Steel Partners LLC
590 Madison Avenue, 32ND Floor
New York, New York 10022
Tel (212) 520-2300
Fax (212) 520-2301

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Dear Investors:

February 2010 marked the 20th anniversary of the formation of Steel Partners. Since then we have invested globally in the United States, China, Europe, Japan, and Korea and have launched several successful private investment partnerships including, Steel Partners L.P., Steel Partners II, L.P., Steel Systems L.P., Steel Partners Japan Strategic Fund L.P., Steel Partners China Access I L.P. as well as certain co-investment partnerships. Over the course of two decades, we have created in excess of $7.5 billion in shareholder value[1] and have been undefeated in over 20 contested board elections which includes the first successful contested election in Korea when I was elected to the board of Korea Tobacco & Ginseng Corp., and, through the Steel Partners Japan Strategic Fund L.P., we were the first foreign shareholder to gain control of a public company in Japan when we won our second proxy contest at Aderans Holdings Co. Ltd. Additionally, we have been successful in implementing our operating and investment strategies through the Steel Partners Operational Excellence Programs, the Steel Partners Purchasing Council, and Steel Partners Corporate Services. We have been influential in getting companies, their boards and management teams to focus on prudently allocating capital, measuring returns on invested capital and implementing operational excellence programs.

Since December 2008, we have been restructuring our business and Steel Partners II in order to preserve an investment strategy that has served our firm and our investors well since inception. The result of this restructuring is a new company called Steel Partners Holdings L.P. (“SPH”), a global diversified holding company which engages in an array of businesses through majority-owned subsidiaries, controlled companies and other interests. Our new structure ensures that our assets and liabilities are better aligned so that we can invest in businesses with a long term time horizon. It will also provide our investors with greater liquidity and increased transparency. We look forward to continuing to implement our investment and operating strategies and philosophies through SPH for many years to come, and to have the opportunity of running the business and to increase its value for all our partners.

STEEL PARTNERS HOLDINGS L.P. - STRATEGY AND PHILOSOPHY:

We have always had an owners mentality when evaluating investments and allocating capital. We focus on having a margin of safety, returns on invested capital, and risks in a business. We believe in empowering and incentivizing management teams, giving them the tools to execute, and then holding them accountable. We believe that “potential is interesting but execution is everything” and people should be rewarded for successfully executing. In a 2002 letter to our investors I remarked that the foundation of our organization was based on intangible assets like Perspective, Temperament, Focus, Energy, Discipline, Integrity, Instinct, Desire, Persistence, Business Acumen and Confidence. These qualities and assets are still the foundation of our organization.

[1] Shareholder value refers to the difference over time in the market capitalization plus dividends paid plus shares repurchased among 81 companies in which Steel Partners II and SPH had an investment of over 1% of its net assets between October 1, 1993 and September 30, 2009.

We are constantly reminded of certain truisms that have shaped our operating and investment strategies and philosophies. While the financial crisis turned the investment world upside down, it reaffirmed our belief that certain investment strategies and philosophies are not subject to change: invest in good companies with simple business models at prices which have a built-in margin of safety; control costs; focus on operational excellence; use leverage prudently or not at all; avoid complex businesses or investments and things that can't be easily explained or understood; reward people for executing successfully; and, above all, never forget that it is the intangible assets of an organization that distinguishes between good and great and success or failure.

We continue to work diligently with the management and boards of our companies on ways to continually improve our businesses and deal with the challenges of the capital markets, the economy, and the ever changing world. While most of our companies entered the financial crisis with low levels of debt, the severity of the financial crisis placed several of our companies in precarious situations. Modest levels of debt were seen in a new, less forgiving light given the precipitous decline in revenues and earnings. During the depth of the crisis, equity share prices declined and capital markets dried up which made renegotiating or refinancing existing debt very difficult. In response, we have worked with our management teams to restructure balance sheets and to accelerate cost cutting initiatives to ensure that our companies make it through the current economic cycle and are well positioned to take advantage of existing and future opportunities.

