

Steelhead Partners, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Steelhead Partners, LLC (“Steelhead”). Steelhead is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. That registration does not imply a certain level of skill and training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 425-974-3788.

Additional information about Steelhead is also available on the SEC’s website at:
www.adviserinfo.sec.gov.

Material Changes

Steelhead's most recent update to Part 2 of Form ADV was made in March 2014. There have been no material changes since the time of that update.

Table of Contents

Material Changes	i
Table of Contents	ii
Advisory Business.....	1
Fees and Compensation.....	1
Performance Based Fees and Side-by-Side Management	2
Types of Clients	3
Methods of Analysis, Investment Strategies and Risk of Loss	3
Disciplinary Information.....	4
Other Financial Industry Activities and Affiliations	4
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	5
Brokerage Practices.....	5
Review of Accounts	9
Client Referrals and Other Compensation	10
Custody	10
Investment Discretion	10
Voting Client Securities.....	11
Financial Information	11

Advisory Business

Steelhead was formed as a Delaware limited liability company in 1996 by its members J. Michael Johnston and Brian Klein under its original name, Johnston Klein Capital Management, L.L.C. Mr. Johnston is the principal owner of Steelhead.

Steelhead primarily provides discretionary advisory services to investment limited partnerships, offshore investment funds and other pooled investment vehicles (collectively, the “Funds”), as well as separately-managed accounts (“separate accounts”), with the goal of achieving capital appreciation while managing risk. The Funds and the separate accounts are Steelhead’s current clients.

Steelhead tailors its advisory services by constructing portfolios that seek to meet the investment objectives, guidelines and other terms of each particular Fund or separate account it manages. Steelhead generally manages the Funds and separate accounts by following one of two “core” strategies: a fundamental value strategy or a convertible bond strategy. See “Methods of Analysis, Investment Strategies and Risk of Loss” below for more detail.

The Funds may impose limits on or expand the universe of securities or other instruments in which they may invest. Steelhead has complete discretion over investment decisions for the Funds, and investors have no authority to change a Fund’s investment objectives or limitations. Investors have no right to remove or replace Steelhead. A separate account client may impose restrictions or other guidelines with respect to the securities or types of securities that the account may invest in.

Steelhead does not participate in wrap fee programs.

As of March 1, 2015, Steelhead manages approximately \$1,222,500,000 of client assets on a discretionary basis. Steelhead does not provide non-discretionary investment advice.

Fees and Compensation

Steelhead generally receives an annual asset-based fee from each Fund and separate account that it manages (with respect to Funds, this amount is generally 1% per annum of the value of the Fund’s assets under management). In addition, Steelhead or an affiliate (i.e., Steelhead Navigator Cayman GP, Ltd. or Steelhead PF Capital, Ltd.) is entitled to a special allocation of profits experienced by the investors in the Funds (also referred to as an “incentive allocation”). The incentive allocation is generally calculated and paid annually, generally in an amount equal to 20% of the profits (realized and unrealized), if any, from the performance of the Funds. An incentive allocation is also calculated and allocated upon an investor’s withdrawal or redemption from a Fund, but only on the amount withdrawn or redeemed. Payment of the incentive allocation is subject to a “high water mark” (paid only after losses, if any, have been recovered). In addition, (i) in Steelhead’s convertible bond strategy Funds, the incentive allocation is subject to a 5% hurdle rate (paid to the extent the Fund exceeds a 5% return on an investor’s investment each year) and (ii) in Class B of Steelhead’s fundamental value strategy Funds, the incentive allocation is subject to an 18% hurdle rate over a three-year lock-up period. Fee terms for separate accounts are negotiated on a case-by-case basis. Separate accounts generally pay Steelhead a management fee as described above, and some separate accounts may also pay (in addition to the management fee) a performance-based fee (an “incentive fee”). See “Performance Based Fees and Side-by-Side Management” below for the conflicts of interest involved

in managing both performance-fee-paying accounts and management-fee-only accounts. As a general matter, fees and other compensation are negotiable in certain circumstances and arrangements with particular investors or clients may vary.

