greenhaven copies of his/her brokerage statements. These statements must be kept in our files. If you wish to purchase shares for yourself and are unsure whether it could conflict with an order for a client, you should clear the trade with me first.*

### **Prices Received by Clients and Employees**

*Orders normally are "bunched" and therefore all clients normally receive exactly the same price on all purchases or sales in any given day. An employee's order can be part of a bunched order. While normally there is only one bunched order placed for a given security on any given day, sometimes there will be more than one bunch if a second order is placed at a materially different time and price than the first order.*

*If feasible, an employee of Greenhaven should not receive a more favorable price than a client of Greenhaven on any given day. However, in rare circumstances, a situation could exist where it makes sense to execute an order for a client at a less favorable price than an employee has received. The following example actually took place. Before the market opened at 9:30 AM, an employee checked with Ed Wachenheim before placing*

*orders to purchase several stocks for a family member. At the time, Ed Wachenheim had no intention of purchasing any securities on that day – and he indicated such to the employee. The employee purchased shares in the morning. In the afternoon, Ed Wachenheim became aware that two brand new accounts had some cash to be invested. He decided that it was in the best interest of the two new accounts to purchase shares in several companies that afternoon. In one instance, one of the stocks purchased was purchased at a slightly higher price than the employee paid for his family member. Ed Wachenheim decided that the new account were not materially disadvantaged by the employee's purchase, that it would be cumbersome and unfair to make the employee's relative suffer a higher price (if the prices were altered), and that it was in the clients' interests to purchase the stock that day rather than chance waiting to the next day to make the purchase.*

#### *Allocation of Trades*

*We allocate trades correctly and must continue to do so. Normally allocations to accounts are made when or before an order is given. In a minority of cases it is not feasible to allocate accounts at the time an order is given: for example, when a block of stock becomes available at an attractive price and when the block must be purchased quickly for fear that it will be sold to another institution. In such cases, we must continue to allocate the trade as soon as practicable after it is executed.*

#### *Initial Public Offerings and Private Placement*

*Employees must refrain from purchasing “hot” new issues. To avoid the chance of a mistake being made (and to comply with SEC Regulations), employees must pre-clear any investments in initial public offerings and in private placements.*

#### *Reporting of Violations of Compliance Rules and of Federal Securities Laws*

*Any employee who knows of a violation of Greenhaven's Compliance Rules or of Federal Securities Law must report that violation to me as soon as is practical.*

#### *Other Important Compliance Items*

*Greenhaven employees must hold confidential any and all information about its clients, including financial, tax, and personal information.*

*Greenhaven employees must refrain from accepting gifts in excess of \$200 (including entertainment and services) from firms conducting business with Greenhaven Associates, especially from securities brokerage firms. When uncertain whether a service is a gift, an employee should seek the judgment of Edgar Wachenheim III.*

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As detailed in the section of this brochure titled “Types of Clients”, the Wachenheim and Wallach families most frequently invest in the same securities as non-family clients. In addition, all Greenhaven employees may invest in the same securities as non-family clients. Greenhaven



strongly believes that it is in the best interest of all clients to have Wachenheim, Wallach, and employee money on the line in the same securities as those owned by non-family clients. Such parallel investing presents a commonality of interests and reduces the possible conflict that Ed Wachenheim or employees might have incentives to purchase more attractive stocks for themselves than they purchase for clients. Greenhaven does not believe there is a material conflict in having Wachenheim, Wallach, employee, and non-family client accounts owning the same securities and believes that the advantages of such parallel ownership far outweigh minor conflicts (such as any materially reduced marketability).

Greenhaven permits Wachenheim, Wallach, and employee accounts to purchase or sell shares at the same time and at the same price as Greenhaven's non-family clients. Clients should consider that the inclusion of Wachenheim and Wallach family accounts in an order might result in a slightly higher average price paid for securities purchased or a slightly lower price for securities sold. However: (1) because Greenhaven tends to own securities that are quite marketable and tends to purchase and sell stocks over time, Greenhaven believes that the larger orders triggered by Wachenheim, Wallach, or employee accounts usually do not materially adversely affect the prices of the securities purchased or sold; (2) if Greenhaven should be purchasing or selling a thinly traded stock where the inclusion of Wachenheim, Wallach, or employee accounts would, in Ed Wachenheim's judgment, materially adversely affect the prices received by non-family clients, Ed Wachenheim will give non-family clients preference and will not purchase or sell shares for any account in which he has a direct or indirect interest on the same day as he purchases shares for non-family clients; and (3) Ed Wachenheim firmly believes that it is part of human nature for people to work more intensely when their own financial interests are at stake (when they are dealing with their own money as opposed to other people's money) and therefore Ed Wachenheim believes that it is in all clients' interests that accounts in which Ed Wachenheim has a financial interest participate in the same trades as the clients.