As we transition from managing a "private investment partnership" or "hedge fund" to a global diversified holding company, we have begun the process of concentrating SPH's holdings into a select number of businesses. We have increased the size of SPH's holdings in Adaptec, Inc., BNS Holding Inc., Cosine Communications, Inc., Del Global Technologies Corp. and JPS Industries. We have reduced SPH's ownership in Rowan Companies, Inc., Conseco, Inc. and in EarthLink, Inc. We continue to focus on what we know best, to invest within our circle of competence and to drive operational excellence and balance sheet improvements.

Steel Partners Operational Excellence Programs - Steel Partners Purchasing Council - Steel Partners Corporate Services:

Many of SPH's companies are using or adopting **Steel Partners Operational Excellence Programs** and are participating in the **Steel Partners Purchasing Council**. These programs are directed at helping the portfolio companies become more competitive and profitable, while striving for operational excellence, improved customer satisfaction and creating a long term competitive advantage. BNS Holding, Inc. Del Global Technologies Corp**.**, Rowan Companies, Inc., Point Blank Solutions, Inc., WHX Corporation and other SPH companies are utilizing the **Steel Partners Operational Excellence Programs**, including Lean Manufacturing, Design for Six Sigma, Six Sigma and Strategy Deployment to reduce and eliminate waste, achieve long term profitable growth, and to increase the value for all shareholders and stakeholders.

A growing number of SPH's companies are also participating in the **Steel Partners Purchasing Council** which serves to consolidate purchasing power and gain economies of scale. All of the participating companies have achieved substantial savings from the **Steel Partners Purchasing Council** on material purchases, freight, maintenance and repair items, office supplies and others. We believe there is significantly more value to be created by allowing our companies to reduce expenses, such as insurance, IT, banking, real estate, legal, human resources, tax and audit, and to potentially help one another build deeper relationships with existing and new customers which could increase sales and profits.

Additionally, **Steel Partners Corporate Services** seeks to combine various management functions and reporting lines in order to reduce corporate overhead and public company expenses. This has been accomplished for participating SPH companies including BNS Holding, Inc., CoSine Communications, Inc., Del Global Technologies Corp., Point Blank Solutions, Inc., and SL Industries, Inc.

STEEL PARTNERS HOLDINGS L.P. - COMMON UNITS AND PERFORMANCE:

Steel Partners II investors that elected to receive SPH common units pursuant to the Steel Partners II Revised Restructuring Plan (the "Revised Plan") received from Steel Partners II, in full redemption of their interest in the fund, SPH common units valued at $17.28 per common unit and a cash distribution with an equivalent value of approximately $1.65 per common unit. As of July 15, 2009, after the implementation of the Revised Plan, SPH common units had a net asset value of approximately $17.51 per common unit. As of December 31, 2009, the net asset value per common unit had appreciated by approximately 12.45% to $19.69 per common unit, and SPH's net assets were approximately $496.5 million.[2] Pursuant to the Revised Plan, SPH will distribute approximately $54.4 million or approximately $1.95 per common unit to its unitholders in the near future. This represents approximately 75% of the required target distribution pursuant to the Revised Plan which will be made prior to April 2011. Unitholders will be provided additional information regarding the distribution.

By now, all of our investors should have received a notice from American Stock Transfer & Trust Company, LLC, the transfer agent for SPH, indicating the number of SPH common units that were distributed to them. Given the unique nature of the Revised Plan and its implementation with respect to SPH, we have been in ongoing consultations with the SEC concerning certain accounting and financial reporting issues. We expect to conclude these consultations in April, in conjunction with the completion of SPH's 2010 annual audit. Unfortunately, our timetable has been delayed due to the Cayman litigation and other factors.

STEEL PARTNERS HOLDINGS L.P. - CORE OPERATING COMPANIES:

Adaptec Inc. (NASDAQ:ADPT) (www.adaptec.com): SPH owns approximately 19.50% of Adaptec Inc. ("Adaptec"). The company provides storage solutions to move, manage, and protect data and digital content. Adaptec has net cash of approximately $370 million and substantial net operating loss carry forwards.