Management fees are typically deducted from the Funds' accounts on a monthly or, in some cases, quarterly basis, and incentive allocations, if any, are made on an annual basis (or every three years with respect to Class B of Steelhead's fundamental value strategy Funds) and upon an investor's withdrawal or redemption from a Fund. Separate account fees will be deducted or billed in accordance with the specific arrangement with the client.

In addition to Steelhead's investment management fees and incentive allocations, the Funds also bear all expenses incurred in connection with their operation and administration, including expenses associated with any master fund in which the Fund may be invested. These expenses include, among other things, fees of the administrator; legal, accounting and audit fees and expenses; governmental fees and taxes; bookkeeping and other professional fees; directors' fees; costs of investor meetings and other communications with investors; and all other reasonable costs related to the management and operation of the Fund. In the case of a master fund, if any, these expenses include, among other things, fees of the administrator, legal, accounting and audit fees and expenses, governmental fees and taxes; bookkeeping and other professional fees; as well as investment-related expenses such as brokerage commissions; interest on margin and other borrowings; borrowing charges on securities sold short; custodial fees; investment-related travel expenses, and research and other due diligence expenses of Steelhead; and all other reasonable costs related to the management and operation of the master fund or the purchase, sale or transmittal of its assets.

In addition to Steelhead's investment management or other fee, separate account clients typically also will agree to bear administrative, custodial, brokerage and similar transaction costs or expenses associated with the account. Separate account clients typically enter into agreements for services with third party service providers (e.g., administrators, custodians and brokers) without Steelhead's involvement or input.

Please see "Brokerage Practices" in this brochure for further information on brokerage practices and arrangements that may relieve Steelhead from certain costs and expenses.

Funds pay management fees in advance (i.e., based on the relevant Fund's assets at the beginning of the monthly or quarterly period for advisory services rendered during that period). Since investors generally are not permitted to redeem from a Fund intra-month (or intra-quarter or during a hard lock-up period, as the case may be), investors do not receive a refund of any pre-paid management fees.

Neither Steelhead nor any of its supervised persons accepts commissions or other compensation for the sale of securities or other investment products.

Performance Based Fees and Side-by-Side Management

As discussed above under "Fees and Compensation," in connection with the Funds that it manages, Steelhead generally has the right to receive an incentive allocation based on the performance of the Fund, in addition to a management fee. Separate accounts, however, may pay only a management fee and not an incentive allocation (or fee) or they may pay a different management fee or incentive

allocation (or fee). As a result, Steelhead may face a conflict of interest in managing both Funds and separate accounts at the same time because Steelhead may have an incentive to favor Funds for which it receives an incentive allocation (or a higher incentive allocation or fee). Steelhead seeks to address this conflict of interest through its trade allocation policies and procedures, which generally require that portfolio managers and traders seek to allocate investment opportunities among Funds and other clients in the fairest possible way and using their best judgment.

Types of Clients

Steelhead's current clients are the Funds and separate accounts. See "Advisory Business" above. Potential Fund investors may read the eligibility criteria and minimum investment requirements specific to each Fund in the relevant Fund's confidential offering memorandum and subscription application. Steelhead negotiates the requirements for opening a separate account on a case by case basis.

Methods of Analysis, Investment Strategies and Risk of Loss

Steelhead generally manages Funds and separate accounts pursuant to one of two "core" investment strategies: a fundamental value equity long-short strategy (the "fundamental value" strategy) or a convertible bond strategy.

In managing the fundamental value strategy, Steelhead seeks to identify a core portfolio of companies that are valued below what Steelhead believes to be their "intrinsic value." In managing the convertible bond strategy, Steelhead seeks to achieve value by investing in bonds that are convertible into equity securities. Steelhead supplements these two core strategies with additional types of investing. Steelhead's methods of analysis for these strategies include fundamental, technical and cyclical analysis, although Steelhead is permitted to use any type of investment methodology that it deems appropriate in connection with its management of Funds and separate accounts.

