UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

Commission File Number: 000-5465

STEEL PARTNERS HOLDINGS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**13-3727655**
(State of Incorporation)	(I.R.S. Employer Identification No.)
590 Madison Avenue, 32nd Floor	
New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

(212) 520-2300
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No ☑

The number of shares outstanding of the Registrant's common units as of May 8, 2012 was 31,586,041.

STEEL PARTNERS HOLDINGS L.P.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Balance Sheets
(in thousands except common units)

	March 31, 2012	December 31, 2011
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 171,042	$ 127,027
Restricted cash	26,736	23,736
Trade and other receivables (net of allowance for doubtful accounts of $2,555 in 2012 and $2,504 in 2011)	106,553	90,239
Receivable from related parties	3,479	116
Loans receivable, net	26,060	34,820
Inventories	58,317	53,776
Deferred income taxes	20,147	20,038
Prepaid and other current assets	16,144	16,123
Assets of discontinued operations	—	35,387
Total current assets	428,478	401,262
Long-term loans receivable, net	8,855	8,942
Goodwill	42,806	42,797
Other intangibles, net	133,147	135,341
Deferred income taxes	67,913	70,625
Other non-current assets	19,615	22,143
Investments at fair value	146,327	150,020
Property, plant and equipment, net	130,294	127,842
Investments in associated companies	189,683	128,218
Other investments at fair value - related party	31,853	42,653
Total Assets	$ 1,198,971	$ 1,129,843

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Balance Sheets
(in thousands except common units)
(continued)

	March 31, 2012	December 31, 2011
LIABILITIES AND CAPITAL	(unaudited)	
Current liabilities:		
Accounts payable	$ 49,620	$ 37,843
Accrued liabilities	39,528	40,944
Financial instruments	24,314	23,736
Deposits	40,985	38,293
Payable to related parties	5,912	4,930
Current portion of deferred fee liability to related party	—	1,107
Short-term debt	37,824	24,168
Current portion of long-term debt	8,531	8,531
Deferred income taxes	943	736
Other current liabilities	3,631	3,239
Liabilities of discontinued operations	—	15,310
Total current liabilities	211,288	198,837
Long-term deposits	49,981	56,589
Deferred fee liability to related party	70,508	57,640
Long-term debt	129,965	130,955
Accrued pension liability	182,546	186,212
Deferred income taxes	4,061	6,231
Other liabilities	16,282	12,959
Total Liabilities	664,631	649,423
Commitments and Contingencies	—	—
Capital:		
Partners' capital (common units: 25,183,039 issued and outstanding after deducting 2,808,725 held in treasury, at cost of $48,099 at March 31, 2012 and December 31, 2011).	471,555	427,534
Accumulated other comprehensive loss	(6,870)	(11,737)
Total Partners' Capital	464,685	415,797
Noncontrolling interests in consolidated entities	69,655	64,623
Total Capital	534,340	480,420
Total Liabilities and Capital	$ 1,198,971	$ 1,129,843

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Operations
(unaudited)
(in thousands except units and per unit data)

	Three Months Ended March 31,	
	2012	**2011**
Revenue		
Diversified industrial net sales	$ 179,531	$ 158,407
Financial services revenue	4,036	3,261
Investment and other income	116	374
Net investment gains	2,339	13,058
Total revenue	186,022	175,100
Costs and expenses		
Diversified industrial cost of goods sold	128,811	117,360
Selling, general and administrative expenses	41,506	32,482
Finance interest expense	320	346
(Recovery of) provision for loan losses	(145)	116
Interest expense	3,308	3,215
Realized and unrealized (gain) loss on derivatives	(571)	3,538
Management fees - related party	1,559	2,167
Increase in deferred fee liability to related party	11,762	489
Other income	(407)	—
Total costs and expenses	186,143	159,713
(Loss) Income from continuing operations before income taxes and equity method income (loss)	(121)	15,387
Income tax (provision) benefit	(1,872)	5,607
Income (loss) from equity method investments and investments held at fair value:		
Income of associated companies, net of taxes	50,540	1,858
Loss from other investments - related party	(10,800)	(8,284)
Income (loss) from investments held at fair value	8,638	(1,564)
Net income from continuing operations	46,385	13,004
Discontinued operations:		
Income (Loss) from discontinued operations, net of taxes	601	(607)
Gain on sale of discontinued operations, net of taxes	3,152	2,734
Income from discontinued operations	3,753	2,127
Net income	50,138	15,131
Net (income) loss attributable to noncontrolling interests in consolidated entities:		
Continuing operations	(2,347)	(1,619)
Discontinued operations	(1,821)	(1,021)
	(4,168)	(2,640)
Net income attributable to common unitholders	$ 45,970	$ 12,491
Net income per common unit - basic		
Net income from continuing operations	$ 1.75	$ 0.45
Net income from discontinued operations	0.08	0.04
Net income attributable to common unitholders	$ 1.83	$ 0.49
Net income per common unit - diluted		
Net income from continuing operations	$ 1.75	$ 0.39
Net income from discontinued operations	0.08	0.04
Net income attributable to common unitholders	$ 1.83	$ 0.43
Weighted average number of common units outstanding - basic	25,183,039	25,253,287
Weighted average number of common units outstanding - diluted	25,210,214	30,492,331

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Comprehensive Income
(unaudited)
(in thousands except units and per unit data)

	Three Months Ended March 31,	
	2012	**2011**
Net income	$ 50,138	$ 15,131
Other comprehensive income (loss), net of tax:		
Unrealized gain on available for sale securities (a)	5,291	5,399
Currency translation adjustment	(957)	364
Other comprehensive income	4,334	5,763
Comprehensive income	54,472	20,894
Comprehensive income attributable to non-controlling interests	(3,635)	(3,003)
Comprehensive income attributable to common unit holders	$ 50,837	$ 17,891

(a) Includes a tax benefit of $173 and $0 for the three months ended March 2012 and 2011, respectively.

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2012	**2011**
Cash flows from operating activities:		
Net income	$ 50,138	$ 15,131
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net investment gains	(2,339)	(13,058)
(Recovery of) Provision for loan losses	(145)	116
Income of associated companies	(50,540)	(1,858)
Loss from other investments - related party	10,800	8,284
(Income) Loss from investments held at fair value	(8,638)	1,564
Gain on sale of discontinued operations	(3,152)	(2,734)
Depreciation and amortization	6,392	6,191
Reclassification of net cash settlements on derivative instruments	(22)	2,794
Stock based compensation	1,775	929
Unrealized loss on derivatives	—	808
Income tax benefit from release of deferred tax valuation allowance	—	(7,957)
Other	(406)	1,466
Net change in operating assets and liabilities:		
Receivables	(15,646)	(21,324)
Receivables from related parties	(2,889)	—
Inventories	(4,453)	(7,599)
Prepaid and other assets	(799)	267
Accounts payable, accrued and other liabilities	10,823	(1,137)
Payable to related parties	314	781
Increase in deferred fee liability to related party	11,762	489
Net decrease (increase) in loans held for sale	8,539	(7,630)
Net cash provided by (used in) operating activities of discontinued operations	610	(2,654)
Net cash provided by (used in) operating activities	12,124	(27,131)
Cash flows from investing activities:		
Purchases of investments	(6,656)	(62,761)
Proceeds from sales of investments	29,829	83,117
Net decrease (increase) in loans receivable	452	(690)
Purchases of property and equipment	(6,554)	(3,911)
Reclassification of restricted cash	(578)	(5,692)
Net cash settlements on derivative instruments	22	(2,794)
Acquisitions, net of cash acquired	488	(57,414)
Purchase of subsidiary shares from noncontrolling interests	(414)	(628)
Investments in associated companies	(10,923)	(207)
Proceeds from sales of discontinued operations	22,761	26,543
Other	577	85
Net cash provided by (used in) investing activities	29,004	(24,352)

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Cash Flows (continued)
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2012	2011
Cash flows from financing activities:		
Net revolver borrowings	13,473	3,727
Net borrowings of term loans - foreign	548	758
Repayments of term loans - domestic	(1,134)	(1,460)
Deferred finance charges	—	(204)
Net change in overdrafts	(2,808)	2,804
Net decrease in deposits	(4,031)	(3,180)
Other	(3,329)	1,141
Net cash provided by financing activities	2,719	3,586
Net change for the period	43,847	(47,897)
Effect of exchange rate changes on cash and cash equivalents	168	178
Cash and cash equivalents at beginning of period	127,027	180,684
Cash and cash equivalents at end of period	$ 171,042	$ 132,965
Cash paid during the period for:		
Interest	$ 3,920	$ 2,661
Taxes	$ 728	$ 1,154
Non-cash investing activities:		
Net (increase) decrease in restricted cash from purchase of foreign currency financial instruments	$ (578)	$ 31,451
Non-cash financing activities:		
Common units issued for directors compensation	$ —	$ 275

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Changes in Capital
(unaudited)
(dollars in thousands except per unit data)

	Common Units	Accumulated Other Comprehensive Loss	Treasury Units		Partners' Capital	Total	Non-controlling Interests	Total Capital
			Units	Dollars				
Balance at December 31, 2011	27,991,764	$ (11,737)	(2,808,725)	$ (48,099)	$ 427,534	$ 415,797	$ 64,623	$ 480,420
Net income	—	—	—	—	45,970	45,970	4,168	50,138
Unrealized gain on available-for-sale investments	—	5,367	—	—	—	5,367	(76)	5,291
Currency translation adjustment	—	(500)	—	—	—	(500)	(457)	(957)
Purchases of subsidiary shares, net of issuances	—	—	—	—	(2,145)	(2,145)	1,397	(748)
Other, net	—	—	—	—	196	196	—	196
Balance at March 31, 2012	27,991,764	$ (6,870)	(2,808,725)	$ (48,099)	$ 471,555	$ 464,685	$ 69,655	$ 534,340

See accompanying Notes to Consolidated Financial Statements

1. NATURE OF THE BUSINESS AND BASIS OF PRESENTATION

Nature of the Business

Steel Partners Holdings L.P. (“SPH” or the “Company”) is a global diversified holding company that engages in multiple businesses through consolidated subsidiaries, associated companies and other interests. The Company seeks to work with its businesses to increase corporate value over the long term for all stakeholders and shareholders by implementing Steel Partners Operational Excellence programs, the Steel Partners Purchasing Council, Steel Partners Corporate Services, balance sheet improvements, capital allocation policies and growth initiatives.

The Company operates through consolidated subsidiaries and associated companies, which represent significant equity interests in operating businesses. SPH also owns interests directly and indirectly in other companies. As of March 31, 2012, the Company's operations are conducted through its two primary segments: Diversified Industrial and Financial Services. The Company also reports certain other investments and investment activity and unallocated corporate expenses within its Corporate segment.

Steel Partners Holdings GP Inc. (“SPH GP”), a Delaware corporation, is the general partner of SPH and is wholly-owned by SPH. Until December 31, 2011, Steel Partners LLC (“SPLLC”) was the manager of SPH (the “Manager”). Effective January 1, 2012, SPLLC assigned its interests in the management agreement to SP General Services LLC (“SPGS”), formerly an affiliate of SPLLC. The unitholders of SPH have limited liability with respect to their interest in the Company.

Basis of Presentation

The consolidated financial statements include the consolidated financial results of SPH, WebFinancial Holding Corporation (“WebFinancial”), Handy & Harman Ltd. (“HNH”), BNS Holding, Inc. (“BNS”), DGT Holdings Corp. (“DGT”) and SPH Services, Inc. ("SPH Services"). Acquired companies are presented from their dates of acquisition. DGT’s financial statements are recorded on a two-month lag, and as a result the statement of operations for the three months ended March 31, 2012 includes DGT’s activity for its quarter ended January 31, 2012. In 2011, BNS changed its fiscal year end from October 31 to December 31. The three months ended March 31, 2011 includes two additional months for BNS, November and December of 2010.

The accompanying unaudited consolidated financial statements, in accordance with Securities and Exchange Commission (“SEC”) rules for interim periods, do not contain all of the footnotes or other financial information that is normally required by accounting principles generally accepted in the United States of America ("GAAP") and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company believes that the disclosures made in this Form 10-Q are adequate to make the information not misleading. The December 31, 2011 consolidated balance sheet was derived from audited financial statements.

In the opinion of the Company, the interim financial statements reflect all normal and recurring adjustments necessary to present fairly the consolidated financial position and the results of operations and changes in cash flows for the interim periods. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2012 and 2011 are not necessarily indicative of the operating results for the full year.

SPH Services

SPH Services is a newly-formed subsidiary of SPH, which commenced operations on January 1, 2012, that was created to consolidate the executive and corporate functions of SPH and certain of our affiliates, including SP Corporate Services LLC ("SP Corporate") and SPLLC, to provide such services, including, without limitation, legal, tax, accounting, treasury, consulting, auditing, administration, compliance, environmental health and safety, human resources, marketing, investor relations and other similar services, to other companies. In connection with the formation of SPH Services, we acquired the membership interests in SP Corporate and SPLLC, and certain assets from Steel Partners, Ltd., a related party, as

well as certain assets from HNH, on January 1, 2012. Prior to our acquisition of SPLLC, our former manager, SPLLC transferred certain assets, including its interest in our management agreement, to SPGS, a related party. See Note 14, "Related Party Transactions", for further information.

SPH Services operates through its wholly owned subsidiaries, SP Corporate and SPLLC. SP Corporate has management services agreements with HNH, BNS, CoSine Communications, Inc. (Cosine"), DGT, Fox & Hound Acquisition Corp. ("Fox & Hound"), Steel Excel Inc. ("Steel Excel"), and WebBank, a wholly owned subsidiary of WebFinancial. In addition, SP Corporate has agreements with NOVT Corporation (“NOVT”) and Ore Holdings, Inc., which are affiliated companies.

2. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Testing Goodwill for Impairment – In September 2011, the FASB issued guidance relating to testing goodwill for impairment, to allow entities to use a qualitative approach to test goodwill for impairment. The new guidance permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted this amendment in 2012. The adoption did not have a material impact on the Company’s consolidated financial statements.

Comprehensive Income (Topic 220): Presentation of Comprehensive Income – In June 2011, the FASB issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The Company adopted this guidance in the first quarter of 2012, which resulted in presentation changes only.

Fair Value Measurement – In May 2011, the FASB issued guidance related to fair value measurements. This guidance changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the guidance does not result in a change in the application of the current fair value measurement and disclosure requirements. Some of the amendments clarify the FASB’s intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The guidance, which was effective for the Company on January 1, 2012, did not have a material impact on the Company’s consolidated financial statements.

3. ACQUISITIONS

The Company did not make any acquisitions in the first three months of 2012. During 2011, the Company made the following acquisitions:

- On July 5, 2011, SPH acquired for cash 193,305 additional shares of DGT common stock for $1,933, bringing total shares owned as of July 5, 2011 to 1,977,023 representing 51.1% of the outstanding shares. Accordingly, the accounting for the investment in DGT was changed from the equity method to a majority-owned controlled subsidiary and is consolidated with SPH from that date. DGT operates through its subsidiary, RFI Corporation (“RFI”), which comprises DGT's Power Conversion Group. RFI designs, manufactures, markets and sells high voltage precision components and sub-assemblies and electronic noise suppression components for a variety of applications. The acquisition of the controlling interest in DGT was to further the Company's position as a global diversified holding company.

- On March 23, 2011, a subsidiary of HNH acquired certain assets and assumed certain liabilities of Tiger Claw, Inc. (“Tiger Claw”), a company that, among other businesses, develops and manufactures hidden fastening systems for deck construction. HNH believes this acquisition enhances its product offerings of fastening systems for deck construction. The initial purchase price of $8,761 was subsequently adjusted by approximately $254 in the fourth quarter of 2011, resulting in a final purchase price of $8,507. Revenue and net income of Tiger Claw in the Consolidated statement of operations from March 23, 2011 through March 31, 2011 are $100 and $0, respectively.

- On February 2, 2011, BNS acquired all of the capital stock of SWH, Inc. ("SWH"). The initial purchase price of $50,806 was subsequently adjusted by approximately $343, resulting in a final purchase price of $50,463 in cash. SWH owns all of the capital stock of Sun Well Services, Inc. ("Sun Well"), its sole asset. Sun Well is a work-over rig provider to oil and gas exploration companies throughout the Williston Basin in North Dakota. SWH was acquired to further the Company's position as a global diversified holding company. Revenue and net income of SWH included in the Consolidated statement of operations from February 2, 2011 through March 31, 2011are $5,078 and $1,503, respectively.

The following unaudited pro forma results of operations for the three months ended March 31, 2011 assumes that the acquisitions made throughout 2011 occurred at the beginning of 2011. This unaudited pro forma information does not purport to be indicative of the results that would have been obtained if the acquisitions had actually occurred at the beginning of 2011, nor of the results that may be reported in the future.

	Three Months Ended March 31, 2011
Revenue	$ 182,029
Net income attributable to common unitholders	11,858
Net income per common unit - basic	0.47
Net income per common unit - diluted	0.40

4. DISCONTINUED OPERATIONS

There are no assets and liabilities of discontinued operations at March 31, 2012, as all such operations have been sold. The following assets and liabilities of discontinued operations, which relate to Villa Sistemi Medicali S.p.A. ("Villa"), have been segregated in the accompanying Consolidated balance sheet as of December 31, 2011:

	December 31, 2011
Assets of discontinued operations:	
Trade and other receivables	$ 13,256
Inventories	11,403
Other current assets	1,711
Other intangibles, net	8,469
Property, plant and equipment, net	499
Other assets	49
Total assets	$ 35,387
Liabilities of discontinued operations:	
Trade payables and accrued liabilities	$ 7,486
Other current liabilities	5,982
Other liabilities	1,842
Total liabilities	$ 15,310

Summary results for our discontinued operations included in our Consolidated statement of operations are as follows:

	Three Months Ended March 31,	
	2012	2011
Sales	$ 5,322	$ 12,027
Net income (loss)	601	(607)
Income (loss) after taxes and noncontrolling interests	309	(315)
Gain on sale of discontinued operations after taxes and noncontrolling interests	1,623	1,422

Discontinued operations for the three months ended March 31, 2012 includes the operations of Villa through the sale date as well as the gain on sale (see discussion below). Discontinued operations for the three months ended March 31, 2011 includes the HNH discontinued operations discussed below.

DGT's Discontinued Operations - Sale of Villa

On November 3, 2011, DGT completed a share purchase agreement (the "Share Purchase Agreement") with VIV s.r.1., a limited liability company incorporated under Italian law ("VIV"), pursuant to which DGT sold all of the shares of its Italian subsidiary, Villa, its medical and dental imaging systems segment, to VIV.

In consideration for the sale of the shares of Villa to VIV, DGT received $22,761 in cash of net proceeds and an unsecured subordinated promissory note (the "Note") made by VIV in the amount of €500 (initially valued at $688). The Note has a term of 5 years with interest accruing at a rate of 6% per annum beginning 18 months after issuance. The Note may be prepaid at any time and if prepayment in full occurs during the first 18 months following the date of issuance, the total principal amount will be reduced to €400. Payment of the Note will be subordinated to the repayment of the loan extended to VIV by Banca Intesa to provide financing for the Villa sale. DGT also repurchased 28,104 shares of common stock from two employees of Villa for $820. DGT also received, as part of the transaction, a dividend of cash held by Villa as of the closing date in the amount of $4,538. SPH's net after-tax gain on the sale of Villa, which was recorded in SPH's first quarter of 2012 due to the recording of DGT's results of operations on a two-month lag, was $3,152 before allocation to noncontrolling interests.

HNH's Discontinued Operations

During the third quarter of 2011, HNH sold its stock of Eurokasco, S.A.S. ("Euro-Kasco") a part of its Kasco segment, to the former management team for one Euro plus 25% of any pre-tax earnings over the next three years. Additionally, Euro-Kasco signed a 5 year supply agreement to purchase certain products from Kasco.

In 2010, HNH decided to exit the Arlon Coated Materials ("CM") business of manufacturing adhesive films, specialty graphic films and engineered coated products. In February and March 2011, HNH sold assets in two separate asset sale transactions. These businesses comprised HNH's Arlon CM segment.

On February 4, 2011, Arlon LLC ("Arlon"), an indirect wholly-owned subsidiary of HNH, sold substantially all of its assets and existing operations located primarily in the State of California related to its Adhesive Film Division for an aggregate sale price of $26,543. Net proceeds of approximately $24,200 from this sale were used to repay indebtedness under HNH's revolving credit facility. A gain on the sale of these assets of $7,840 was recorded in the first quarter of 2011.

On March 25, 2011, Arlon and its subsidiaries sold substantially all of their assets and existing operations located primarily in the State of Texas related to Arlon's Engineered Coated Products Division and SignTech subsidiary for an aggregate sale price of $2,500. In addition, Arlon sold a coater machine to the same purchaser for a price of $500. A loss of $5,106 was recorded on the sale of these assets in the first quarter of 2011. The net proceeds from these asset sales were used to repay indebtedness under HNH's revolving credit facility.

Amounts held in escrow in connection with the asset sales, totaling $3,000, are recorded in Trade and other receivables on the consolidated balance sheet as of March 31, 2012, and are due to be received by HNH in the second quarter of 2012.

The total gain as a result of these asset sales of $2,734, net of tax, is reported in discontinued operations on the consolidated statements of operations in the first quarter of 2011.

5. INVESTMENTS IN ASSOCIATED COMPANIES

The following table provides combined summarized data with respect to the investments that were classified as associated companies as of March 31, 2012 and December 31, 2011 and which are accounted for on the equity method:

	March 31, 2012	December 31, 2011
Investments in associated companies:		
CoSine	$ 6,849	$ 6,944
Fox & Hound	40,683	—
SL Industries, Inc.	19,388	16,049
Steel Excel	122,763	105,225
	$ 189,683	$ 128,218
Summary of balance sheet amounts:		
Current assets	$ 430,380	$ 443,740
Noncurrent assets	296,709	55,540
Total assets	$ 727,089	$ 499,280
Current liabilities	$ 65,310	$ 39,727
Noncurrent liabilities	182,509	26,504
Total liabilities	247,819	66,231
Parent equity	479,270	433,049
Total liabilities and equity	$ 727,089	$ 499,280

In the table below, API Group PLC ("API") summary income statement amounts are excluded for the three months ended March 31, 2011 because its accounts were published semi-annually. JPS Industries, Inc. ("JPS") summary income statement amounts were excluded for the three months ended March 31, 2011 because it did not publish its financial statements on a quarterly basis. See additional discussion below regarding API and JPS.

	Three Months Ended March 31,	
	2012	2011
Summary income statement amounts:		
Revenue	$ 125,774	$ 77,432
Gross profit	11,527	23,339
Income (loss) from continuing operations	2,011	6,239
Net income (loss) after noncontrolling interests	(5,652)	6,049
Amounts recognized in the consolidated financial statements:		
SPH share of net income	(96)	379
Unrealized gain (loss) on associated companies accounted for at fair value	50,636	1,479
SPH’s equity in other comprehensive loss	—	(393)

The Company’s investments in associated companies accounted for under the equity method of accounting are initially recorded at their original cost, subsequently increased or decreased for SPH’s share of the investees’ earnings or losses and other comprehensive income, reduced for dividends received and impairment charges recorded, if any, and increased for any additional investments. The Company elected to account for its indirect investment in Fox & Hound (see below for additional information), and its investments in Steel Excel and SL Industries, Inc. (“SLI”) under the equity method at fair value beginning on the dates these investments became subject to the equity method of accounting. Fox & Hound is a Level 3 investment, while Steel Excel and SLI are Level 1 investments, all of which are measured and reported at fair value as described in Note 7 - “Fair Value Measurements.” Associated companies are included in either the Diversified Industrial segment or Corporate from the dates of their acquisition. Certain associated companies have a fiscal year end that differs from December 31.

SPH’s associated companies accounted for under the equity method as of December 31, 2011 and for the three months ended March 31, 2012 are as follows:

CoSine

At March 31, 2012 and December 31, 2011, SPH owned 4,779,721 shares (47.0% and 46.8% of the outstanding shares, respectively) of CoSine Communications, Inc. (“CoSine”), a publicly traded company which is seeking to acquire one or more new businesses. The investment in CoSine is reported on the equity method with an investment carrying value of $6,849 and $$6,944, respectively. SPH recorded a loss of $97 as its share of CoSine net loss and $1 as its share of capital changes for the three months ended March 31, 2012 and a loss of $145 as its share of CoSine net loss and $65 as its share of capital changes for the three months ended March 31, 2011. The aggregate market value of the Company’s interest in CoSine was $10,276 at March 31, 2012 and $9,320 at December 31, 2011.

Fox & Hound

On March 19, 2012, the Company invested $10,923 to acquire an indirect interest in Fox & Hound as part of a recapitalization which involved the issuance by Fox & Hound of new common equity in conjunction with a long-term refinancing of Fox & Hound's debt. As a result of the transaction, as of March 31, 2012, the Company had an indirect ownership interest (including our indirect interest through the Steel Partners II Liquidating Series Trust ("SPII Liquidating Trust") - Series D) in Fox & Hound of 43.6%. The Company elected to record its investment in Fox & Hound on the equity method at fair value in order to more appropriately reflect the value of Fox & Hound in its financial statements. The fair value of our investment in Fox & Hound was $40,683 as of March 31, 2012. SPH recorded an unrealized gain in the consolidated statement of operations of $29,760 on its indirect investment in Fox & Hound for the three months ended March 31, 2012. Fox & Hound's recapitalization diluted our indirect investment in Fox & Hound through the SPII Liquidating Trust - Series D, which is included in Other investments at fair value - related party on our consolidated balance sheet, which resulted in an unrealized loss of $11,200 in the consolidated statement of operations. See Note 6 - "Investments", for additional information.

SLI

At March 31, 2012 and December 31, 2011, SPH owned 21.7% of the shares of SLI, a publicly traded company that designs, manufactures and markets power electronics, motion control, power protection and specialized communication equipment. The investment in SLI is reported on the equity method at fair value with an investment carrying value of $19,388 and $16,049 as of March 31, 2012 and December 31, 2011, respectively. SPH recorded an unrealized gain in the consolidated statement of operations of $3,339 and $761 on its investment in SLI for the three months ended March 31, 2012 and 2011, respectively.

Steel Excel

At March 31, 2012 and December 31, 2011, SPH owned 40.3% of the shares of Steel Excel, a publicly traded company. Steel Excel acquired certain businesses in 2011, and is seeking to acquire additional business operations. The identification of new business operations includes, but is not limited to, the oilfield servicing, sports, training, education, entertainment, and lifestyle businesses. The investment in Steel Excel is reported on the equity method at fair value. SPH recorded unrealized gains in the consolidated statement of operations of $17,538 and $359 on its investment in Steel Excel for the three months ended March 31, 2012 and 2011, respectively.

SPH’s investments in associated companies accounted for under the equity method prior to December 31, 2011 also included:

API

Effective December 31, 2011, the Company determined that it no longer had significant influence over the operating and financial polices of API. The Company discontinued the equity method of accounting at fair value for API and began classifying API as Investments at fair value and will continue to report changes in fair in the consolidated statement of operations. In the first quarter of 2011, prior to its reclassification to Investments at fair value, the investment in API was reported on the equity method at fair value. SPH recorded an unrealized gain in the consolidated statement of operations of

$359 for the three months ended March 31, 2011. API is a Level 1 investment measured and reported at fair value (See Note 7 – “Fair Value Measurements” for additional information).