Every employee must report all trades (including trades made by his/her immediate family) to Mary Egerton, who then files these reports in Greenhaven's compliance files. Periodically, Ed Wachenheim reviews the reports to assure that there has been no violation of Greenhaven's policies (Eli Davidoff, Greenhaven's head trader, reviews Ed Wachenheim's reports).

### **Brokerage Practices**

Because Greenhaven performs its own research on the securities it owns and does not rely on research provided by Wall Street firms (although Greenhaven does receive and sometimes reads research reports and on rare occasions does speak to security analysts employed at Wall Street firms), Greenhaven, with exceptions, selects brokers based on their perceived ability to achieve the best execution for the client. In other words, we normally do not pay for research. One exception is that Greenhaven tries, in the course of a year, to give a modest amount of commission to most of the largest broker-dealers so that Greenhaven maintains a relationship with the firms and can be invited to conferences sponsored by the firms (companies make presentations at the conferences). A second exception is that Greenhaven has a "soft dollar" relationship with Barclays Capital Inc. whereby Barclays provides Bloomberg and Street

Events services (all of which are used for research that serves clients) to Greenhaven Associates in exchange for approximately \$130,000 of commissions at \$.05 per share.

Greenhaven believes that it is in our clients' best interest not to squeeze brokers by demanding very low commission rates. A commission rate of \$.05, for example, is small relative to the savings a broker can provide by executing an order smartly and efficiently. Greenhaven wants to be in the flow when brokers have blocks to buy and sell and Greenhaven wants brokers to be sufficiently incentivized to work hard to achieve efficient executions and to relay information that can help Greenhaven purchase or sell clients' shares at efficient prices. Therefore, Greenhaven believes that it is in its clients' interest to pay a fair commission to brokers.

Greenhaven believes that its interest in maintaining relationships with many brokers, its informal relationship with First Manhattan, or its formal "soft dollar" relationship with Barclays might present a conflict of interest and might result in clients' paying higher commissions than otherwise in a few instances. However, (1) because Greenhaven normally does not pay brokers for research ideas or for direct access to securities analysts, (2) because Greenhaven likely would do business with the largest brokers even if it were not interested in maintaining a relationship or fulfilling its soft dollar obligation, and (3) because the bulk of the commissions paid to First Manhattan is through "give-ups"<sup>3</sup> at the same commission rates that are paid to the executing broker, the very largest percentage of Greenhaven's trades can be executed by the broker who, in Greenhaven's opinion, is best able to achieve the best execution for the client.

Greenhaven discourages clients from directing brokerage, but two accounts that are domiciled at a broker-dealer ask Greenhaven to direct brokerage to the broker-dealer. Because the directed brokerage is in the form of "give-ups", the two accounts receive the same price and pay the same commission as all other accounts.

Greenhaven very often aggregates trades. By this we mean that, on a given day, an order for the purchase or sale of a security very often is filled through the execution of many separate transactions, usually at varying prices. After each order is filled (or at 4:00 PM), Greenhaven calculates the average price paid or received for each security that was purchased or sold. For each order, every client being allocated shares receives the average price. Greenhaven notes that, in the course of purchasing or selling a security on a given day, the order size sometimes is increased or decreased during the day to reflect: (1) price movements in the price of the security or stock market, (2) opinions by Greenhaven on the amount of trading activity in the stock, (3) new information or news, or (4) any other consideration that would cause us to increase or decrease the size of an order. Greenhaven believes that this system of aggregating trades is the fairest way to allocate orders among its many accounts, including accounts where Edgar Wachenheim III or his wife have a direct or indirect financial interest.

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<sup>3</sup> A "give-up" is where Greenhaven executes an order through one broker but gives up part of the commission to a second broker. By using give-ups, Greenhaven can attain the best possible execution and at the same time pay commission to a broker that provides services.

**Review of Accounts**

Greenhaven's accounts are either managed by Edgar Wachenheim III, by Chris Wachenheim, or by Josh Sandbulte. All managers regularly, but not on a set schedule, review clients' accounts. The most common review is the analysis of a spread sheet that details the value of every security held in an account as a percentage of the total value of the account. This spread sheet normally is prepared and reviewed at least once per week.

**Client Referrals and Other Compensation**

Greenhaven does not compensate any individual, company, or other entity for referring clients to Greenhaven.

**Custody**

Greenhaven's clients, at their option, may use Pershing & Company (a subsidiary of the Bank of New York) or any custodian of their choice to serve as custodian for their securities. Greenhaven's clients that select Pershing & Company receive monthly statements that detail transactions during the month and list securities, cash equivalents, and cash held by the client at month end. Clients should carefully review all statements and other information received from Pershing & Company. Greenhaven sends all clients quarterly statements that list the securities held by each client at quarter end and detail the quarter-end market value of each security. Clients are urged to compare the statements received from Greenhaven with the statements received from their custodian, with the caveat that Greenhaven's holdings are based on trade date (we do this to better reflect the economic value of an account) while custodians' statements normally are based on settlement date. Therefore, discrepancies usually exist for securities purchased or sold close to the beginning or end of a quarter.