For the fundamental value strategy, Steelhead uses a research method that focuses on the income statement, cash flow statement and balance sheet of the companies in which it invests. The strategy is relatively long term in nature, with a typical time horizon of two to five years. Steelhead may also employ two additional strategies: (a) active trading of securities that Steelhead believes have been oversold or overbought on the basis of short-term considerations and (b) short selling for hedging, pairs trades, or trading gains. Although the fundamental value strategy generally emphasizes investments in equity securities (or securities with equity-like characteristics), Steelhead generally may invest or trade in any type of securities, including bonds, notes, convertible bonds or preferred stock, warrants, options and money market instruments among other financial instruments.

For the convertible bond strategy, Steelhead generally seeks securities which offer favorable risk/reward characteristics within the convertible securities market. Steelhead may seek to enhance this strategy's risk/reward profile by leveraging its clients' equity capital. In addition, this strategy may involve investments, trades or short trades in various types of securities beyond convertible securities, including straight (non-convertible) debt and preferred securities, common stocks, exchange-traded funds, options, futures, warrants and derivative instruments such as credit default swaps, interest rate swaps, and options on such derivatives.

The above description is a simplified summary of the strategies Steelhead employs. Fund investors and prospective investors can find further detail about the strategies in the relevant Fund's confidential offering memorandum, and should only make an investment decision after careful review of all those details and the risks relevant to a strategy.

Both the fundamental value strategy and the convertible bond strategy generally take risk by establishing concentrated positions. Steelhead believes that it can produce the best results through such concentration, by focusing investment on the areas where Steelhead has the highest level of investment conviction. Such concentration, however, means that losses in one or more large positions, or a downturn in an industry or market sector in which a Fund or separate account is concentrated, could materially adversely affect the Fund's or account's performance in a particular period and could have a materially adverse effect on the Fund's or account's overall financial condition. In addition, both the fundamental value strategy and the convertible bond strategy may involve short selling and the use of leverage, as well as option writing, each of which may increase the risk of loss. While Steelhead intends to use these investment instruments and techniques in a measured, disciplined way, there are generally no limits imposed on their use.

All investing involves a risk of loss, and separate account clients and Fund investors should be prepared to bear losses in their accounts or on their Fund investments. Past results are not necessarily indicative of future results. Funds and separate accounts may produce gains and losses due to broader changes in the financial markets; however, gains and losses are also based on the Steelhead's investment acumen and securities selections, and may be impacted by other factors including market volatility, corporate activity, regulatory oversight, trading volume and money flows. The Funds have significant fees and expenses that will reduce returns. Steelhead may implement a variety of investment strategies and techniques, in addition to those described above, and the Funds may invest in a wide array of investments, each of which may have diverse associated risks, including counterparty risk, credit risk and liquidity risk. The Funds may be leveraged, which increases the risk of investment loss, and their performance may be volatile. The Funds are not subject to the same regulatory and reporting requirements as SEC-registered funds (e.g., mutual funds).

The risks described above are not a complete list of risks involved with investing in a Fund – specific risks and conflicts of interest associated with an investment in a Fund are described in detail in the Fund's confidential offering memorandum. Investors and prospective investors in a Fund should carefully review the Fund's confidential offering memorandum for further information.