DGT

On July 5, 2011, SPH purchased 193,305 DGT shares for cash on the open market for $1,933 which brought total shares owned by SPH to 1,977,023 (51.1% of the outstanding shares), and DGT became a majority-owned controlled subsidiary. DGT’s accounts are consolidated with the accounts of SPH from July 5, 2011 and accordingly, SPH’s investment in DGT was been removed from investments in associated companies as of that date. In the first three months of 2011, prior to SPH acquiring a controlling interest, the investment in DGT was reported on the equity method and SPH recorded income of $525 as its share of DGT net income and $(477) as its share of capital changes including other comprehensive income/loss.

JPS

During the fourth quarter of 2011, the Company determined that it did not have significant influence over the operating and financial policies of JPS. Therefore, effective December 31, 2011 the Company discontinued the equity method of accounting for JPS and began classifying JPS as an available for sale security. In the first three months of 2011, prior to its reclassification as an available for sale security, the investment in JPS was reported on the equity method. The Company did not record any income/loss or capital changes for JPS in the first quarter of 2011.

Other

The Company also has an investment in a Japanese real estate partnership. The Company did not record any income/loss or capital changes for this investment in the first quarter of 2011.

During the fourth quarter of 2011, the Company determined that it did not have significant influence over the operating and financial policies of the partnership. Therefore, effective December 31, 2011, the Company discontinued the equity method of accounting and began classifying this investment as an investment at cost ($5,156), included in Other non-current assets in the March 31, 2012 and December 31, 2011 consolidated balance sheet. There was no impairment recorded for this investment for the three months ended March 31, 2012.

6. INVESTMENTS

Investments at Fair Value

Investments at fair value at March 31, 2012 include available for sale securities of $108,248 and other investments held at fair value of $38,079. Investments at fair value at December 31, 2011 include available for sale securities of $120,579 and other investments held at fair value of $29,441. For additional information see below and Note 7 - "Fair Value Measurements."

Available-Sale-Securities

Available-for-sale securities by industry classification at March 31, 2012 and December 31, 2011 are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair value
March 31, 2012				
Equity securities - U.S.				
Computer Software and Services	$ 5,113	$ 253	$ (1,754)	$ 3,612
Aerospace/Defense	10,746	18,121	—	28,867
Manufacturing	15,260	15,236	(1)	30,495
Restaurants	5,974	3,470	—	9,444
Other	27,923	8,659	(752)	35,830
Total available-for-sale securities	$ 65,016	$ 45,739	$ (2,507)	$ 108,248
December 31, 2011				
Equity securities - U.S.				
Computer Software and Services	$ 27,649	$ 3,132	$ (2,146)	$ 28,635
Aerospace/Defense	10,746	10,884	—	21,630
Manufacturing	16,495	14,960	—	31,455
Restaurants	5,974	3,390	—	9,364
Other	21,600	8,754	(859)	29,495
Total available-for-sale securities	$ 82,464	$ 41,120	$ (3,005)	$ 120,579

Investment information is summarized below for available-for-sale securities:

	Three Months Ended March 31,	
	2012	2011
Proceeds from sales	$ 26,984	$ 56,136
Gross gains from sales	$ 2,879	$ 5,458
Gross losses from sales	—	(507)
Net investment gain	$ 2,879	$ 4,951
Change in net unrealized holding gains included in other comprehensive income	$ 5,119	$ 5,398

For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Gross unrealized gains and gross unrealized losses in the table are reported in Accumulated other comprehensive loss in the consolidated balance sheets.

Other Investments Held at Fair Value

Other investments held at fair value include the Company's economic interest, direct and indirect, in Barbican Group Holdings Limited and its subsidiaries (“Barbican”), of $13,719 and $13,622 at March 31, 2012 and December 31, 2011, respectively; and the Company's investment in API of $24,360 and $15,819 at March 31, 2012 and December 31, 2011, respectively. Barbican and API are reported as Investments at fair value in the condensed consolidated balance sheet. Changes in the fair value of the investments are reported in the condensed consolidated statement of operations as Income (loss) from investments held at fair value which amounts were $8,637 and $(1,563) for the three months ended March 31, 2012 and 2011, respectively.

Other Investments - Related Party

Other investments - related party, classified as non-current assets at March 31, 2012 and December 31, 2011, consist of the Company’s investment in each series of the SPII Liquidating Trust (see Note 14 - “Related Party Transactions”) accounted for under the equity method. These investments were acquired and initially recorded in connection with an exchange transaction in which we acquired the limited partnership interest of Steel Partners II, L.P. (“SPII”) consisting of holdings in a variety of companies, in exchange for our common units which were distributed to certain former indirect investors in SPII (the “Exchange Transaction”). The Company elected to account for its investments in each series of the SPII Liquidating Trust under the equity method at fair value beginning July 16, 2009, the date these investments became subject to the equity method. The Company is permitted to choose, at specified election dates, to measure many financial instruments and certain other items at fair value that would not otherwise be required to be measured at fair value. If the fair value option is elected for a particular financial instrument, the Company is required to report unrealized gains and losses on those items in its consolidated statement of operations.

Each series of the SPII Liquidating Trust is separate and distinct with respect to its assets, liabilities and net assets. Each individual series has no liability or claim with respect to the liabilities or assets, of the other series. Each series shares in the costs, assets and liabilities, if any, that are not specifically attributable to a particular series. Each series generally holds the securities related to a specific investment and cash for operating expenses of the series. The investments in the SPII Liquidating Trust are not redeemable and distributions will be received from the SPII Liquidating Trust as the underlying assets held are sold over a period which is not determinable. There are no unfunded capital commitments with respect to these investments. The fair values for the investments in the SPII Liquidating Trust have been estimated using the net asset value of such interests as reported by the SPII Liquidating Trust.

The following table provides combined summarized data with respect to the other investments - related party accounted for under the equity method, which as discussed above the Company elected to account for at fair value commencing on the date the investment became subject to equity method accounting:

	March 31, 2012	December 31, 2011
Other investments - related party:		
SPII Liquidating Trust - Series B (a)	$ 16,483	$ 16,408
SPII Liquidating Trust - Series D (b)	642	11,783
SPII Liquidating Trust - Series G (c)	10,218	9,552
SPII Liquidating Trust - Series H (d)	3,361	3,496
SPII Liquidating Trust - Series I (e)	1,149	1,414
Total	$ 31,853	$ 42,653
Summary of balance sheet amounts:		
Total assets	$ 72,815	$ 97,502
Total liabilities	—	—
Net Asset Value	$ 72,815	$ 97,502

	Three Months Ended March 31,	
	2012	**2011**
Summary income statement amounts:		
Net decrease in net assets from operations	$ (24,682)	$ (18,924)
Amounts recognized in the consolidated financial statements:		
Loss from other investments - related party	$ (10,800)	$ (8,284)
Proceeds from sales	—	4,156
Gross gains from sales	$ —	$ —
Gross losses from sales	—	—
Net investment gain	$ —	$ —

(a) Represents the Company’s interest in the series of the SPII Liquidating Trust that holds preference shares and ordinary shares in Barbican Group Holdings Limited.

(b) Represents the Company’s interest in the series of the SPII Liquidating Trust that holds common shares in Fox & Hound. On March 19, 2012, in conjunction with a long-term refinancing of its debt, Fox & Hound issued new common equity. As a result of the transaction, our interest in Fox & Hound through the SPII Liquidating Trust was diluted and reduced by approximately $11,200, which in included in Loss from other investments in our consolidated statement of operations.

(c) Represents the Company’s interest in the series of the SPII Liquidating Trust that holds the limited partnership interest in Steel Partners China Access I L.P. (“SPCA”) (see Note 14 - “Related Party Transactions”).

(d) Represents the Company’s interest in the series of the SPII Liquidating Trust that holds the limited partnership interest in Steel Partners Japan Strategic Fund, L.P. (“SPJSF”) (see Note 14 - “Related Party Transactions”).

(e) Represents the Company’s interest in the series of the SPII Liquidating Trust that holds certain other investments.

Investments in Variable Interest Entities

The Company holds variable interests in each series of the SPII Liquidating Trust (see “Other Investments - Investments in Related Party” above). The purpose of the SPII Liquidating Trust is to effect the orderly liquidation of certain assets previously held by SPII. The Company determined that each variable interest entity ("VIE") in which it held a variable interest since January 1, 2010 met the deferral criteria of ASC 810. Accordingly, these VIEs will continue to be assessed under the overall guidance on the consolidation of VIEs or other applicable guidance.

The Company has determined that it is not the primary beneficiary of any series of the SPII Liquidating Trust because it does not absorb a majority of the expected losses or receive a majority of the expected residual returns based on its equity ownership interests in each of the series. In addition, there are no related parties of SPH that, when considered together as a group, would cause the Company and its related party group to absorb a majority of expected losses or receive a majority of the expected residual returns. There are also no other contractual arrangements that would cause the Company to absorb a majority of the expected losses or receive a majority the expected residual returns. The Company also does not have a defacto agency relationship with any series of the SPII Liquidating Trust.

SPH’s financial position, financial performance and cash flows will be affected by the extent to which the operations of the SPII Liquidating Trust results in realized or unrealized gains (losses) and by distributions it makes in each reporting period.

The following table sets forth certain information regarding the series of the SPII Liquidating Trust, in the aggregate, in which the Company holds a variable interest as of March 31, 2012 and December 31, 2011 and is not a primary beneficiary. The amounts presented below are included in, and not in addition to, the other investments - related party tables above.

	March 31, 2012	December 31, 2011
Gross Assets	$ 72,815	$ 97,502
Financial Obligations (a)	—	—
SPH Investment	31,853	42,653

(a) The SPII Liquidating Trust did not have any financial obligations as of March 31, 2012 and December 31, 2011 and the Company did not have any financial obligation to the SPII Liquidating Trust as of such dates.

Net Investment Gains (Losses)

Net investment gains (losses) in the consolidated statements of operations consist of the following:

	Three Months Ended March 31,	
	2012	2011
Available-for-sale securities	$ 2,879	$ 4,951
Financial instruments	(540)	8,347
Securities sold, not yet purchased	—	(282)
Other	—	42
Total	$ 2,339	$ 13,058

The losses from financial instruments are primarily from the foreign currency financial instruments described in Note 8 - “Financial Instruments”.

7. FAIR VALUE MEASUREMENTS

Investments and Other Financial Assets and Liabilities

The carrying value of cash and cash equivalents, receivables, prepaid and other current assets, accounts payable, other current liabilities and payables, is considered to be representative of their fair value, due to the short term nature of these instruments. The carrying amount of short-term and long-term debt does not differ materially from fair value because such debt is based on current market interest rates. The carrying value of loans receivable and deposits is considered to be representative of their fair values because the rates of interest on these instruments are not significantly different from market interest rates for instruments with similar maturities. The estimated fair values of the Company’s financial instruments as of March 31, 2012 and December 31, 2011 are shown in the following table.

	Carrying Value		Fair Value	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Assets:				
Available-for-sale securities (see Note 6)	$ 108,248	$ 120,579	$ 108,248	$ 120,579
Other investments held at fair value (see Note 6)	38,079	29,441	38,079	29,441
Investments at fair value	146,327	150,020	146,327	150,020
Loans receivable (see Note 9)	34,915	43,762	35,750	44,031
Investments in associated companies (a)	182,834	121,275	182,834	121,275
Other investments - related party (b)	31,853	42,653	31,853	42,653
Commodity contracts on precious metals	6	—	6	—
Total	$ 395,935	$ 357,710	$ 396,770	$ 357,979
Liabilities:				
Financial instruments (see Note 8)	$ 24,314	$ 23,736	$ 24,314	$ 23,736
Deposits (see Note 13)	90,966	94,882	91,985	96,013
Deferred fee liability to related party (see Note 14)	70,508	58,747	70,508	58,747
Derivative features of subordinated notes (see Note 8)	381	694	381	694
Commodity contracts on precious metals	—	229	—	229
Total	$ 186,169	$ 178,288	$ 187,188	$ 179,419

(a) See Note 5 - “Investments in Associated Companies”. The Company elected the fair value option for Steel Excel, SLI and Fox & Hound.

(b) See Note 6 - “Investments” for description of Company’s fair value option election with respect to its other investments.

ASC 820, “Fair Value Measurements and Disclosures”, requires enhanced disclosures about investments that are measured and reported at fair value. ASC 820 establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are listed debt and equity securities.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include private investments, non-exchange traded derivative contracts, and currency and interest rate swaps.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such

cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Company employs various methods within the market approach, income approach and/or cost approach and has also considered whether there were observable inputs. Certain discounts and other judgment factors were applied to arrive at the investments' fair value. SPH's private investments are valued utilizing unobservable pricing inputs. Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors. The valuation methodology applied for each is determined based on the nature of the investment. For private equity investments a market multiples approach that considers a specified financial measure (such as EBITDA or net tangible book value) and recent public market and private transactions and other available measures for valuing comparable companies may be used. A discounted cash flow approach may be used where significant assumptions and judgments are incorporated, including estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors. For private debt investments, the valuation method considers comparable market yields for such instruments and recovery assumptions. The Company may utilize observable pricing inputs and assumptions in determining the fair value of our private investments. Observable and unobservable pricing inputs and assumptions may differ by investment and in the application of the valuation methodologies. The reported fair value estimates could vary materially if different unobservable pricing inputs and other assumptions were used.