In December 2007, after months of negotiations, Steel Partners LLC ("Steel Partners") and the company entered into a settlement, pursuant to which three new directors joined the Adaptec Board. Since joining

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[2] This estimated information is for SPH with respect to its net assets (e.g. net cash and securities at fair value (consistent with the pricing policies of Steel Partners II prior to July 15, 2009 and the implementation of the Revised Plan)) for the periods noted. This includes an estimate of the management fee for the period if such fee was paid on the value of such assets and an estimate of other accrued expenses. These estimates have not been determined in conformance with US GAAP as it applies to SPH. When SPH issues its financial statements the basis for accounting for the assets held will be different than the basis under which the estimates below were determined, as certain assets will not be fair valued under the applicable accounting guidelines (e.g., some will be consolidated and others will be accounted for under the equity method) and accrued expenses will be reflected and other estimates may be refined. Hence there will be a difference in the book value per common unit of SPH per its financial statements when compared to applying the return estimates below to an investor's July 15, 2009 capital account balance after taking into account the cash distribution investors received as of July 15, 2009. In addition, once SPH begins to trade the price per SPH Common Unit may differ as well. This information is not intended to be used in connection with any purchase or sale of any common units or any security of SPH and is for informational purposes only. It does not necessarily reflect the value or change in value in an investor's interest in SPH Common Units and should not be relied upon as there can be no assurance that they accurately reflect the results for an investor's holdings of SPH. Past performance is not indicative of future results.

the Board, these new directors have worked vigorously and diligently with the Board and the company's President and CEO, Subramanian Sundaresh, in an effort to improve current operating results and to create value for all shareholders. It was our sincere hope that the company had entered into the settlement in good faith. However, on August 27, 2009, we were very disappointed that the legacy directors removed Jack Howard as Chairman of the Board and installed Joseph Kennedy in his place and moved to reduce the size of the Board from nine members to seven members and decided to not re-nominate John Quicke and John Mutch who were originally elected as part of the December 2007 settlement.

As part of their efforts to expand their control of the Board, certain of the legacy directors including the CEO attempted to reject the recommendation by the company's independent financial advisor, Blackstone Advisory Partners, which the Board had unanimously decided to hire last year in order to evaluate all options to maximize shareholder value. After a thorough review process, Blackstone recommended that Adaptec explore the sale of the company's operating business, intellectual property and real estate, and then look to redeploy the capital in a way to maximize the value of the net operating loss carry forwards. A majority of the full Board approved moving forward with this recommendation while certain legacy directors voted against it.

In response to the aggressive actions of the legacy directors, SPH initiated a consent solicitation to remove Mr. Sundaresh, as a director and legacy director, and Richard Loarie. Under Mr. Sundaresh's leadership, the company did a poor job of allocating capital and running the business. The company has lost money in every year since Mr. Sundaresh took over as CEO and has spent over $200 million on R&D since 2005 without producing any sales growth. Furthermore, the enterprise value of the company under his tenure dropped from $300 million to nearly zero.

On October 22, RiskMetrics (formerly Institutional Shareholder Services) and Proxy Governance, Inc., two of the world's leading independent proxy advisory firms, issued reports recommending that stockholders of Adaptec vote in support of our consent solicitation to remove Mr. Sundaresh and legacy director, Robert Loarie. RiskMetrics found "recent events and governance practices taken by the Board in its efforts to restructure the Board unusual, troubling and contrary to good governance."

On November 2, 2009, our proposals under the consent solicitation were approved by the majority of Adaptec shareholders, including the removal of CEO Sundi Sundaresh and director Richard Loarie from the Board. Subsequently, Mr. Sundaresh has left the employment of Adaptec and serves in a new role as a consultant to the company and two other legacy directors, Joe Kennedy and Doug Van Houweling, have also resigned from the Board. John Quicke, a member of the Board and a Steel Partners' operating partner has been appointed interim CEO. The company intends to follow Blackstone's recommendation and explore the sale of the company's operating business, intellectual property and real estate. It will also explore ways to return capital to shareholders in a tax-efficient manner, including stock repurchases and/or dividends. We will keep you posted.