Disciplinary Information

Steelhead and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Steelhead and its employees are not registered (and do not have any application pending to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. In addition, Steelhead and its employees do not have any relationships or

arrangements with other financial services companies that pose material conflicts of interest. Finally, Steelhead does not recommend or select for its clients, or have other business relationships with, other investment advisers.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Steelhead has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires that Steelhead and its employees act in clients' best interests, abide by all applicable regulations, not engage in insider trading, and pre-clear and report on many types of personal securities transactions. Steelhead's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. All employees are required to report all brokerage accounts in which they have a beneficial interest, as well as their securities holdings. In addition, all employees are required to pre-clear with Steelhead's President or Chief Compliance Officer all proposed securities transactions (except with respect to certain government securities, shares of mutual funds and certain other types of securities that Steelhead Partners does not believe create a potential for conflicts of interest). Steelhead monitors all employees' securities transactions: employees must arrange for brokerage holdings and trades to be electronically provided to Steelhead's third-party compliance database, or in the alternative, for duplicate copies of their brokerage statements and trade confirmations to be sent or provided to the Chief Compliance Officer or his delegate. A copy of Steelhead's code of ethics is available to any client or Fund investor, or prospective client or Fund investor, upon request.

While the code generally prohibits employees from trading in any securities held by Funds or client accounts, there may be circumstances where a Fund or client account trades in a security that an employee already holds in his or her account. Additional scrutiny will be applied if the employee later submits a request to sell a security that is also held in a Fund or client account. As a general matter, the employee will be prohibited from selling if Steelhead is contemplating a sale for the Fund or client account that also holds that security.

Steelhead or an affiliate has a financial interest in the Funds (through the management fee and incentive fee described under "Fees and Compensation" above, as well as by way of an investment in the Fund) and, therefore, Steelhead has an incentive to recommend that investors, prospective investors and clients invest in the Funds.

Brokerage Practices

Selection Criteria, Generally. In choosing broker-dealers to execute client transactions, Steelhead seeks "best execution." What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a broker-dealer will provide best execution, Steelhead considers a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement, and error correction capabilities of the broker-dealer generally, and in connection with securities of the type and in the amounts to be bought or sold; the broker-dealer's willingness to commit capital; the broker-dealer's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; market for the security; and as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the broker-dealer. Steelhead is not required to select the broker-dealer that

charges the lowest transaction cost, even if that broker-dealer can provide execution quality comparable to other broker-dealers, and clients at times will pay more than the lowest transaction cost available in order to obtain services and products other than the execution of securities transactions.

“Soft Dollars.” Steelhead may select broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to Steelhead or its clients. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” This is common in the professional management of securities portfolios. Steelhead acquires services or products with clients’ soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Steelhead) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which clients would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Steelhead uses them for lawful and appropriate assistance in making investment decisions for Steelhead’s clients. “Brokerage” services and products are those used to effect portfolio transactions for the Steelhead’s clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

Because many services and products Steelhead may receive from broker-dealers may benefit Steelhead, Steelhead’s interests in allocating clients’ securities transactional business may conflict with its clients’. For example, Steelhead may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause its clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the client’s investment strategy; (iii) use broker-dealers that do not obtain for the client the best possible price on portfolio transactions; (iv) agree to adjust negotiated commission rates upward in order to receive additional soft dollar “credits,” and (v) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. Steelhead’s agreements with its clients generally authorize Steelhead to use the client’s soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. Steelhead may or may not use one client’s soft

dollars to pay for services and products another client pays for and, if it does, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Steelhead may use client soft dollars to buy products or services that benefit Steelhead and/or other clients of Steelhead.

“Research and Brokerage.” The types of “research” Steelhead may receive from broker-dealers include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance Steelhead’s investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement-related information electronically to executing broker-dealers and prime brokers, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. Steelhead may use soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where Steelhead’s use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Steelhead will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use broker-dealers who provide those services and products more than it otherwise would.