Fair values recorded for non-financial assets acquired and liabilities assumed in acquisitions and when testing for impairment include values measured using Level 3 inputs including an income approach and/or a market approach to the measurements. The income approach is based on a discounted cash flow analysis ("DCF") and calculates the fair value by estimating the after-tax cash flows attributable to reporting units and then discounting the after-tax cash flows to present value using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including judgment about appropriate discount rates and terminal values, growth rates, and the amount and timing of expected future cash flows. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted-average cost of capital ("WACC") of a market participant. Such estimates are derived from analysis of peer companies and consider the industry weighted average return on debt and equity from a market participant perspective. A market approach values a business by considering the prices at which shares of capital stock of reasonably comparable companies are trading in the public market, or the transaction price at which similar companies have been acquired. Relative weights are then given to the results of each of these approaches, based on the facts and circumstances of the business being valued. The use of multiple approaches (the income and market approaches) is considered preferable to a single method. Significant weight is given to the income approach because it generally provides a reliable estimate of value for an ongoing business which has a reliable forecast of operations. The income approach closely parallels investors' consideration of the future benefits derived from ownership of an asset.

The financial instruments payable in foreign currencies are entered into with a counterparty and are considered Level 2 measurements.

The derivative instruments that certain subsidiaries of HNH purchase, specifically commodity futures and forwards contracts on precious metal, are valued at fair value. The futures contracts are Level 1 measurements since they are traded on a commodity exchange. The forward contracts are entered into with a counterparty, and are considered Level 2 measurements.

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements as of March 31, 2012 and December 31, 2011 are summarized by type of inputs applicable to the fair value measurements as follows:

March 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Investments (a)	$ 66,716	$ 41,532	$ —	$ 108,248
Investments in associated companies	122,763	19,388	40,683	182,834
Other investments - related party (b)	—	—	31,853	31,853
Other investments	24,360		13,719	38,079
Commodity contracts on precious metals	(3)	9	—	6
Total	$ 213,836	$ 60,929	$ 86,255	$ 361,020
Liabilities:				
Financial instruments	$ —	$ 24,314	$ —	$ 24,314
Deferred fee liability to related party	—	—	70,508	70,508
Derivative features of subordinated notes	—	—	381	381
Total	$ —	$ 24,314	$ 70,889	$ 95,203

December 31, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Investments (a)	$ 87,907	$ 32,672	$ —	$ 120,579
Investments in associated companies	121,275	—	—	121,275
Other investments - related party (b)	—	—	42,653	42,653
Other investments	15,819	—	13,623	29,442
Total	$ 225,001	$ 32,672	$ 56,276	$ 313,949
Liabilities:				
Financial instruments	$ —	$ 23,736	$ —	$ 23,736
Deferred fee liability to related party	—	—	58,747	58,747
Derivative features of subordinated notes	—	—	694	694
Commodity contracts on precious metals	165	64	—	229
Total	$ 165	$ 23,800	$ 59,441	$ 83,406

(a) Two investments with a value of $9,763 were transferred to Level 2 from Level 1 at March 31, 2012 based upon a reduction in the number of shares traded.

(b) Other investments - related party are entirely comprised of the interests held by the Company in each series of the SPII Liquidating Trust (see Note 6 - “Investments” and Note 14 - “Related Party Transactions”). Each series of the SPII Liquidating Trust generally holds the securities related to a specific investment and cash for operating expenses of the series. The investments in the SPII Liquidating Trust are not redeemable and distributions will be received as the underlying assets of the SPII Liquidating Trust are liquidated over a period which is not determinable. There are no unfunded capital commitments with respect to these investments. The fair values for the investments in the SPII Liquidating Trust held by the Company have been estimated using the net asset value of such interests as reported by the SPII Liquidating Trust. Changes in the fair values of investments in the SPII Liquidating Trust are reported in the consolidated statement of operations as loss from other investments - related party.

Realized and unrealized gains and (losses) for the three months ended March 31, 2012 and 2011 on investments for which fair values were determined using reported net asset values were $(10,800) and $(8,284), respectively. These realized and unrealized gains and losses are reported in the consolidated statement of operations. Investments for which fair value is determined using net asset values as fair value are classified as Level 3 and are $31,853 and $42,653 at March 31, 2012 and December 31, 2011, respectively. The investments are reported in the consolidated balance sheet as other investments - related party.

The Company and the SPII Liquidating Trust use specific valuation metrics appropriate for each specific investment to estimate the fair value of their debt and equity securities measured using Level 3 inputs. The SPII Liquidating Trust estimates the value of its interests in SPCA, a limited partnership that holds an investment in a Chinese company, and SPJSF based on the net asset value of such funds, which hold investments all of which are valued based on Level 1 or Level 2 inputs. The investments held by the SPII Liquidating Trust in these two investment funds are not redeemable and distributions will be received from the SPII Liquidating Trust as the underlying assets held are sold over a period which is not determinable. SPCA's term ends in May 2013 and may be extended for up to one additional year at the discretion of its general partner. There are no unfunded capital commitments with respect to these investments.

Following is a summary of changes in financial assets measured using Level 3 inputs:

	Investments in Associated Companies	Debt-Securities - Corporate	Other Investments - Related Party	Other Investments	Total
Assets					
Balance at December 31, 2011	$ —	$ —	$ 42,653	$ 13,623	$ 56,276
Purchases	10,923	—	—	—	10,923
Sales	—	—	—	—	—
Unrealized gains	29,760	—	740	96	30,596
Unrealized losses	—	—	(11,540)	—	(11,540)
Balance at March 31, 2012	$ 40,683	$ —	$ 31,853	$ 13,719	$ 86,255
Assets					
Balance at December 31, 2010	$ —	$ —	$ 62,553	$ 7,668	$ 70,221
Purchases	—	1,264	—	—	1,264
Sales	—	—	(4,156)	—	(4,156)
Unrealized gains	—	—	80	—	80
Unrealized losses	—	—	(8,364)	(1,564)	(9,928)
Balance at March 31, 2011	$ —	$ 1,264	$ 50,113	$ 6,104	$ 57,481

The change in unrealized gains (losses) for investments still held at March 31, 2012 and 2011 was reported in the consolidated statements of operations as follows:

	Investments in Associated Companies	Other Investments - Related Party	Other Investments	Total
Three Months Ended March 31, 2012				
Gains				
Income of associated companies	$ 29,760	$ —	$ —	$ 29,760
Income from other investments-related party	—	740	—	740
Income from investments held at fair value	—	—	96	96
	29,760	740	96	30,596
Losses				
Losses from other investments-related party	—	(11,540)	—	(11,540)
Total	$ 29,760	$ (10,800)	$ 96	$ 19,056
Three Months Ended March 31, 2011				
Gains				
Gains from other investments - related party	$ —	$ 80	$ —	$ 80
Losses				
Losses from other investments - related party	—	(8,364)	—	(8,364)
Investment and other loss	—	—	(1,564)	(1,564)
	—	(8,364)	(1,564)	(9,928)
Total	$ —	$ (8,284)	$ (1,564)	$ (9,848)

The realized and unrealized gains and losses in financial assets measured using Level 3 inputs are reported in the consolidated statement of operations as follows:

	Realized Gains	Realized Losses	Unrealized Gains	Unrealized Losses	Total
Three Months Ended March 31, 2012:					
Income of associated companies	$ —	$ —	$ 29,760	$ —	$ 29,760
Income from other investments-related party	—	—	740	(11,540)	(10,800)
Income from investments held at fair value	—	—	96	—	96
Total	$ —	$ —	$ 30,596	$ (11,540)	$ 19,056
Three Months Ended March 31, 2011:					
Investment and other loss	$ —	$ —	$ —	$ (1,564)	$ (1,564)
Income (loss) from other investments- related party	—	—	80	(8,364)	(8,284)
Total	$ —	$ —	$ 80	$ (9,928)	$ (9,848)

Following is a summary of changes in financial liabilities measured using Level 3 inputs:

	Distribution Payable (a)	Deferred Fee Liability to Related Party (b)	Derivative Feature of Subordinated Notes (c)	Common Unit Option Liability (d)	Total
Balance at December 31, 2011	$ —	$ 58,747	$ 694	$ —	$ 59,441
Increase (decrease) in fair value reported in the consolidated statement of operations as expense (income)	—	11,761	(313)	—	11,448
Balance at March 31, 2012	$ —	$ 70,508	$ 381	$ —	$ 70,889
Balance at December 31, 2010	$ 29,869	$ 64,854	$ 2,866	$ 1,785	$ 99,374
Increase in fair value reported in the consolidated statement of operations as expense (income)	4	489	805	(1,700)	(402)
Balance at March 31, 2011	$ 29,873	$ 65,343	$ 3,671	$ 85	$ 98,972

(a) See Note 17 - “Capital and Accumulated Other Comprehensive (Loss) Income" Common Unit Distributions.

(b) See Note 14 - “Related Party Transactions”

(c) See Note 8 - “Financial Instruments”

(d) See Note 17 - “Capital and Accumulated Other Comprehensive (Loss) Income" Common Unit Option Liability.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company’s non-financial assets measured at fair value in 2011 and 2010 on a non-recurring basis include the assets acquired and liabilities assumed in the acquisitions described in Note 3 – “Acquisitions”. Significant judgments and estimates are made to determine the acquisition date fair values which may include the use of appraisals, discounted cash flow techniques or other information the Company considers relevant to the fair value measurement. Subsequent to initial measurement, the Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate, in management’s judgment, that carrying values may not be recoverable. Circumstances that could trigger an interim impairment test include but are not limited to: the occurrence of a significant change in circumstances, such as continuing adverse business conditions or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; or results of testing for recoverability of a significant asset group within a reporting unit.

As of March 31, 2012 and December 31, 2011, WebBank has impaired loans of $3,762, of which $2,349 is guaranteed by the USDA or SBA and $3,789, of which $2,354 is guaranteed by the USDA or SBA, respectively. These loans are measured at fair value on a nonrecurring basis using Level 3 inputs. Loans are considered impaired when, based on current information and events, it is probable that WebBank will be unable to collect all amounts due according to the contractual terms of loan agreements, including scheduled interest payments. When a loan has been identified as being impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate or, when appropriate, the loan’s observable fair value or the fair value of the collateral (less any selling costs) if the loan is collateral-dependent. If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net of deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses, or by charging down the loan to its value determined in accordance with generally accepted accounting principles. Amounts charged against the allowance for loan losses were $0 and $353 for the three months ended March 31, 2012 and 2011, respectively.

8. FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Risk

Financial instruments include $24,314 and $23,736 at March 31, 2012 and December 31, 2011, respectively, of amounts payable in foreign currencies which are subject to the risk of exchange rate changes. These financial instruments resulted from transactions entered into for risk management purposes, are collateralized by an equivalent amount included in restricted cash and have no maturity date. The liabilities are accounted for at fair value on the balance sheet date with changes in fair value reported in the consolidated statement of operations included in net investment gain (loss). The liabilities are not designated as hedging instruments. The foreign currency financial instrument liabilities at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012		December 31, 2011	
Currency	**Carrying Amount**	**Notional Amount**	**Carrying Amount**	**Notional Amount**
Japanese Yen	$ 1,767	¥ 146,368	$ 1,899	¥ 146,241
Pound Sterling	22,547	£ 14,078	21,837	£ 14,055
Total	$ 24,314		$ 23,736	

Information is summarized below for foreign currency financial liabilities and related restricted cash:

Foreign exchange transactions:

	March 31, 2012	March 31, 2011
Balance, beginning of year	$ 23,736	$ 137,823
Purchases of foreign currency financial instruments	—	(29,874)
Net investment losses (gains)	540	(1,707)
Receipt of dividends, net of interest expense	38	130
Balance of foreign currency financial instruments liability and related restricted cash, end of period	$ 24,314	$ 106,372

HNH business units are subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars. HNH has not used derivative instruments to manage this risk.

Commodity Contracts

HNH enters into commodity futures and forwards contracts on precious metals that are subject to market fluctuations in order to economically hedge its precious metal inventory against price fluctuations. As of March 31, 2012, HNH had entered into forward and future contracts for gold with a total value of $2,800 and had no open contracts for silver.

As of March 31, 2012, HNH had the following outstanding forward or future contracts with settlement dates in June 2012:
.

Commodity	Amount
Gold	1,700 ounces

Option Contracts

SPH acquired the stock of two companies in conjunction with its acquisition of the assets of SPII on July 15, 2009. Subsequently, in place of these holdings, SPH invested in buying calls and selling puts in these two companies to create similar risk/reward characteristics of a direct risk management in the common stock of the two companies. As of March 31, 2012 and December 31, 2011 there are no call or put options outstanding. During 2011, the option contracts were exchange traded in

active markets and the Company estimates the fair value of the options through use of quoted prices obtained on internationally recognized exchanges.

Information is summarized below for the option contracts for the three months ended March 31, 2011:

	Three Months Ended March 31, 2011	
Proceeds from sales	$	15,112
Realized gains (losses):		
Gross gains from sales	$	1,459
Gross losses from sales		(730)
Net realized investment gain		729
Unrealized gains (losses):		
Change in unrealized gains		8,828
Change in unrealized losses		(2,917)
Net unrealized investment gain		5,911
Net investment gain	$	6,640

Securities Sold, Not Yet Purchased

There are no amounts outstanding at March 31, 2012 and December 31, 2011 for securities sold, not yet purchased. For risk management purposes during the year ended December 31, 2011, the Company sold securities short in order to economically hedge the risk of a decline in the stock market. Securities sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and, thereby, create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk as the Company's ultimate obligation to satisfy the sale of securities sold, not yet purchased, at fair value may exceed the amount recognized in the consolidated balance sheet. The securities sold, not yet purchased were exchange traded in active markets and the Company estimates fair value of the securities through use of quoted prices obtained on internationally recognized exchanges.