Barbican Group Holdings Limited (Private) (www.barbicaninsurance.com): SPH, directly, and through the Steel Partners II Liquidating Series Trust (the "Trust"), owns approximately 15.88% of the ordinary shares and 19.85% of the preference shares of Barbican Group Holdings Limited ("Barbican"), a privately held insurance and reinsurance company. Steel Partners shares 50/50 control of the company with Carlson Capital L.P. of Dallas, TX and has two seats on the company's Board of Directors. Most of Barbican's underwriting operations are conducted through Syndicate 1955 at Lloyds of London and the company employs 48 people in London and Guernsey.

Barbican commenced underwriting in January 2008 and is expected to write 90% of its budgeted gross premiums through its Lloyds syndicate in 2010. We are pleased with the development and performance of

Barbican. SPH recently added to its interest by participating in the company's latest round of debt and equity financing of approximately £47.5 million which was used to finance an increase in the underwriting capacity of its Lloyds Syndicate from £125 million to approximately £172 million. The capital raise closed in late November 2009 and SPH invested £5 million in additional equity.

BNS Holding, Inc (OTC:BNSSA) (www.bnsholding.com): SPH owns approximately 53.56% of BNS Holding, Inc. ("BNS"). BNS is a holding company which owned 80% of Collins Industries ("Collins") and has substantial net operating loss carry forwards ("NOLs"). SPH has two representatives on BNS' Board of Directors, and BNS' representatives controlled the Board of Directors of Collins. SPH also indirectly owned approximately $9.5 million of BNS debt through its interest in the Trust. Collins is a leading manufacturer of ambulances, Type "A" small school buses, terminal trucks and is a leader in the road construction and industrial sweeper market. Collins is focused on reducing its debt and continues to implement the **Steel Partners' Operational Excellence** programs.

We began investing in BNS towards the end of 2003. The company was previously known as Browne and Sharpe Manufacturing before it sold its manufacturing business and its two real estate holdings in Rhode Island and in London in 2004. Following the sale of its real estate, BNS was left as a publicly traded company with approximately $23 million in net cash and NOLs valued at $43.1 million on October 31, 2009. Jim Henderson and Jack Howard were elected to the Board of Directors in 2004 and immediately began to explore ways to acquire a profitable business.

In September 2006, Steel Partners II, L.P. ("SPII") signed a merger agreement to acquire Collins for $110 million, or $12.50 a share. SPII purchased Collins together with an operationally focused private equity firm, where SPII acquired 80% of the company and the private equity firm the remaining 20%. Following the merger agreement, SPII assigned the transaction to BNS. BNS invested $15.7 million of its cash and SPII provided $14 million in debt to BNS in order to finance the transaction. Subsequent to the acquisition, John Quicke became Chairman of Collins and led the management team of the Collins through an Operational Excellence transformation, implementing Lean Manufacturing in all of the Collins' plants, consolidating and disposing of three excess facilities, while improving customer satisfaction and growing market share.

On February 17, 2010, BNS sold Collins to a private equity firm for an aggregate purchase price of approximately $64.9 million in cash and the assumption of all of Collins's outstanding debt. After all deal expenses and taxes, BNS is estimated to have generated approximately $24 million in profit for BNS shareholders. The sale of Collins is expected to be very tax efficient for BNS due to its sizeable NOLs. Additionally, the $14 million in debt that was provided by SPII at the time of the Collins acquisition, and subsequently held by the Trust, was retired in full for $22.8 million. The return on invested capital (ROIC) for SPH's investment in BNS equity and debt is approximately 66.54%. Well done Team.

CoSine Communications, Inc. (OTC:COSN) (www.cosinecom.com): SPH owns approximately 47.37% of Cosine Communications, Inc. ("CoSine") and two representatives from SPH (Jack Howard and Terry Gibson) serve on the company's Board of Directors. CoSine has a strategic plan to redeploy its existing resources to acquire or merge with a profitable business that has good cash flow and growth potential. This strategy may allow CoSine to utilize its $325 million of net operating loss carry-forwards ("NOLs") and its $22.6 million in cash.

Del Global Technologies Corp. (OTC:DGTC) (www.delglobal.com): SPH owns approximately 28.32% of Del Global Technologies Corp**. ("**Del Global"). SPH has two Board seats and John Quicke became the CEO of the company on September 1, 2009. Del Global is primarily engaged in the design, manufacture and marketing of cost-effective medical and dental diagnostic imaging systems. The company also manufactures electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, and military applications. The company manages its business in two operating segments: the Medical Systems Group and the Power Conversion Group. The company is part of the **Steel Partners Purchasing Council** and also utilizes **Steel Partners Operational Excellence** programs.