**Investment Discretion**

As provided in its Investment Management Agreement with its clients, Greenhaven has discretionary authority over its clients' accounts. Rarely, a client, for ethical, legal, or other grounds, will request Greenhaven not to own a particular security. Greenhaven generally has complied with such requests. On several occasions, clients have asked Greenhaven to hold certain levels of cash in their accounts. Again, Greenhaven generally has complied with these requests.

## **Voting Client Securities**

Greenhaven does accept authority and responsibility to vote client securities. Clients, if they so wish, can direct Greenhaven to vote as the client wishes. Clients can obtain a copy of Greenhaven's proxy voting procedures by phoning Mary Egerton at 1-914-253-9365. However, for the convenience of clients, we are providing a copy of our procedures in this brochure, as follows:

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### **PROXY VOTING POLICIES AND PROCEDURES**

*Edgar Wachenheim III is the Greenhaven executive responsible for making all proxy voting decisions in accordance with these proxy voting policies and procedures. When a proxy statement is received, Greenhaven's assistant trader, Tova Adesnik and in her absence, Mary Egerton, notifies Mr. Wachenheim, who reviews the proxy and determines how Greenhaven will vote on the various matters under consideration. When making a decision, Greenhaven does not rely on the advice of third parties. Mr. Wachenheim relays his decisions to Tova Adesnik or Mary Egerton, who then completes and mails the proxy forms. Greenhaven, in its central files, keeps a record of how it voted on each issue. This record is available, upon request (call Mary Egerton at 914-253-9365).*

#### **Proxy Voting Policies**

*Greenhaven normally owns securities of companies that are well managed and governed and where the Board of Directors and management have been acting in the best interest of shareholders. Therefore, we normally have a great deal of confidence in the decisions and actions of the Boards and managements – and if we lose such confidence, we often will decide to sell our shares. Because we normally have confidence in the decisions of the Boards and because we believe that Boards usually know more about their companies than passive shareholders, we normally will decide to vote proxies in a manner consistent with the proposals and recommendations of the Boards. However, we realize that there are many complexities to proxy votes – and we sometimes will vote against a proposal and recommendation of a Board if we believe that such a vote is in the best interest of the company's shareholders. When weighing what is in the best interest of shareholders, considerations include: (1) the impact of a proposal on the value of the securities; (2) the anticipated costs and benefits of the proposal; and (3) the effect of the proposal on liquidity of the securities.*

*Consistent with our policy of generally supporting Boards of Directors that we have confidence in, we almost always vote in favor of a Board's proposal to: (1) elect or reelect Board members; (2) pay certain fees to Board members; (3) appoint or reappoint auditors; (4) change the company's capital structure; (5) reincorporate in a different state; (6) merge with or acquire another company (or be acquired); (7) set a time and place for the annual meeting; (8) change the company's fiscal year; (9) change a company's name; (10) establish reasonable plans or procedures to discourage a takeover of the company at an unfair price; (11) alter the bylaws or governance of the company; (12) adopt a management compensation (including stock options) plan; (13) establish term limits for the Board or its committees; or (14) stagger or not stagger the Board.*

*However, we recognize that there are exceptions to almost every general policy, and in some cases, while we will continue to maintain confidence in a Board and management, we will cast a vote that*

*is contrary to their proposal or wish. Because every exception is different, it is difficult to incorporate a discussion of possible exceptions in this statement of proxy voting policies. However, areas where we are most likely to vote contrary to a Board and management's wish include: (1) proposals to reduce our voting rights if such a proposal results in unequal voting rights among the classes of common shares; (2) unreasonable plans or procedures that discourage a takeover of the company at a fair price; (3) proposals that would permit a Board and/or management to engage in socially or environmentally damaging policies – if those policies are adverse to the long-term interests of shareholders – which often is the case.*

#### *Possible Conflicts of Interest*

*Greenhaven cannot recall an incident where there was a proxy voting conflict between its interests and the interests of its clients. One consideration is that the owners and management of Greenhaven themselves generally are shareholders in the same companies owned by the firm's clients. However, if such a conflict of interest should occur, Greenhaven will vote in the best interest of its clients – and subjugate its interests to those of its clients.*

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#### **Financial Information**

Greenhaven has not experienced any financial condition that was or is reasonably likely to impair its ability to meet its contractual commitments to its clients. Greenhaven never has incurred debt and, in its opinion, has continually had a strong balance sheet that contains substantial cash balances far above what is needed to conduct its business.