Information is summarized below for securities sold, not yet purchased for the three months ended March 31, 2011:

	Three Months Ended March 31, 2011	
Proceeds from sales	$	7,713
Realized gains (losses):		
Gross gains from sales	$	12
Gross losses from sales		(295)
Net realized investment loss		(283)
Unrealized gains (losses):		
Change in unrealized gains		1
Change in unrealized losses		—
Net unrealized investment gain		1
Net investment loss	$	(282)

Subordinated Notes

HNH's Subordinated Notes have embedded call premiums and warrants associated with them. The Company has treated the fair value of these features together as both a discount and a derivative liability at inception of the loan agreement, valued at $2,634. The discount is being amortized over the life of the notes as an adjustment to interest expense, and the derivative liability is marked to market at each balance sheet date. For the three months ended March 31, 2012 and 2011, mark to market adjustments of $313 and $(805) were recorded as unrealized gains (losses) on derivatives, decreasing (increasing) the fair value of the derivative liability to $381 and $3,671, respectively. The Subordinated Notes and embedded call premiums and warrants in the SPH consolidated financial statements and in the footnotes are presented net of intercompany amounts eliminated in consolidation.

As the above described derivatives are not designated as accounting hedges under ASC 815, "Accounting for Derivative Instruments and Hedging Activities" ("ASC 815"), they are accounted for as derivatives with no hedge designation. The derivatives are marked to market and both realized and unrealized gains and losses are recorded in current period earnings in the Company's consolidated statement of operations. The Company's hedging strategy is designed to protect it against normal volatility. However, abnormal price changes in the commodity, foreign exchange and stock markets could negatively impact the Company's earnings.

Fair Value of Derivative Instruments in the Consolidated Balance Sheets:

Derivative	Balance Sheet Location	March 31, 2012	December 31, 2011
Foreign currency financial instruments	Financial instruments - current liabilities	$ 24,314	$ 23,736
Commodity contracts	Other current assets	$ 6	$ —
Commodity contracts	Other current liabilities	$ —	$ 229
Derivative features of subordinated notes	Long-term debt	$ 381	$ 694

Effect of derivative instruments on the Consolidated Statements of Operations:

		Three Months Ended March 31,	
		2012	2011
Derivative	Statement of Operations Location	Gain (loss)	Gain (loss)
Foreign currency financial instruments	Net investment (loss) gain	$ (540)	$ 1,707
Commodity contracts	Realized and unrealized gain (loss) on derivatives	257	(2,733)
Call options	Net investment gain (loss)	—	2,952
Put options	Net investment gain (loss)	—	3,688
Securities sold, not yet purchased	Net investment gain (loss)	—	(282)
Derivative features of subordinated notes	Realized and unrealized gain (loss) on derivatives	313	(805)
Total derivatives		$ 30	$ 4,527

Financial Instruments with Off-Balance Sheet Risk

WebBank is a party to financial instruments with off-balance sheet risk. In the normal course of business, these financial instruments include commitments to extend credit in the form of loans. Those instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement WebBank has in particular classes of financial instruments.

At March 31, 2012 and December 31, 2011, WebBank's undisbursed loan commitments totaled $138,038 and $113,350, respectively. Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. WebBank's commitments generally have fixed expiration dates or other termination

clauses and may require payment of a fee. Since certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. WebBank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by WebBank upon extension of credit is based on management's credit evaluation of the borrower.

WebBank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. WebBank uses the same credit policy in making commitments and conditional obligations as it does for on-balance sheet instruments.

WebBank also estimates an allowance for potential losses on off-balance sheet contingent credit exposure. WebBank determines an allowance for this contingent credit exposure based on historical experience and portfolio analysis. The allowance was $1,598 and $1,696 at March 31, 2012 and December 31, 2011, respectively, and is included within Other current liabilities in the consolidated balance sheets. Increases or decreases in the allowance are included in Selling, general and administrative expenses in the consolidated statements of operations. The amount included in Selling, general and administrative expenses for credit losses on off-balance sheet contingent credit exposure was a benefit of $110 and $0 for the three months ended March 31, 2012 and 2011, respectively.

9. TRADE, OTHER AND LOANS RECEIVABLE

Trade and Other Receivables

	March 31, 2012	December 31, 2011
Trade accounts receivable, net of allowance for doubtful accounts of $2,555 in 2012 and $2,504 in 2011	$ 101,018	$ 84,987
Other receivables	5,535	5,252
Total	$ 106,553	$ 90,239

Loans Receivable

Major classification of WebBank's loans receivable at March 31, 2012 and December 31, 2011are as follows:

	Total				Current		Non-current	
	March 31, 2012	%	December 31, 2011	%	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Real estate loans:								
Commercial - owner occupied	$ 8,294	23%	$ 8,340	19%	$ 301	$ 302	$ 7,993	$ 8,038
Commercial – other	286	1%	300	—%	8	9	278	291
Total real estate loans	8,580	24%	8,640	19%	309	311	8,271	8,329
Commercial and industrial	3,984	11%	4,344	10%	3,400	3,731	584	613
Loans held for sale	22,824	65%	31,363	71%	22,824	31,363	—	—
Total loans	35,388	100%	44,347	100%	26,533	35,405	8,855	8,942
Less:								
Deferred fees and discounts	(23)		(56)		(23)	(56)	—	—
Allowance for loan losses	(450)		(529)		(450)	(529)	—	—
Total loans receivable, net	$ 34,915		$ 43,762		$ 26,060	$ 34,820	$ 8,855	$ 8,942

Allowance for Loan and Lease Losses

The Allowance for Loan and Lease Losses ("ALLL") represents an estimate of probable and estimable losses inherent in the loan and lease portfolio as of the balance sheet date. Losses are charged to the ALLL when recognized. Generally, commercial loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part. The amount of the ALLL is established by analyzing the portfolio at least quarterly, and the provisions for loan losses is adjusted so that the ALLL is at an appropriate level at the balance sheet date.

The methodologies used to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. For the commercial and commercial real estate segments, a comprehensive loan grading system is used to assign loss given default grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. Loss given default grades are based on both financial and statistical models and loan officers' judgment. Groupings of these grades are created for each loan class and calculate historic loss rates ranging from the previous 36 months.

After applying historic loss experience, as described above, the quantitatively derived level of ALLL is reviewed for each segment using qualitative criteria. Various risk factors are tracked that influence judgment regarding the level of the ALLL across the portfolio segments. Primary qualitative factors that may be reflected in the quantitative models include:

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio
- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability

Changes in these factors are reviewed to ensure that changes in the level of the ALLL are consistent with changes in these factors. The magnitude of the impact of each of these factors on the qualitative assessment of the ALLL changes from quarter to quarter according to the extent these factors are already reflected in historic loss rates and according to the extent these factors diverge from one another. Also considered is the uncertainty inherent in the estimation process when evaluating the ALLL.

Changes in the allowance for loan and lease losses are summarized as follows:

	Real Estate				
	Commercial - Owner Occupied	Commercial - Other	Commercial & Industrial	Unallocated	Total
Beginning balance - December 31, 2011	$ 347	$ 46	$ 136	$ —	$ 529
Charge-offs	—	—	—	—	—
Recoveries	1	11	53	—	65
Provision	(68)	(14)	(62)	—	(144)
Ending Balance – March 31, 2012	$ 280	$ 43	$ 127	$ —	$ 450

The ALLL and outstanding loan balances according to the Company's impairment method are summarized as follows at March 31, 2012:

	Real Estate			
	Commercial - Owner Occupied	**Commercial - Other**	**Commercial & Industrial**	**Total**
Allowance for loan losses:				
Individually evaluated for impairment	$ 25	$ —	$ —	$ 25
Collectively evaluated for impairment	255	43	127	425
Total	$ 280	$ 43	$ 127	$ 450
Outstanding Loan balances:				
Individually evaluated for impairment (1)	$ 3,556	$ —	$ 206	$ 3,762
Collectively evaluated for impairment	4,739	285	3,778	8,802
Total	$ 8,295	$ 285	$ 3,984	$ 12,564

(1) $2,349 is guaranteed by the USDA or SBA.

Nonaccrual and Past Due Loans

Loans are generally placed on nonaccrual status when payment in full of principal and interest is not expected, or the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection.

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; and the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multipayment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

	March 31, 2012	**December 31, 2011**
Real Estate Loans:		
Commercial - Owner Occupied	$ 913	$ 914
Total Real Estate Loans	913	914
Commercial and Industrial	96	97
Total Loans	$ 1,009	$ 1,011

Past due loans (accruing and nonaccruing) are summarized as follows at March 31, 2012:

	Current	30-89 days past due	90+ days past due	Total past due (2)	Total loans	Recorded investment in accruing loans 90+ days past due	Nonaccrual loans that are current (1)
Real Estate Loans:							
Commercial - Owner Occupied	$ 5,224	$ 2,157	$ 913	$ 3,070	$ 8,294	$ —	$ —
Commercial - Other	286	—	—	—	286	—	—
Total Real Estate Loans	5,510	2,157	913	3,070	8,580	—	—
Commercial and Industrial	3,865	23	96	119	3,984	—	—
Total Loans	$ 9,375	$ 2,180	$ 1,009	$ 3,189	$ 12,564	$ —	$ —

(1) Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.

(2) $2,349 is guaranteed by the USDA or SBA.

In addition to the past due and nonaccrual criteria, loans are analyzed using a loan grading system. Generally, internal grades are assigned to loans based on financial/statistical models and loan officer judgment. The Company reviews and grades all loans with unpaid principal balances of $100 or more once per year. Grades follow definitions of Pass, Special Mention, Substandard, and Doubtful. The definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:

- *Pass*: A Pass asset is a higher quality asset and does not fit any of the other categories described below. The likelihood of loss is considered remote.
- *Special Mention*: A receivable in this category has a specific weakness or problem but does not currently present a significant risk of loss or default as to any material term of the loan or financing agreement.
- *Substandard*: A substandard receivable has a developing or currently minor weakness or weaknesses that could result in loss or default if deficiencies are not corrected or adverse conditions arise.
- *Doubtful*: A doubtful receivable has an existing weakness or weaknesses that have developed into a serious risk of significant loss or default with regard to a material term of the financing agreement.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows at March 31, 2012:

	Pass	Special Mention	Sub-standard (1)	Doubtful	Total loans
Real Estate Loans:					
Construction	$ —	$ —	$ —	$ —	$ —
Commercial - Owner Occupied	4,597	141	3,556	—	8,294
Commercial - Other	286	—	—	—	286
Total Real Estate Loans	4,883	141	3,556	—	8,580
Commercial and Industrial	3,778	—	206	—	3,984
Total Loans	$ 8,661	$ 141	$ 3,762	$ —	$ 12,564

(1) $2,349 is guaranteed by the USDA or SBA.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that WebBank will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. When loans are impaired, an estimate of the amount of the balance that is impaired is made and a specific reserve is assigned to the loan based on the estimated present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral less the cost to sell. When the impairment is based on amount on the fair value of the loan's underlying collateral, the portion of the balance that is impaired is charged off, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. Payments are recognized when cash is received.

Information on impaired loans is summarized as follows at March 31, 2012:

		Recorded investment				
	Unpaid principle balance	**with no allowance**	**with allowance**	**Total recorded investment (1)**	**Related Allowance**	**Average recorded investment**
Real Estate Loans:						
Commercial - Owner Occupied	$ 3,885	$ 2,794	$ 762	$ 3,556	$ 25	$ 3,561
Total Real Estate Loans	3,885	2,794	762	3,556	25	3,561
Commercial and Industrial	593	206	—	206	—	212
Total Loans	$ 4,478	$ 3,000	$ 762	$ 3,762	$ 25	$ 3,773

(1) $2,349 is guaranteed by the USDA or SBA.

10. INVENTORIES

A summary of inventories is as follows:

	March 31, 2012	**December 31, 2011**
Finished products	$ 20,090	$ 20,527
In – process	9,156	8,775
Raw materials	20,670	19,577
Fine and fabricated precious metal in various stages of completion	13,550	8,658
	63,466	57,537
Inventory reserve	(5,149)	(3,761)
	$ 58,317	$ 53,776

Fine and Fabricated Precious Metal Inventory

In order to produce certain of its products, HNH purchases, maintains and utilizes precious metal inventory. HNH records its precious metal inventory at LIFO cost, subject to lower of cost or market with any adjustments recorded through cost of goods sold. The market value of the precious metal inventory exceeded LIFO cost by $4,040 and $2,614 as of March 31, 2012 and December 31, 2011, respectively.

Certain customers and suppliers of HNH choose to do business on a “toll” basis, and furnish precious metal to HNH

for return in fabricated form (“customer metal”) or for purchase from or return to the supplier. When the customer metal is returned in fabricated form, the customer is charged a fabrication charge. The value of this customer metal is not included in the Company’s balance sheet. As of March 31, 2012, HNH’s customer metal consisted of 226,363 ounces of silver, 543 ounces of gold, and 1,396 ounces of palladium. As of December 31, 2011, HNH’s customer metal consisted of 240,568 ounces of silver, 609 ounces of gold, and 1,396 ounces of palladium.

	March 31, 2012	December 31, 2011
Supplemental inventory information:		
Precious metals stated at LIFO cost	$ 9,510	$ 6,044
Market value per ounce:		
Silver	32.50	27.95
Gold	1,670.35	1,565.80
Palladium	653.10	655.40

11. PROPERTY, PLANT AND EQUIPMENT, NET

A summary of property, plant and equipment, net is as follows:

	March 31, 2012	December 31, 2011
Land	$ 9,278	$ 8,257
Buildings and improvements	44,083	38,143
Machinery, equipment and other	98,002	95,602
Construction in progress	7,737	10,589
	159,100	152,591
Accumulated depreciation and amortization	(28,806)	(24,749)
Net property, plant and equipment	$ 130,294	$ 127,842

Depreciation expense was $4,059 and $3,321 for the three months ended March 31, 2012 and 2011, respectively.