Del Global reported revenue of $18.1 million for the second quarter of fiscal year 2010 ending January 30, 2010. This represents a 15% improvement over the same period of last year. The improved revenues and the divestiture of the Del Medical U.S. imaging business in the previous quarter led to an operating profit in the second quarter of $2 million as compared to approximately $1.5 million last year. Both of the company's remaining businesses generate free cash flow, which has increased the company's net cash position to $2.6 million compared to net debt of $3.5 million on August 1, 2009.

Fox & Hound Acquisition Corp. (Private) (www.foxandhound.com): SPH indirectly owns approximately 21.38% of Fox & Hound Acquisition Corp. ("Fox & Hound") through the Trust, which controls approximately 48.60% of the company. The company owns and operates 88 Fox & Hound and Bailey's restaurants in 25 states as well as 48 company-owned and 13 franchised/licensed Champps restaurants in 21 states. The restaurants provide upscale and casual gathering places for high-quality food, drinks and entertainment.

The company experienced a 6.4% decline in same store sales in 2009 in what has been a difficult period for restaurants. In response, the company has been controlling labor costs and commodity costs. Despite the decline in revenue, Fox & Hound will produce approximately $33.5 million in EBITDA for the year.

GenCorp Inc. (NYSE:GY) (www.gencorp.com): SPH owns approximately 6.93% of GenCorp. In March 2008, two SPH representatives joined the Board of Directors of GenCorp including myself, and Jim Henderson (one of our operating partners). Jim Henderson currently serves as Chairman of the Board of Directors of the company.

We believe that GenCorp is well positioned to support our country's long-term defense and space initiatives through its Aerojet subsidiary and that the long-term prospects for GenCorp's Sacramento real estate remain attractive. GenCorp continues to enhance the value of its excess real estate assets and has entitled approximately 6,000 acres of its Sacramento land as a master-planned community under the brand name Easton.

In early February, GenCorp reported strong revenue for the fourth quarter ending November 30, 2009 totaling $240.1 million compared to $198.5 million for the fourth quarter of 2008, and operating income improved to $18.1 million from a loss of $5.2 million during the same period in 2008. The increase in sales is primarily the result of growth in various Standard Missile programs and increased deliveries on the Patriot Advanced Capability-3 and Atlas V programs. For the full year ending November 30, 2009, GenCorp reported revenue of $795.4 million over a 52 week calendar compared to revenue of $742.3 million for the year earlier over a 53 week calendar.

Additionally, the company reported a cash balance of nearly $126.3 million on November 30, 2009, an increase of $33.6 million from November 30, 2008. The increase in cash is primarily due to an aggressive program put in place by the new Board of Directors and CFO which included shrinking working capital and controlling costs. We are very pleased with the improvements in operations since Jim and I went on the Board and we applaud the management team and all the employees of GenCorp for doing an outstanding job and executing like champions.

We would like to thank Scott Neish for his hard work and dedication to GenCorp during his tenure as CEO. Scott recently retired as GenCorp's CEO and we wish him well in his retirement.

We are also pleased to welcome Scott Seymour as President and CEO of Gencorp who joins the company from Northrop Grumman Corp. where he worked for 27 years. Scott brings tremendous knowledge of the aerospace business and we look forward to working closely with him to grow GenCorp.

Additionally, GenCorp has been addressing its capital structure, including the $125 million 4% Contingent Convertible Subordinated Notes which came due on January 16, 2010 by issuing $200 million of new convertible bonds to refinance its existing debt through Morgan Stanley, Lazard, and Imperial Capital.

JPS Industries, Inc. (OTC:JPST) (www.jpscompositematerials.com): SPH owns approximately 38.39% of JPS Industries, Inc. ("JPS"), a manufacturer of extruded urethanes, polypropylenes and mechanically formed glass substrates for specialty industrial applications. The company's specialty industrial products are used in a range of applications, including printed electronic circuit boards, composite materials, aerospace components, filtration and insulation products, surf boards, construction substrates, glass laminates for security and transportation applications, plasma display screens, athletic shoes, commercial and industrial roofing systems, reservoir covers and other industrial components.

