

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”). If you have any questions about the contents of this brochure, please contact us at 206-307-0910. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Steelhead also is 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 2021. There have been no material changes since the time of that update.

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Advisory Business

Steelhead was formed as a Delaware limited liability company in 1996 by Members J. Michael Johnston and Brian Klein under its original name, Johnston Klein Capital Management, L.L.C. In March 2019 (with an effective date of January 1, 2019), Scott Schaefer became Managing Member and a principal owner of Steelhead, with 100% voting rights (and a greater than 25% economic interest held through his family trust). Mr. Johnston currently maintains a greater than 25% economic interest and thus remains a principal owner based on this economic interest.

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, 2022, Steelhead manages approximately \$1,271.5 million 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. For a complete description of terms and conditions granted to certain Fund investors that may be additional to or differ from those generally offered, investors or prospective investors should refer to the relevant Fund’s confidential offering memorandum.

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, each Fund also bears (either directly or through its *pro rata* share of the expenses of the master fund in which the Fund is invested, if any) all expenses incurred in connection with its (or such master fund’s) operation and administration. These expenses include, among other things, investment-related expenses such as brokerage commissions; interest on margin and other borrowings; borrowing charges on securities sold short; custodial fees; investment-related travel costs and travel-related expenses (including in connection with attending professional investment and industry-specific conferences and which may include first class travel in appropriate circumstances); research and other due diligence expenses of Steelhead, including computer hardware and software (such as news and quotation equipment and order management systems) used specifically for brokerage or research for the Fund or master fund; fees of the Fund’s administrator; outside legal fees (e.g., fees paid to Steelhead’s counsel for services for the benefit of the Fund); accounting and audit fees and expenses and other professional fees; governmental fees and taxes; independent directors’ fees; investment adviser/investment fund management and professional liability insurance premiums; costs of investor meetings and other communications with Fund investors; and all other reasonable costs related to the management and operation of the Fund or 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, research 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 prime 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. Steelhead notes that the Funds following Steelhead’s fundamental value strategy are currently suspended, assets are being liquidated and these Funds are not making new investments.

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. As indicated above, Funds following the fundamental value strategy are currently suspended while assets are being liquidated and thus are not open to new investments.

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.

Members and employees of Steelhead are, or may be in the future, involved in certain business enterprises (which may include businesses in the financial industry) unrelated to the business of (and unaffiliated with) Steelhead in roles for which they are or may be compensated. Steelhead does not believe that the allocation of opportunities between any such unrelated business activities and any client present any conflicts of interest, nor should they interfere with any member's or employee's ability to perform his or her duties for Steelhead.

Steelhead and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Finally, neither Steelhead nor its employees recommend or select for Steelhead's clients, or have other business relationships or affiliations 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-check and report on many types of personal securities transactions (including pre-clearance requirements for private placement investments and new issue (IPO) securities). 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, employees generally are required to pre-check proposed trades against Steelhead's restricted trading list (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. In addition, employees are permitted to trade in securities held by a Fund or client account that is in liquidation (and thus not purchasing securities). 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 selling will be restricted if Steelhead is engaging in or actively contemplating a purchase or 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 investments in the Funds or master funds) 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, Steelhead is not required to consider any particular criteria. Steelhead seeks “best execution” of a client’s securities transactions. 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; the market for the security; and as discussed more fully below, the nature, quantity and quality of research and brokerage 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. Steelhead expects at times that clients will pay more than the lowest transaction cost available in order to obtain for the client and/or Steelhead research and brokerage services and products in addition to the execution of securities transactions.

Steelhead will receive nonmonetary benefits from brokers-dealers who effect transactions for its clients. These may take the form of investment research used in the management of client accounts, referrals of potential investors to a Fund or potential clients, payment of certain expenses that Steelhead would otherwise be obligated to bear, and other services that benefit Steelhead rather than, or in addition to, Steelhead’s clients. Such benefits could create an incentive for Steelhead to select broker-dealers to perform transactional services for its clients solely on the basis of the benefits provided to Steelhead rather than the quality of the transactional services and the price charged clients. Steelhead does not consider capital introduction services that may be provided by brokers, dealers or other financial counterparties and intermediaries as a criterion in its selection of counterparties. Nevertheless, some of the counterparties to which Steelhead directs a portion of its clients’ transaction business provide capital introduction or similar services to Steelhead (either directly or through affiliated or unaffiliated third-party providers) and have introduced and may in the future introduce investors to a Fund, and may introduce prospective investment advisory clients to Steelhead.