12. GOODWILL AND OTHER INTANGIBLES

A reconciliation of the change in the carrying value of goodwill is as follows:

	March 31, 2012	December 31, 2011
Balance at beginning of year	$ 42,797	$ 16,212
Acquisition of SWH	—	24,836
Acquisition of Tiger Claw	—	1,753
Other	9	(4)
Balance at end of period/year	$ 42,806	$ 42,797

A summary of intangible assets other than goodwill is summarized as follows:

	March 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Product and customer relationships	$ 96,810	$ 10,482	$ 96,810	$ 8,959
Trademarks	26,390	1,252	26,390	1,078
Patents and technology	21,511	3,354	21,432	2,868
Other	4,631	1,107	4,631	1,017
	$ 149,342	$ 16,195	$ 149,263	$ 13,922

Amortization expense was $2,333 and $2,879 for the three months ended March 31, 2012 and 2011, respectively. Trademarks with indefinite lives as of March 31, 2012 and December 31, 2011 were $13,010.

13. BANK DEPOSITS

A summary of WebBank deposits is as follows:

	March 31, 2012	December 31, 2011
Time deposits year of maturity:		
2012	$ 24,075	$ 28,017
2013	22,877	22,866
2014	18,520	18,514
2015	15,214	15,209
Total time deposits	80,686	84,606
Money market deposits	10,280	10,276
Total deposits	$ 90,966	$ 94,882
Current	$ 40,985	$ 38,293
Long-term	49,981	56,589
Total deposits	$ 90,966	$ 94,882
Time deposit accounts under $100	$ 68,111	$ 70,800
Time deposit accounts $100 and over	12,575	13,806
Total time deposits	$ 80,686	$ 84,606

14. RELATED PARTY TRANSACTIONS

Deferred Fee Liability to Related Party

Pursuant to an assignment and assumption agreement effective as of July 15, 2009, SPH assumed from Steel Partners II (Offshore) Ltd. (“SPII Offshore”), an entity previously affiliated with SPII, a liability due WGL Capital Corp. (“WGL”), an affiliate of the Manager, pursuant to a deferred fee agreement (the “Deferred Fee Liability”) in the amount of $51,594 as of July 15, 2009. In exchange for assuming the liability, SPH received consideration of equal value from SPII Offshore comprised of $4,487 in cash and 2,725,533 common units of SPH (valued at $17.28 per common unit as determined in connection with the implementation of the Exchange Transaction) which are held by SPH as treasury units.

The amount of the deferred fee liability is indexed to the value of SPH. The deferred fee is a fair value liability and is increased or decreased quarterly by the same percentage as the increase or decrease in the index. The increase in the Deferred Fee Liability was $11,762 and $489 for the three months ended March 31, 2012 and 2011, respectively, based on the change in the index and is reported in the consolidated statements of operations as Increase in deferred fee liability to related party. The fair value of the Deferred Fee Liability was $70,508 and $58,747 as of March 31, 2012 and December 31, 2011, respectively. On April 11, 2012, the Company and WGL terminated the Investor Services Agreement (see below), dated as of July 15, 2009, by mutual consent. As a result of the termination of the Investor Services Agreement the full amount in the Deferred Fee Liability became immediately payable. WGL elected to receive payment in SPH common units. See Note 23 - "Subsequent Events".

Management Agreement

Until December 31, 2011, SPLLC was the manager of SPH. Effective January 1, 2012, SPLLC assigned its interest in the management agreement to SPGS, formerly an affiliate of SPLLC.

On November 23, 2011, SPH, SPH Group LLC, a wholly owned subsidiary of SPH, and SPLLC entered into the Third Amended and Restated Management Agreement, effective as of January 1, 2012, to, among other things, revise the compensation to be paid to the Manager and to extend the term of the agreement. Effective January 1, 2012, the Manager will receive a quarterly Management Fee at a rate of 1.5% of total partner's capital, payable on the first day of each quarter and subject to quarterly adjustment. The Management Agreement will continue until December 31, 2012 and will be automatically renewed thereafter for successive one-year terms unless otherwise determined at least 60 days prior to each renewal date by a majority of the independent directors. Prior to January 1, 2012, the Management Fee was at a rate of 1.5% per annum payable monthly and was calculated based on the sum of the net asset value of the common units and any amounts in the deferred fee accounts as of the last day of the prior calendar month.

SPH will bear (or reimburse the Manager with respect to) all its reasonable costs and expenses of the managed entities, the Manager, SPH GP or their affiliates, including but not limited to: legal, tax, accounting, auditing, consulting, administrative, compliance, investor relations costs related to being a public entity rendered for SPH or SPH GP as well as expenses incurred by the Manager and SPH GP which are reasonably necessary for the performance by the Manager of its duties and functions under the Management Agreement and certain other expenses incurred by managers, officers, employees and agents of the Manager or its affiliates on behalf of SPH. For the three months ended March 31, 2012 and 2011, the Manager earned a Management Fee of $1,546 and $2,167, respectively. Unpaid amounts for management fees included in Payable to related parties were $1,546 and $2,205 at March 31, 2012 and December 31, 2011, respectively. The Manager incurred $268 and $841 of reimbursable expenses during the three months ended March 31, 2012 and 2011, respectively, in connection with its provision of services under the Management Agreement. Unpaid amounts for reimbursable expenses were $410 and $1,488 at March 31, 2012 and December 31, 2011, respectively, and is included in Payable to related parties.

On November 23, 2011, SPH entered into the Third Amended and Restated Agreement of Limited Partnership of SPH, dated as of July 14, 2009, to, among other things, amend the existing limited partnership agreement to provide for the incentive compensation to be paid to Manager pursuant to the Third Amended and Restated Management Agreement. For additional information, see Note 23 - "Subsequent Events."

WGL Capital

Effective as of July 15, 2009, SPH entered into an investor services agreement (the "Investor Services Agreement") with WGL, an affiliate of the Manager. Pursuant to the investor services agreement, WGL performs certain investor relations services on SPH's behalf and SPH pays WGL a fee in an amount of $50 per year (the "Investor Services Fee"). The Management Fee payable to the Manager pursuant to the Management Agreement is offset and reduced on each payment date by the amount of the Investor Services Fee payable to WGL under the investor services agreement. In addition, SPH bears (or reimburses WGL with respect to) all reasonable costs and expenses of SPH, and WGL, or their affiliates relating to the investor relations services performed for SPH, including but not limited to all expenses actually incurred by WGL that are reasonably necessary for the performance by WGL of its duties and functions under the investor services agreement. For the three months ended March 31, 2012 and 2011, WGL earned an Investor Services Fee of $13 and $13, respectively. Unpaid amounts for the Investor Services Fee are included in Payable to related parties and were $13 and $12 at March 31, 2012 and December 31, 2011, respectively. On April 11, 2012, the Company and WGL terminated the Investor Services Agreement by mutual consent

(for additional information see Note 23 - "Subsequent Events").

Corporate Services

SP Corporate and SPLLC have agreements whereby for a fee they provide services to certain companies in which SPH has an interest. Certain officers of the Manager serve as directors of certain companies in which SPH has an interest and for which they receive compensation from those companies. Effective January 1, 2012, SP Corporate and SPLLC became wholly owned subsidiaries of the Company.

On January 1, 2012, SPH Services, a new subsidiary of SPH, was created to consolidate the executive and corporate functions of SPH and certain of its affiliates, including SP Corporate and SPLLC, and to provide such services to other portfolio companies. SPH Services acquired the membership interests of SP Corporate and SPLLC from Steel Partners, Ltd., an affiliate of the Manager. As a result, services provided to SPH and its subsidiaries for the three months ended March 31, 2012 are eliminated in consolidation. Additional details regarding the services provided by SP Corporate are as follows:

- Pursuant to a services agreement (the “Services Agreement”) with SP Corporate, an affiliate of the Manager, effective as of July 1, 2007, SP Corporate provided SPH with certain management, consulting and advisory services. In consideration of the services rendered, a fixed annual fee totaling $310 was charged, adjustable annually upon agreement. Effective as of July 15, 2009, the Services Agreement was amended to provide for the provision of accounting, investor relations, compliance and other services related to the operation of SPH. The fee to be paid is agreed upon by the parties from time to time. For the three months ended March 31, 2011, SP Corporate earned $348. Unpaid amounts under the Services Agreement are included in Payable to related parties and were $181 at December 31, 2011.
- On January 24, 2011, a special committee of the Board of Directors of HNH, composed entirely of independent directors, approved a management and services fee to be paid to SP Corporate in the amount of $1,950 for services performed in 2010. This fee was the only consideration paid for the services of the five directors who are associated with the Manager for their service on the Board of Directors of HNH and as the Chairman of the Board, the Vice Chairman and Chief Executive Officer, and the Vice President of HNH, as well as other assistance from SP Corporate and its affiliates. The services provided included management and advisory services with respect to operations, strategic planning, finance and accounting, sale and acquisition activities and other aspects of the businesses of HNH. For the three months ended March 31, 2011, HNH incurred $435 under the management and services fee. Unpaid amounts under the management services fee are included in Payable to related parties and were $435 at December 31, 2011.
- On March 9, 2010, WebBank and SP Corporate entered into a servicing agreement. SP Corporate receives $63 quarterly and provides certain services to WebBank. The agreement is effective January 1, 2010, continues for three years and automatically renews for successive one year terms unless terminated in accordance with the agreement. For the three months ended 2011, WebBank incurred $63 under the servicing agreement. There were no unpaid amounts at December 31, 2011.
- Effective July 1, 2007, BNS contracted with SP Corporate to provide BNS with financial management and administrative services, including the services of a chief financial officer and corporate secretary. Under the terms of an amended and restated services agreement effective as of May 12, 2010, SP Corporate receives $42 monthly for the provision of officers, financial management and administrative services. BNS incurred $208 for the period November 1, 2010 through March 31, 2011 (as discussed in Note 1 – “Basis of Presentation”, BNS changed its fiscal year to a calendar year and the three months ended March 31, 2011 includes two additional months of statement of operations activity). There were no unpaid amounts at December 31, 2011.
- Effective September 1, 2009, DGT contracted with SP Corporate to provide DGT with executive management services. Under the terms of an amended and restated services agreement effective as of October 1, 2011, SP Corporate receives $48 monthly for the provision of such services.

In addition to its servicing agreements with SPH and its consolidated subsidiaries, SP Corporate has management services agreements with other companies, including CoSine, NOVT, Ore Holdings, Inc., Steel Excel and Fox & Hound. For the three months ended March 31, 2012 SP Corporate charged $370 to these companies, for services provided to them.

SPII Liquidating Trust

SPH holds interests in the SPII Liquidating Trust, an entity that holds certain investments which it acquired in connection with the Exchange Transaction, which the Manager and its affiliate serve as the manager and liquidating trustee, respectively, without compensation other than reimbursement for out-of-pocket expenses. SPH's interest in the SPII Liquidating Trust was $31,853 and $42,653 at March 31, 2012 and December 31, 2011, respectively, which is included in Other investments at fair value - related party on the consolidated balance sheet.

The SPII Liquidating Trust has an investment in SPJSF and SPCA. At March 31, 2012, SPH's interest in the SPII Liquidating Trust related to SPJSF and SPCA was $3,362 and $10,218, respectively. At December 31, 2011, SPH's interest in the SPII Liquidating Trust related to SPJSF and SPCA was $3,496 and $9,552, respectively. For the three months ended March 31, 2012, SPH recorded an unrealized loss of $135 on SPJSF and an unrealized gain of $666 on SPCA. For the three months ended March 31, 2011, SPH recorded an unrealized loss of $259 on SPJSF and an unrealized gain of $80 on SPCA. SPH has no obligation to make any capital contributions to the SPII Liquidating Trust. On March 22, 2011, SPH received a cash distribution from the SPII Liquidating Trust related to SPJSF of $4,156.

Mutual Securities

Pursuant to the Management Agreement, the Manager was responsible for selecting executing brokers. Securities transactions for SPH are allocated to brokers on the basis of reliability and best price and execution. The Manager has selected Mutual Securities as an introducing broker and may direct a substantial portion of the managed entities' trades to such firm among others. An officer of the Manager and SPH GP is affiliated with Mutual Securities. The Manager only uses Mutual Securities when such use would not compromise the Manager's obligation to seek best price and execution. SPH has the right to pay commissions to Mutual Securities, which are higher than those that can be obtained elsewhere, provided that the Manager believes that the rates paid are competitive institutional rates. Mutual Securities also served as an introducing broker for SPH's trades. The Commissions paid by SPH to Mutual securities were approximately $79 and $244 for the three months ended March 31, 2012 and 2011, respectively. Such commissions are included in the net investment gains (losses) in the consolidated statements of operations. The portion of the commission paid to Mutual Securities ultimately received by such officer is net of clearing and other charges.

Other

On March 31, 2012, Steel Partners, Ltd. assigned its rights, obligations and title to its New York City office lease to SPH Services. In connection with the assignment, Steel Partners, Ltd. agreed to remit $3,286 to SPH Services, subject to adjustment, which represents the present value of the lease payment obligations over the fair value of the leased facilities. This amount is included in Receivable from related parties in the consolidated balance sheet at March 31, 2012. In addition, for a total consideration of $1,203, Steel Partners, Ltd. sold to SPH Services the fixed assets held by it relating to the New York City location, which includes furniture, equipment and leasehold improvements. This amount is included in payable to related parties as of March 31, 2012. The Company agreed to reimburse Steel Partners, Ltd. $254 for occupancy costs for the three months ended March 31, 2012, which amount is included in Payable to related parties as of March 31, 2012.

SPH has an arrangement whereby it holds an asset on behalf of a related party in which it has an investment. The asset had a fair value of $51,564 and $47,605 at March 31, 2012 and December 31, 2011, respectively. Under the terms of this arrangement, the related party is the sole beneficiary and SPH does not have an economic interest in the asset and SPH has no capital at risk with respect to such asset, other than indirectly through its indirect investment in such related party. No amounts related to this arrangement are recorded on the Consolidated balance sheet. For the three months ended March 31, 2012 and 2011, SPH was indirectly compensated for providing this arrangement by the payment of a fee. The fees were not material.