The company reported net income of $1.3 million on revenue of $45.5 million for the first quarter ending January 30, 2010. Importantly, EBITDA, though modestly off last year's first quarter results, was $5.4 million, approximately 30% higher than the third and fourth quarters of 2009 combined. For the quarter, gross profit margins increased by 2% points to 16.30%, SGA expenses decreased by 12%, and the company's interest expense declined by 17% as the company continued to pay off its long term debt. The company focused on cost control efforts, cash management and debt reduction to ensure that it weathered the current economic downturn. By the end of the first quarter of 2010, the company had reduced its debt by approximately $20 million to $41.7 million from $61.7 million at the beginning of the fiscal year.

SL Industries, Inc. (AMEX:SLI): (www.slindustries.com): SPH owns approximately 11.70% of SL Industries, Inc. ("SL") and has three representatives on its Board of Directors, including Glen Kassan, who is the Chairman. The company designs, manufactures and markets power electronics, power motion, power protection, teleprotection and communications equipment and systems that are used in a variety of medical, aerospace, computer, datacom, industrial, telecom, transportation and electric power utility applications.

The company's four business segments all recorded lower revenues for the first nine months of 2009. Total revenue dropped from $46.2 million to $36.3 million in the third quarter ending September 30, 2009 while net income increased from a loss of $0.3 million in the third quarter of 2008 to a gain of $1.7 million in the third quarter of 2009. Cash provided by operating activities from continuing operations also increased to $6.6 million in the first nine months of 2009 from $4.1 million for the same period in 2008.

The company has prudently managed its operations and assets during the current economic downturn, and has continued to invest in new customer programs. Personnel and overhead expenses were reduced and non-essential capital expenditures were postponed. As a result, not including restructuring charges, the company's continuing operations were able to breakeven for the year despite a sales decline of greater than 20%. As of September 30, 2009, SL maintained a cash balance of approximately $4.8 million with no outstanding bank debt. On December 31, 2008, the company authorized a share buyback of 500,000 shares of the company's stock. We are pleased that management has made the difficult choices to stabilize the business and allow the company to compete more effectively when the economy improves. We want to thank all of SL's employees for their hard work and dedication during this difficult period.

WHX Corporation (NASDAQ:WXCP) (www.whxcorp.com): SPH owns approximately 39.20% of WHX Corporation ("WHX") and its representatives comprise a majority of its Board of Directors including the position of Chairman. SPH also owns indirectly, through its interest in the Trust, approximately $22 million of debt issued by Handy & Harman and approximately $5.5 million of debt issued by Bairnco. Handy & Harman and Bairnco are the principal operating subsidiaries of WHX. The company invests in and manages a group of ten businesses on a decentralized basis.

In response to these deteriorating economic conditions, Glen Kassan (Vice Chairman & CEO) and Jeff Svoboda (President) aggressively implemented significant cost containment and reduction actions across all of the company's businesses, as well as the corporate headquarters. These actions included a reduction in compensation and benefits for salaried employees, headcount reductions in both the salaried and hourly workforce, the temporary idling of certain manufacturing facilities, and other restructuring activities. These initiatives significantly contributed to WHX achieving positive EBITDA and gross margins for the first nine months of 2009.

Additionally, WHX is continuing to implement operational excellence programs throughout all of the company's operations to increase efficiencies and to support profitable sales growth both internally and potentially through acquisitions. WHX is also evaluating strategic alternatives with respect to all its businesses and is seeking financing alternatives that may lower its cost of capital and/or enhance current cash flow. The company also plans to continue, as appropriate, certain of the extraordinary cost containment measures that it implemented during 2009.