Client Expenses. Steelhead has no formal arrangement with any party to pay for custodial, accounting, administrative and other similar non-research and non-brokerage expenses with soft dollars. However, some brokers through which client trades are executed are “full-service” brokers that “bundle” execution and research, or even other, services such as portfolio accounting or post-trade analytics, the value of which is difficult to “unbundle” from the cost of “pure” execution. Although clients do not “pay up” for these services, and other factors including execution quality play a role in the broker’s selection, since a full-service broker’s commissions may be higher than the minimum available commission for the same trade, Steelhead may be deemed to have used client soft dollars for these bundled services. In addition to the use of brokerage commissions, markups and markdowns, and other transaction-related compensation (as well as interest a prime broker receives on a client’s cash balances, margin borrowings and borrowings of securities to maintain short positions) may be considered to have been used to pay the prime broker for recordkeeping, custodial and related services provided to the client. Although not protected by the safe harbor, any use of client soft dollars as payment for client expenses does not represent a meaningful conflict of interest for Steelhead because the client, and not Steelhead, would otherwise be obligated to bear those expenses.

Other Services and Products. Steelhead has no formal arrangement with any party to use soft dollars to acquire services and products that provide benefits to Steelhead and that does not qualify as research or brokerage, and/or to pay expenses otherwise payable by Steelhead. However, certain services provided to clients may contain so-called “mixed-use items” – items that benefit both clients and Steelhead. Steelhead attempts to value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, to the extent the value of any such benefit is deemed

to exceed payments made by Steelhead, the difference could be considered soft dollars used outside the parameters of the safe harbor. Some examples of these products and services include order management systems consisting of safe harbor-eligible brokerage such as trading software used to route orders, and ineligible post-trade services such as recordkeeping, client reporting or portfolio management software. Steelhead will have a conflict of interest to the extent these services are paid for by broker-dealers; it will have all the incentives described above (including to use those broker-dealers regardless of whether using them would otherwise be in the client's best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

Referrals of Investors and Advisory Clients. In selecting a broker or dealer, Steelhead may consider the broker's or dealer's referrals of investors to a Fund, referrals of advisory clients to Steelhead, the potential for future referrals and/or the broker's willingness to pay third-party finders' fees for such referrals. The conflict of interest involved in using soft dollars to pay for these types of services and products and to defray these types of expenses is also not protected by the Section 28(e) safe harbor. During the last fiscal year, Steelhead did not direct transactions to a particular broker-dealer in return for client referrals.

Procedures. Brokers and dealers from which Steelhead obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Steelhead for specified expenses. In some cases the process is less formal; a broker or dealer simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. A client's actual transactional business with a broker or dealer may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the client's investment activities generate aggregate commissions in excess of the levels of future business suggested by all brokers and dealers who provide services and products. And it may be in part because those brokers and dealers may also provide superior execution and may therefore be most appropriate for particular transactions. Steelhead may ask a broker or dealer who is executing a transaction for several accounts managed by Steelhead (see the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a broker or dealer who has provided or is willing to provide products or services for soft dollars. That is, the executing broker or dealer will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar broker-dealer. This assists Steelhead in acquiring products and services with soft dollars while providing the benefits of aggregated transactions as described below. It may result in a client paying additional commissions or other transaction compensation to the broker or dealer to whom the client's portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of Steelhead who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)'s safe harbor generally is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the broker or dealer, unless the broker is acting in a riskless principal capacity and its fee is fully disclosed. Steelhead does not use markups and markdowns as soft dollars with which to acquire

services and products of the kinds described above to the extent that they are not eligible under Section 28(e).

Aggregation of Orders. Steelhead may combine orders on behalf of a client with orders for other clients for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Steelhead will generally allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Steelhead believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Steelhead's interests in the Funds, there may be circumstances in which a Fund's transactions may not, under certain laws and regulations, be combined with those of some of Steelhead's and its affiliates' other clients, and a Fund may obtain less advantageous execution than those other clients.

Steelhead may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. For example, in certain situations a security may be suitable for both a Fund (and other accounts with the same objectives) and for portfolios with different objectives. In yet other situations, Steelhead may cause certain clients to take a larger or smaller relative position in a security than other clients. Steelhead has adopted policies and procedures intended to ensure that its trading allocations are fair to all its clients.