The Company's non-management directors receive an annual retainer of $150, of which $75 is paid in cash and $75 is paid in restricted common units of SPH. The restricted units vest over a three year period. These directors are also paid fees of $1 for each board committee meeting attended. The chairmen of the Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee are paid an additional fee of $15, $5 and $5 annually, respectively. For the three months ended March 31, 2012 and 2011, non-management directors' fees expensed were $140 and $154 respectively. Unpaid non-management directors' fees are included in Payable to related parties and were $71 and $437 at March 31, 2012 and

December 31, 2011, respectively.

In June 2010, a subsidiary of WebBank entered into an agreement with NOVT Corporation, a subsidiary of an affiliate of the Manager, to participate in a factoring facility up to $2,000. As of March 31, 2012 and December 31, 2011, the participation amount by NOVT was $0.

SPH has an estimated liability of $116 as of March 31, 2012 and December 31, 2011 included in other current liabilities which, pursuant to the Amended Exchange Agreement, is indemnified by Steel Partners II (Onshore) LP (“SPII Onshore”). As a result, the Company recorded an amount receivable from SPII Onshore reported as Receivable from related parties in the consolidated balance sheet.

15. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations consist of the following:

	March 31, 2012	December 31, 2011
Short term debt:		
First Lien Revolver	$ 37,323	$ 23,850
Foreign	501	318
Total short-term debt	37,824	24,168
Long-term debt - non related party:		
First Lien Term Loans	35,449	36,518
Second Lien Term Loans	75,000	75,000
10% Subordinated Notes, net of unamortized discount	18,329	18,559
Other debt - domestic	6,971	7,034
Foreign loan facilities	2,372	2,000
Total debt to non related party	138,121	139,111
Less portion due within one year	8,531	8,531
Long-term debt to non related party	129,590	130,580
Long-term debt - related party:		
10% Subordinated Notes, net of unamortized discount	375	375
Total long-term debt	129,965	130,955
Total debt	$ 176,320	$ 163,654
Capital lease facility		
Current portion of capital lease	$ 817	$ 817
Long-term portion of capital lease	2,026	2,183
	$ 2,843	$ 3,000

The outstanding debt at March 31, 2012 and December 31, 2011 relates to BNS, HNH and DGT. The above debt is collateralized by priority liens on all of the assets of the indebted subsidiaries, which approximates $437,301 as of March 31, 2012.

HNH Debt

Handy & Harman Group Ltd. ("H&H Group"), a wholly owned subsidiary of HNH, together with certain of its subsidiaries, entered into an Amended and Restated Loan and Security Agreement (the “Wells Fargo Facility”) with Wells Fargo Bank, National Association (“Wells Fargo”), as administrative agent for the lenders thereunder. Amounts outstanding under the Wells Fargo Facility bear interest at LIBOR plus applicable margins of between 2.25% and 3.50% (3.00% for the term loan and 2.25% for the revolver at December 31, 2011), or at the U.S. base rate (the prime rate) plus 0.25% to 1.50% (1.00% for the term loan and 0.25% for the revolver at December 31, 2011). Obligations under the Wells Fargo Facility ("First Lien Revolver" and "First Lien Term Loans") are collateralized by first priority security interests in and liens upon all present and future assets of H&H Group and substantially all of its subsidiaries. The applicable margins for the First Lien Revolver and the First Lien Term Loan are dependent

on H&H Group's Quarterly Average Excess Availability for the prior quarter, as that term is defined in the agreement. Principal payments of the First Lien Term Loan are due in equal monthly installments of approximately $350. All amounts outstanding under the Wells Fargo Facility are due and payable in full on July 1, 2013.

H&H Group, together with certain of its subsidiaries, entered into an Amended and Restated Loan and Security Agreement (the "Ableco Facility") with Ableco, L.L.C., as administrative agent for the lenders thereunder. The Ableco Facility provides for three loans at a maximum value of $25,000 per loan (the "Second Lien Term Loans"). Two of the three Second Lien Term Loans bear interest at the U.S. base rate (the prime rate) plus 4.5% or LIBOR (or, if greater, 1.50%) plus 6.00%. The third Second Lien Term Loan bears interest at the U.S. base rate (the prime rate) plus 7.50% or LIBOR (or, if greater, 1.75%) plus 9.00%. All amounts outstanding under the Ableco Facility are due and payable in full on July 1, 2013. Obligations under the Ableco Facility are collateralized by second priority security interests in and liens upon all present and future assets of H&H Group and substantially all of its subsidiaries.

10% subordinated secured notes due 2017 (the “Subordinated Notes”) were issued by H&H Group pursuant to an Indenture, dated as of October 15, 2010 (as amended and restated effective December 13, 2010), by and among H&H Group, the guarantors party thereto and Wells Fargo, as trustee. All obligations outstanding under the Subordinated Notes bear interest at a rate of 10% per annum, 6% of which is payable in cash and 4% of which is payable in-kind. The Subordinated Notes, together with any accrued and unpaid interest thereon, mature on October 15, 2017. All amounts owed under the Subordinated Notes are guaranteed by substantially all of H&H Group's subsidiaries and are secured by substantially all of their assets. The Subordinated Notes are contractually subordinated in right of payment to the Wells Fargo Facility and the Ableco Facility. The Subordinated Notes are redeemable until October 14, 2013, at H&H Group's option, upon payment of 100% of the principal amount of the Notes, plus all accrued and unpaid interest thereon and the applicable premium set forth in the Indenture (the “Applicable Redemption Price”). If H&H Group or its subsidiary guarantors undergo certain types of fundamental changes prior to the maturity date of the Subordinated Notes, holders thereof will, subject to certain exceptions, have the right, at their option, to require H&H Group to purchase for cash any or all of their Subordinated Notes at the Applicable Redemption Price.

Sun Well Debt

Sun Well, a subsidiary of BNS, has a credit agreement with Wells Fargo Bank, National Association that includes a term loan of $20,000 and a revolving line of credit for up to $5,000. The loans are secured by the assets of Sun Well and bear interest, at the option of Sun Well, at LIBOR plus 3.5% or the greater of (a) the bank's prime rate, (b) the Federal Funds Rate plus 1.5%, or (c) the Daily One-Month LIBOR rate plus 1.5% for base rate loans. Both options are subject to leverage ratio adjustments. The interest payments are made monthly. The term loan is repayable in $1,000 quarterly principal installments from September 30, 2011 through June 30, 2015. Sun Well borrowed $20,000 on the term loan in July 2011 and has made $2,000 in scheduled principal payments through March 30, 2012. Borrowings under the revolving loan, which are determined based on eligible accounts receivable, mature on June 30, 2015. Sun Well borrowed $1,000 on the revolving line of credit during the quarter ended March 31, 2012.

Under the agreement, Sun Well is subject to certain financial covenants. As of March 31, 2012, Sun Well is in compliance with all such covenants.

16. PENSION BENEFIT PLANS

The following table presents the components of net periodic pension cost for the HNH pension plans for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	**2011**
Service cost	$ —	$ 55
Interest cost	5,349	5,616
Expected return on plan assets	(6,747)	(6,924)
Amortization of actuarial loss	628	—
	$ (770)	$ (1,253)

The actuarial loss occurred principally because the investment returns on the assets have been lower than the actuarial assumptions. The actuarial losses will be amortized over the average future lifetime of the participants, which is expected to be approximately 21 years. The Company believes that the future lifetime of the participants is appropriate because the related pension plan is completely inactive.

In addition to its pension plans which are included in the table above, HNH also maintains several other post-retirement benefit plans covering certain of its employees and retirees. The approximate aggregate expense for these plans was $500 for each of the three month periods ended March 31, 2012 and 2011, respectively.

17. CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Common Unit Distributions

In connection with the Exchange Transaction, SPH agreed to distribute to the holders of its common units up to $87,506 (the “Target Distribution”), subject to certain limitations, during the period from July 16, 2009 to April 30, 2011. On April 1, 2010, SPH distributed to its unitholders of record as of March 26, 2010, $54,409 or $1.95 per common unit including $5,307 relating to treasury units. On April 6, 2011, SPH distributed to its unitholders of record as of March 25, 2011, $33,097 or $1.18 per common unit, including $3,228 relating to treasury units. With the Target Distribution having been met, the Company may, at its option, make future distributions to unitholders, although it currently has no plan to make any future distributions.

Common Units Issuance

Effective as of March 21, 2011, SPH issued to its independent directors an aggregate of 7,315 common units at a per unit value of $18.80, which was determined based on the net asset value of SPH common units as of September 30, 2010 and an aggregate of 6,865 common units at a per unit value of $20.03, which was determined based on the net asset value of SPH common units as of December 31, 2010. For the year ended December 31, 2011 each director earned annual equity compensation in the amount of $75 in the form of restricted common units of SPH, with one-third of such restricted common units vesting on November 28, 2012, one-third on November 28, 2013 and one-third on November 28, 2014. The per unit value of such restricted common units is $13.80, determined based on the fair market value of SPH common units as of November 28, 2011. Total expense for the common units issued was approximately $31 and $275 for the three months ended March 31, 2012 and 2011, respectively.

In April 2012, in connection with the termination of the Investor Services Agreement, the full amount in the Deferred Fee Liability became immediately payable. As a result, the Company issued 6,403,002 Class B common units to WGL on April 11, 2012, subject to adjustment as of March 31, 2012. These Class B common units have the same rights as the common units, except that they may not be sold in the public market until the capital account allocable to such Class B common units is equal to the capital account allocable to the common units. See Note 23 - "Subsequent Events". On May 11, 2012, the Company issued an additional 536,645 Class B common units to WGL reflecting an adjustment based on the deferred fee liability as of March 31, 2012.

Common Unitholders — Allocation of Net Income (Loss)

For each period presented net (loss) income attributable to common unit holders is allocated to the common unitholders on a pro rata basis based on the number of units held.

Accumulated Other Comprehensive Loss

Changes, net of tax, in Accumulated other comprehensive loss are as follows:

	Unrealized gain on available-for-sale securities	Cumulative translation adjustment	Change in net pension and other benefit obligations	Total
Balance at December 31, 2011	$ 32,351	$ (1,649)	$ (42,439)	$ (11,737)
Current period other comprehensive income (loss)	5,367	(500)	—	4,867
Balance at March 31, 2012	$ 37,718	$ (2,149)	$ (42,439)	$ (6,870)

For the three months ended March 31, 2012, comprehensive income includes amounts for companies accounted for under the equity method of $1 for unrealized gain on available-for-sale securities. At March 31, 2012 and December 31, 2011, Accumulated other comprehensive loss includes amounts for these companies of $1 and $2, respectively, for unrealized loss on available-for-sale securities.

For the three months ended March 31, 2011, comprehensive income includes amounts for companies accounted for under the equity method of $393 for currency translation adjustments.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities at March 31, 2012 and December 31, 2011 represent the interests held by the noncontrolling shareholders of BNS, HNH and DGT.

Incentive Compensation

Effective January 1, 2012, the Manager was granted incentive units which may entitle the Manager to receive Class B common units of SPH upon the attainment of specified performance goals. These Class B common units have the same rights as the common units, except that they may not be sold in the public market until the capital account allocable to such Class B common units is equal to the capital account allocable to the common units. The number of incentive units granted is equal to 100% of the sum of the common units outstanding and the number of notional units used to determine the deferred fee accounts in accordance with the Deferred Fee Agreement, each as of January 1, 2012. On the last day of each fiscal year SPH will issue to the Manager Class B common units equal to a percentage of the incentive units, on a fully diluted basis, based on the performance measurements. If the performance measurements are not met, no units will be issued. SPH shall make any adjustment that it determines is equitably required by reason of the raising of new capital, including, without limitation, adjusting the performance measurements to account for changes in the capital structure. The incentive units are measured and paid on an annual basis and is accrued on a quarterly basis. Accordingly, the expense accrued is adjusted to reflect the fair value of the units on the measurement date when the final calculation of the total annual incentive units is determined. In the event the calculated cumulative incentive unit expense accrued quarterly or for the full year is an amount less than the total previously accrued, the Company would record a negative incentive unit expense in the quarter when such over accrual is determined. There was no accrual for the three months ended March 31, 2012.

If any issuance of common units, options, convertible securities or any other right to acquire common units by us results in an increase in the number of common units outstanding on a fully diluted basis as compared to the number outstanding as of the date of the most recent issuance (or, in the case of the first issuance, since the initial incentive unit grant date), the Manager will be issued additional incentive units so that as of the grant date of the additional incentive units, after taking into account the number of outstanding common units on a fully diluted basis and all incentive units granted since the initial incentive units grant date, the Manager holds outstanding incentive units (in the aggregate) equal to 100% of the sum of

the common units outstanding and the number of notional units used to determine the deferred fee accounts in accordance with the Deferred Fee Agreement, on a fully diluted basis. Each additional incentive unit shall otherwise be subject to the same terms as the incentive units, unless the Manager otherwise agrees.

Common Unit Option Liability

The common unit options expired on December 31, 2011. Therefore, there are no common unit options outstanding as of March 31, 2012 or December 31, 2011. During 2011, prior to the options expiring, the options were accounted for as a derivative liability at fair value with changes in fair value recognized during the period reported in Selling, General and Administrative expenses (“SG&A”) in the consolidated statements of operations. During the three months ended March 31, 2011, the derivative liability decreased resulting in a reduction of SG&A expenses of $1,700.

The fair value was estimated using the Black Scholes option pricing model that used assumptions as of March 31, 2011 for volatility of 23.6%, a term of 9 months, a risk free interest rate of 0.30% based on the U.S. Treasury bill yield, and an expected dividend of 0.0%. The intrinsic value of the options was $0 as of March 31, 2011. The net asset value used in the fair value estimate was $17.63 at March 31, 2011, and was adjusted for a liquidity discount. Because the SPH common units have not significantly traded internally or in a public or non-public market, there was no practical means of estimating expected volatility. The volatility assumption was based on a calculated diversified industrial company peer group average of historical volatility.