WebBank (private) (www.webbank.com): SPH owns 100% of WebBank. WebBank is an FDIC insured Utah chartered industrial bank located in Salt Lake City, Utah. The bank is engaged in a full range of banking activities including making loans, issuing credit cards and taking federally insured deposits. The bank is a leading provider of national origination platforms for consumer and commercial private-label and bank card programs. WebBank recently began a program with Dell Computers to act as their issuing bank for all of Dell's consumer and small business financing. WebBank also makes available asset based loans, real estate loans and factoring facilities to small businesses. SPH has two representatives on its Board of Directors, including John McNamara who has served as Chairman of the Board since 2009. The bank held assets of $65.7 million and had $12.3 million of capital at the end of 2009. The bank plans to expand its current businesses and increase its loan portfolio.

STEEL PARTNERS JAPAN STRATEGIC FUND L.P.:

Aderans Holdings Co. Ltd. (8170) (www.aderans.co.jp): Steel Partners Japan Strategic Fund L.P. ("SPJ") owns approximately 27.74% of Aderans Holdings Co. Ltd. ("Aderans"). SPH indirectly owns Aderans through the Trust. SPJ and its affiliates have eight seats on the company's Board of Directors. Aderans is the largest manufacturer of wigs in Japan and also offers hair transplant services via two U.S. subsidiaries, Bosley Medical and Medical Hair Restoration.

SPJ has been an investor in the company since 2004. Aderans represented an attractive investment initially because of its large net cash, dominant industry position, excess real estate assets, high foreign ownership, and low valuation multiple. Despite these positive attributes, the company experienced a consistent decline in operating income and margins and failed to meet its annual budgets despite repeated downward revisions to its operating forecasts. Over several years, SPJ repeatedly met with management and offered suggestions to raise corporate value but management refused.

In April 2009, Aderans' Board of Directors accepted a proposal by Unison Capital to launch a tender offer bid for a minimum 35.2% of the company at a price of ¥1,000 per share, which represented a 5.6% discount to market at the time of the offer. SPJ felt that the offer was significantly underpriced and decided to initiate a proxy contest in an effort to block the Unison offer. In May 2009, Aderans' shareholders elected all SPJ-nominated board members increasing the number of SPJ affiliated board members to eight from two. **This is the first time in history that a US based or foreign investor has taken control of a Japanese company in a contested election and against the wishes of a management team**.

Since SPJ took control of the company, it has focused on reducing costs, streamlining businesses, implementing a new marketing plan and bringing in new management. In December 2009, the Board of Directors named Tadao Otsuki as its new President. Mr. Otsuki once served as President of Pepsi-Cola Japan and brings tremendous knowledge and experience to his new role. In December, the company unveiled a new marketing strategy in an effort to revamp its image and increase awareness in Japan. In its U.S. holdings, the Board of Directors has moved to sell off excess real estate and eliminate the unnecessary duplication of services that exist in its two U.S. subsidiaries, Bosley and Medical Hair Restoration. The early results of the marketing campaign have been promising. We will keep you posted as Aderans transforms itself back to a world class organization.

Sapporo Holdings Ltd. (2501) (www.sapporoholings.jp): SPJ owns approximately 17.78% of Sapporo Holdings Ltd. ("Sapporo") and has been an investor since 2005. SPH indirectly owns Sapporo through the Trust.

Unfortunately, Sapporo's operating performance has continued the decline that was set in motion several years ago and has repeatedly missed sales, operating profit and net profit budgets since 2002. SPJ believes this is a result of poor management and poor oversight by the management-controlled Board. This year, Sapporo lost its position as the number three brewer in Japan dropping to last place among the "Big 4" Japanese brewers.

Since December 2005, SPJ has tried to engage the company in constructive conversations regarding ways in which it could end its downward slide and improve its profitability and corporate value for all stakeholders. Unfortunately, these attempts have been unsuccessful. In light of the sweeping consolidation now occurring in the global beer markets, SPJ believes it is important to put an end to the status quo. We believe that Sapporo, which is more than 100 years old and whose name is recognized worldwide, requires new leadership that will accelerate a recovery in its beer and real estate businesses.