“Soft Dollars.” 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 expects to acquire services or products with client “soft dollars.” Effective June 2019, Steelhead ceased causing some of its clients’ research and brokerage costs and expenses to be paid using “soft dollar” credits received from broker-dealers in recognition of commissions or other compensation paid on securities

transactions its clients execute through those broker-dealers. While Steelhead no longer accrues “soft dollar” credits from, nor is party to any “soft dollar” agreement with, any broker-dealer, Steelhead may select broker-dealers in recognition of the value of various “soft dollar” services or products, beyond transaction execution, that they provide to Steelhead or its clients.

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. Steelhead intends only to acquire “soft dollar” services and products that fall within the Section 28(e) safe harbor.

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; and (iv) 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; however, Steelhead intends to use “soft dollars” only to acquire research or brokerage services and products that fall within the Section 28(e) safe harbor. Steelhead may use more than one client’s “soft dollars” to pay for research and brokerage services and products for which more than one client also receives the benefit and, if it does, each such client’s share of “soft dollars” used may not be in proportion to account size, transaction volume, or amount of usage of those services and products as among such clients.

“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. In those cases, Steelhead will attempt to accurately value the portions of these "mixed-use" items from which it benefits, and intends to pay for those portions itself. However, to the extent the value of any such benefit is deemed to exceed payments made by Steelhead, Steelhead could be considered to have used client "soft dollars" to cover its own expenses. 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. Clients do not "pay up" for these services, and the selection of an executing broker will be made based on the factors described elsewhere in this section (including execution quality); however, a full-service broker's commissions may be higher than the minimum available commission for the same trade.

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 accurately value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, if the value of any such benefit were to be 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 attempt to carefully manage any conflict of interest to the extent that "mixed-use" products and services are paid for in part through the use of "soft dollars."

Procedures. As indicated above, Steelhead no longer obtains "credits" with which to acquire "soft dollar" services or products. Instead, the manner in which Steelhead may receive "soft dollar" services or products from a broker-dealer will be less formal. For example, a broker-dealer simply may suggest a level of future business that would fully compensate the broker-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. 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 (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 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 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. Steelhead does not intend to use such markups and markdowns as “soft dollars” with which to acquire services and products of the kinds described above.

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 has caused and may in the future (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 typically will do so if Steelhead believes that the cross transaction will be beneficial to both clients. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and other laws or regulations may prevent a client from engaging in “cross” transactions that could be beneficial to that client.

Trade Errors. If a broker-dealer is responsible in whole or in part for an error that results in a loss in a client’s account, that broker-dealer may reimburse the client for all or part of the loss, as may be appropriate. Steelhead does not permit broker-dealers to assume responsibility for trade error losses for which Steelhead or an affiliate was responsible; including through the use of “soft dollars” or future brokerage.

Generally, in circumstances where Steelhead is responsible for the error but has not acted outside of the relevant standard of care, as determined in Steelhead’s discretion, that error (whether it resulted in a gain or a loss) will be absorbed by the Fund or client account. Any trade error that results from a breach of that standard of care will be reimbursed by Steelhead. It should be noted that Steelhead has a conflict of interest in making determinations regarding whether Steelhead or the client account will bear losses related to a trade error.

Directed Brokerage. Steelhead does not recommend, request, require or permit its clients to direct Steelhead to execute transactions through a specified broker-dealer.

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 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 and inspected independent accountant performs an annual audit of each Fund's financial statements. In addition, for the Funds, Steelhead employs an independent third-party administrator, which calculates management fees and other compensation, and prepares and sends monthly statements to investors. Investors should carefully review all statements, and compare Steelhead's statements with the administrator's. Separate account assets are custodied by the relevant separate account client's custodian, and Steelhead does not have authority to withdraw fees, funds or securities from any separate account, 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.

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.

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.

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 (in consultation with its outside counsel and/or compliance consultants, if necessary) 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.