In addition, Steelhead and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for a client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for clients are made. Where execution opportunities for a particular security are limited, Steelhead attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

Cross Transactions. Steelhead may (but is not obligated to) cause clients to effect "cross" transactions (i.e., buy and sell securities from and to each other), subject to applicable law or regulation. Steelhead may do so if Steelhead believes that the cross transaction will be beneficial to both clients.

Review of Accounts

Steelhead portfolio managers, analysts and the Chief Compliance Officer monitor and review the Funds and separate accounts that Steelhead manages on an ongoing basis for overall adherence to the Fund's or separate account's investment objective and strategies, as well as any guidelines or restrictions.

Fund investors receive account statements directly from the Fund's administrator or Steelhead on a monthly basis. Separate account clients receive account statements directly from their chosen custodian on the frequency agreed with that custodian. Steelhead may supplement these statements

with reports, letters or other communications. All Fund investors also receive annual reports that will include audited financial statements of the Fund as of the end of each fiscal year.

Client Referrals and Other Compensation

Other than as described under “Brokerage Practices” above, Steelhead does not receive any benefits from third parties for providing investment advice or other advisory services to its clients, nor does Steelhead or any of its related persons directly or indirectly compensate any third party for client referrals.

Custody

All assets of the Funds (cash, securities and other assets) are held in the custody of unaffiliated broker-dealers or banks. However, Steelhead (or a wholly-owned affiliate of Steelhead), as the general partner of Funds that are limited partnerships, is deemed to have custody over the assets of those Funds. That is because the general partner of a partnership has broad authority to take possession of the partnership’s assets. Steelhead generally also has the ability to instruct the custodian to deduct fees directly from these Funds’ accounts, which the SEC also considers to be a form of “custody.” Steelhead employs various safeguards to balance its “custodial” powers. For example, a reputable, PCAOB¹-registered independent accountant performs an annual audit of each Fund’s financial statements. In addition, for most Funds, Steelhead employs an independent third-party administrator, which calculates management fees and other compensation, and prepares and sends monthly statements to investors. For those Funds without an independent third-party administrator, Steelhead prepares and sends monthly statements to investors. Investors should carefully review all statements, and compare Steelhead’s statements with the administrator’s, where applicable. Separate account assets are custodied by the relevant separate account client’s custodian, so Steelhead is not deemed to have custody over any separate account assets.

Investment Discretion

Steelhead has full investment discretion over all client accounts. Clients (the Funds and separate accounts) grant Steelhead that discretion through the execution of an investment management agreement or similar contract. By signing a subscription application, each investor in a Fund that is a U.S. limited partnership also grants Steelhead discretion through a power of attorney.

Separate account clients can place reasonable restrictions on Steelhead’s investment discretion by establishing guidelines or restrictions in the investment management or other contract between the client and Steelhead. Fund investors have no ability to modify a Fund’s investment strategy. They must, therefore, carefully read the Fund’s confidential offering memorandum to understand the investment strategy and risks involved.

¹ PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Steelhead has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Steelhead receives will be treated in accordance with these policies and procedures.

Steelhead seeks to vote client proxies in the best interests of its clients. The portfolio manager for the relevant Fund or separate account, or his delegate, will determine whether to vote in favor, against or to abstain from voting a particular proxy. This determination will be based on the judgment of the portfolio manager, or his delegate, as to the course of action that is in the best interests of the client. Steelhead considers a number of factors to determine whether exercising the client's voting rights as to its securities is in the relevant client's best interest, such as whether the securities are being held for a short period or a long time.

Steelhead attempts to identify conflicts of interest that may arise in the proxy voting process. If a material conflict of interest over proxy voting arises between Steelhead and its clients, Steelhead will seek to resolve the conflict and vote the proxy in a manner that is in its clients' collective best interests.

A copy of Steelhead's proxy voting policies and procedures, as well as specific information about how Steelhead has voted in the past, is available upon written request.

Financial Information

Steelhead is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients. Steelhead has not been the subject of a bankruptcy petition.