On January 22, 2010, SPJ proposed to nominate for election ten directors to the company's Board of Directors who we believe are extremely qualified for the annual general meeting of shareholders scheduled in March 2010. Six of SPJ's nominees, Messrs. Yoshiharu Naito, Yasuo Nakata, Hironori Aihara, Shunichi Fujii, Shiro Hara and Joshua Schechter, have significant experience in Japan, including implementing operational excellence programs, and a record of excellence in executing business plans and turnarounds. The remaining nominees, Messrs. Yoichi Kato, Nobuo Katsumata, Hiroaki Etoh and Hiroshi Tanaka are incumbent directors who have valuable knowledge of the company and would provide appropriate continuity on the Board of Directors.

SPJ is very pleased that such a high profile group of experienced executives have agreed to join in our efforts and we look forward to speaking with all stakeholders about our plans for the company in the days and weeks ahead.

STEEL PARTNERS CHINA ACCESS I L.P.:

Mudanjiang Hengfeng Paper Co., Ltd. (SHSE:600356) (www.hengfengpaper.com): Steel Partners China Access I L.P. ("SPCA") owns approximately 20.7% of Mudanjiang Hengfeng Paper Co., Ltd. ("Hengfeng")**.** The company is the largest manufacturer of various cigarette-related paper products in China. The investment in Hengfeng was completed in July 2007 at RMB 5.46, under China's Strategic Foreign Investor Measures, which applies a 3 year trading lock-up on SPCA's shares in the company expiring in July 2010. The company's stock closed at RMB 13.30 at the end of February.

Timothy Rucquoi-Berger, SPCA' representative on Hengfeng's Board of Directors, continues to work with the company to increase transparency to investors, implement a system of goals and targets for management, advocate continuous operational efficiency and savings by improving their internal financial reporting practices and focus on energy usage and raw materials procurement. The management team, with major contributions from SPCA's representative Alain Sepulchre, who is acting as de-facto export director, has made major strides in executing on the company's international export initiative. The company has a dedicated internal export team which increased its global presence through participation in industry trade exhibitions, open communication with major international tobacco firms and developing an English version of the company's website.

The company continues to grow its market share in China and we are hopeful that they will begin to sell cigarette paper internationally. We are pleased with the current management team and the progress they have made.

Litigation Update:

The Revised Plan was implemented on July 15, 2009 with respect to the limited partners of Steel Partners II (Onshore) LP (the "Onshore Fund"). On November 23, 2009, Steel Partners II (Offshore) Ltd. (the "Offshore Fund") implemented the Revised Plan with respect to its shareholders, following a four month delay due to the continuance of petitions filed by two minority shareholders, ACF Master Trust ("ACF"), affiliated with Carl Icahn, and Global Activist Fund ("GAF"). The implementation of the Revised Plan follows the decision of the Grand Court of the Cayman Islands on November 19, 2009 to refuse the petitions of ACF and GAF which sought to wind-up the Offshore Fund and to appoint a liquidator. Justice Foster stated in his judgment "…that this is not a case where it is or would be unfair or inequitable for the [Offshore Fund] to proceed in accordance with or to insist on its rights and powers under its Articles of Association and the relevant subscription agreements." In this regard, the Grand Court of the Cayman Islands joined the Court of Chancery of the State of Delaware in affirming the lawfulness and equitableness of the Revised Plan. ACF and GAF then filed a notice of appeal of the refusal of their petitions in the Cayman Islands.

We are pleased to announce that we have concluded a settlement agreement with ACF and GAF whereby all unresolved claims by them will be dismissed by the Delaware Chancery Court and the Grand Court of the Cayman Islands, with prejudice. While we find some small vindication in the Grand Court's decision, and in reaching a settlement, it is regrettable that the petitions resulted in needless cost and major delays for all of us. We are very pleased to put this regrettable episode behind us for good.

STEEL PARTNERS HOLDINGS L.P. - MANAGEMENT AND INFRASTRUCTURE:

All of the firm's senior management team and professionals have remained in place and are committed to Steel Partners Holdings L.P. and to increase its value for the long-term. I believe this is a testament to our firm's unique culture and exemplifies the commitment to our firm and our investors. Our management team remains the largest investor in SPH with approximately 20.4% of the company. We will continue to be invested in SPH and to eat our own cooking, something we've been doing for over 20 years!

As always, we welcome your questions, comments and thank you for your continued support and perspectives.

Respectfully,

Warren G. Lichtenstein
Chairman and Chief Executive Officer