18. NET INCOME PER COMMON UNIT

The following data was used in computing net income (loss) per common unit shown in the consolidated statements of operations:

	Three Months Ended March 31,	
	2012	**2011**
Net income from continuing operations	$ 46,385	$ 13,004
Increase in deferred fee liability (a)	—	489
Restricted stock expense	31	—
Net income attributable to noncontrolling interests in consolidated entities	(2,347)	(1,619)
Net income from continuing operations	44,069	11,874
Income from discontinued operations	3,753	2,127
Net income attributable to noncontrolling interests	(1,821)	(1,021)
	1,932	1,106
Net income attributable to common unitholders	$ 46,001	$ 12,980
Net income per common unit - basic		
Net income from continuing operations	$ 1.75	$ 0.45
Net income from discontinued operations	0.08	0.04
Net income attributable to common unitholders	$ 1.83	$ 0.49
Net income per common unit – diluted		
Net income from continuing operations	$ 1.75	$ 0.39
Net income from discontinued operations	0.08	0.04
Net income attributable to common unitholders	$ 1.83	$ 0.43
Weighted average common units outstanding - basic	25,183,039	25,253,287
Adjustment for deferred fee liabilities (a)	—	3,765,104
Adjustment for distribution payable (b)	—	1,473,940
Unvested restricted stock	27,175	—
Denominator for net income per common unit - diluted	25,210,214	30,492,331

(a) Includes common units assuming a common unit settlement of the deferred fee liability as described in Note 14 - “Related Party Transactions.” The Deferred Fee adjustment was anti-dilutive for the 2012 period. Accordingly 3,690,714 units were excluded from the diluted per unit calculation.

(b) Includes common units assuming a common unit settlement of the distribution payable. The Target Distribution liability described in Note 17 may be settled in common units. The distribution was paid in April 2011 so is not applicable to 2012.

19. SEGMENT INFORMATION

SPH’s reportable segments consist of its operating units, Diversified Industrial, Financial Services, and Corporate which are managed separately and offer different products and services.

Diversified Industrial

Effective January 1, 2012, the Company reclassified its investment in Steel Excel, an associated company, from Corporate to the Diversified Industrial segment due to Steel Excel's recent acquisitions of oil field servicing companies. As of March 31, 2012, the Diversified Industrial segment consists of HNH, BNS and DGT, which are consolidated subsidiaries, SLI and Steel Excel which are associated companies, and API and JPS, which are classified as Investments at fair value. Additional

information for consolidated entities within the Diversified Industrial segment follows:

- HNH is a diversified holding company with strategic businesses encompassing precious metals, tubing, engineered materials, electronic materials, coated materials, and cutting replacement products and services.
- DGT, through its subsidiary RFI, manufactures and sells electronic systems and components for a variety of applications.
- BNS operates through its subsidiary, Sun Well, a provider of premium well services to exploration and production ("E&P") companies operating primarily in the Williston Basin in North Dakota and eastern Montana. Sun Well provides critical services needed by E&P operators, including well completion, well maintenance and workover, well recompletion, hydrostatic tubular testing and plug and abandonment services.

Financial Services

The Financial Services segment primarily consists of our consolidated and wholly-owned subsidiary WebBank, which operates in niche banking markets. WebBank provides commercial and consumer loans and services. WebBank's deposits are insured by the FDIC, and the bank is examined and regulated by the FDIC and UDFI.

Corporate and Other

Corporate revenues primarily consist of investment and other income and investment gains and losses. Corporate assets, revenues, overhead expenses and interest expense are not allocated to the operating units. Corporate also has investments as of March 31, 2012 in CoSine and Fox & Hound, which are associated companies accounted for under the equity method. In addition, Corporate has investments in securities, investments in the SPII Liquidating Trust and cash and cash equivalents.

Segment information is presented below:

	Three Months Ended March 31,	
	2012	**2011**
Revenue:		
Diversified industrial	$ 179,531	$ 158,407
Financial services	4,036	3,261
Corporate	2,455	13,432
Total	$ 186,022	$ 175,100
Income (loss) from continuing operations before income taxes:		
Diversified industrial	$ 40,582	$ 6,376
Financial services	2,296	1,135
Corporate	5,379	(114)
Income from continuing operations before income taxes	48,257	7,397
Income tax (provision) benefit	(1,872)	5,607
Net income from continuing operations	$ 46,385	$ 13,004
Income (loss) from equity method investments:		
Diversified industrial	$ 20,877	$ 1,644
Corporate	18,863	(8,070)
Total	$ 39,740	$ (6,426)

20. INCOME TAXES

For the three months ended March 31, 2012, a tax provision of $1,872 was recorded, and for the three months ended March 31, 2011, a tax benefit from continuing operations of $5,607 was recorded. The Company's tax provision represents the

income tax expense or benefit of its consolidated subsidiaries, principally for state and foreign income taxes. The Company has recorded deferred tax valuation allowances to the extent that it believes that it is more likely than not that the benefits of its deferred tax assets will not be realized in future periods. Included in the Company's tax benefit for the three months ended March 31, 2011 is $7,957 from the release of BNS's valuation allowance relating to NOL's.

21. REGULATORY MATTERS

SPH

The Company historically has conducted its business so as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the "Act"). The Company has filed with the SEC a request for an order under the Act to provide the additional time for the Company to restructure its holdings so as not to be required to register as an investment company under the Act. Under the terms of the requested order, the Company would be required to undertake transactions consistent with certain qualitative tests related to the Company's assets and/or income and to refrain from trading for short-term speculative purposes. If the order is granted, the Company would be required to meet these tests (or otherwise not be subject to the Act) within one year following the order date. On April 27, 2012, the SEC posted a notice indicating an order granting the application will be issued unless the Commission orders a hearing. If the Company is not able to obtain relief, is unable to bring itself into conformity with the relevant tests within the relief period and is unable to otherwise remain outside of the Act's registration requirement, the Company would be forced to register as an investment company or seek other alternatives, such as making significant changes to the Company's business model to avoid investment company registration. Such significant changes could have a material adverse effect on the Company's performance.

WebBank

WebBank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on WebBank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WebBank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. WebBank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require WebBank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average quarterly assets (as defined). As of March 31, 2012, WebBank exceeded all the capital adequacy requirements to which it is subject.

As of March 31, 2012, WebBank was categorized as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events, since the most recent FDIC notification, which have changed WebBank's prompt corrective action category. To remain categorized as well-capitalized, WebBank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage.

22. COMMITMENTS AND CONTINGENCIES

Environmental Matters

As discussed in more detail below, HNH and BNS have been designated as potentially responsible parties ("PRPs") by federal and state agencies with respect to certain sites with which they may have had direct or indirect involvement. These claims are in various stages of administrative or judicial proceedings and include demands for recovery of past governmental costs and for future investigations and remedial actions. In many cases, the dollar amounts of the claims have not been specified and, with respect to a number of the PRP claims, have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against the HNH and BNS. The Company accrues costs associated with environmental matters, on an undiscounted basis, when they become probable and reasonably estimable. As of March 31, 2012, and December 31, 2011, on a consolidated basis, the Company has accrued $6,294 and $6,574, respectively, which represents its current estimate of the probable cleanup liabilities, including remediation and legal costs. In addition, the Company has insurance coverage available for several of these matters and believes that excess insurance coverage may be

available as well.

Estimates of the Company's liability for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions that are inherently difficult to make, and the ultimate outcome may be materially different from current estimates.

HNH Environmental Matters

Handy & Harman ("H&H"), a subsidiary of HNH, entered into a consent order in 1989 with the Connecticut Department of Environmental Protection (“CTDEP”) with regard to the site of a former H&H manufacturing facility in Connecticut. The consent order covered a parcel that H&H sold in 2003 (the “Sold Parcel”), and also covered an adjacent parcel that H&H still owns (the “Adjacent Parcel”). With regard to the Sold Parcel, the CTDEP approved H&H's Soil Remediation Action Report. Remaining remediation and monitoring costs for the Sold Parcel are expected to approximate $300, and are no longer material to the Company. H&H also has been conducting an environmental investigation of the Adjacent Parcel, and will be initiating a more comprehensive field study in 2012 with subsequent evaluation of various options for remediation of the Adjacent Parcel. Since the total remediation costs for the Adjacent Parcel cannot be reasonably estimated at this time, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations and cash flow of H&H or the Company.

In 1986, Handy & Harman Electronics Material Corporation (“HHEM”), a subsidiary of H&H, entered into an administrative consent order (the “ACO”) with the New Jersey Department of Environmental Protection (“NJDEP”) with regard to certain property that it purchased in 1984 in New Jersey. The ACO involves investigation and remediation activities to be performed with regard to soil and groundwater contamination. HHEM is actively remediating the property and continuing to investigate effective methods for achieving compliance with the ACO. A remedial investigation report has been approved. HHEM anticipates entering into discussions with NJDEP to address that agency's potential natural resource damage claims, the ultimate scope and cost of which cannot be estimated at this time. Pursuant to a settlement agreement with the former owner/operator of the site, the responsibility for site investigation and remediation costs are shared with the former owner/operator. As of March 31, 2012, total investigation and remediation costs of approximately $600 have been expended by HHEM in accordance with the settlement agreement. Additionally, HHEM is currently being reimbursed indirectly through insurance coverage for a portion of the costs for which HHEM is responsible. HHEM believes that there is additional excess insurance coverage, which it intends to pursue as necessary. HHEM anticipates that there will be additional remediation expenses to be incurred once a final remediation plan is agreed upon. There is no assurance that the former owner/operator or guarantors will continue to timely reimburse HHEM for expenditures and/or will be financially capable of fulfilling their obligations under the settlement agreement and the guaranties. The additional costs cannot be reasonably estimated at this time, and accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations and cash flow of HHEM or the Company.

Certain subsidiaries of H&H Group have been identified as PRPs under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) or similar state statutes at sites and are parties to administrative consent orders in connection with certain properties. Those subsidiaries may be subject to joint and several liabilities imposed by CERCLA on PRPs. Due to the technical and regulatory complexity of remedial activities and the difficulties attendant in identifying PRPs and allocating or determining liability among them, the subsidiaries are unable to reasonably estimate the ultimate cost of compliance with such laws.

In August 2006, H&H received a notice letter from the United States Environmental Protection Agency (“EPA”) formally naming H&H as a PRP at a superfund site in Massachusetts. H&H is part of a group of thirteen (13) other PRPs (the “PRP Group”) that is working cooperatively regarding remediation of the superfund site. The Department of Energy (“DOE”) is remediating certain unrelated radiological contamination at the superfund site, and accordingly the DOE and has not yet allowed access to the site to the PRP Group. It is currently anticipated that the DOE will allow access to the site late this year. Additional financial contributions will be required by the PRP Group when it obtains access to the site. H&H has recorded a significant liability in connection with this matter. There can be no assurance that the resolution of this matter will not be material to the financial position, results of operations and cash flow of H&H or the Company.

HHEM is continuing to comply with a 1987 consent order from the Massachusetts Department of Environmental Protection (“MADEP”) to investigate and remediate the soil and groundwater conditions at the MA Property that is the subject

of litigation. On January 20, 2009, HHEM filed with MADEP a partial Class A-3 Response Action Outcome Statement (“RAO-P”) and an Activity & Use Limitation (“AUL”) for the MA Property. An MADEP audit and the opinion of HHEM's Licensed Site Professional constituted confirmation of the adequacy of the RAO-P and associated AUL. On March 31, 2010, the Massachusetts Attorney General executed a covenant not to sue (“CNTS”) to cover the MA Property. Following the execution of the CNTS, HHEM filed a Remedy Operation Status (“ROS”) on April 1, 2010. On June 30, 2010, HHEM filed a request to close the site since HHEM's licensed site professional concluded that groundwater monitoring demonstrated that conditions have stabilized or continue to improve at the site, and HHEM anticipates resolution of MADEP's audit process before the end of 2012. In addition, HHEM has entered into settlement agreements with certain abutters of the property and entered into settlement agreements with each of them. HHEM does not expect any other claims from any additional abutters, but there can be no such assurances that claims will not be asserted.

As discussed above, certain subsidiaries of H&H Group have existing and contingent liabilities relating to environmental matters, including capital expenditures, costs of remediation and potential fines and penalties relating to possible violations of national and state environmental laws. Those subsidiaries have substantial remediation expenses on an ongoing basis, although such costs are continually being readjusted based upon the emergence of new techniques and alternative methods.

Based upon information currently available, the H&H Group subsidiaries do not expect their respective environmental costs, including the incurrence of additional fines and penalties, if any, to have a material adverse effect on them or that the resolution of these environmental matters will have a material adverse effect on the financial position, results of operations and cash flows of such subsidiaries or the Company, but there can be no such assurances. The Company anticipates that the H&H Group subsidiaries will pay any such amounts out of their respective working capital, although there is no assurance that they will have sufficient funds to pay them. In the event that the H&H Group subsidiaries are unable to fund their liabilities, claims could be made against their respective parent companies, including H&H Group and/or HNH, for payment of such liabilities.

BNS Sub Environmental Matters

On August 12, 2008, a subsidiary of BNS (“BNS Sub”) was identified by the U.S. Environmental Protection Agency (“EPA”) as an alleged drum reconditioning customer (PRP) of New England Container Corp. (“NECC”). BNS Sub is presently investigating the matter and has joined a group of other alleged NECC drum reconditioning customers. The NECC drum reconditioning PRP’s have incurred and will continue to incur costs in the investigation and each PRP has been assessed a pro-rata fee for its cost share of the assessment. BNS Sub believes that it has an adequate environmental liability accrual associated with the site, which is reflected in the remediation estimate discussed above.

Litigation Matters

HNH Litigation Matters

HNH and certain of its subsidiaries are defendants (“Subsidiary Defendants”) in numerous cases pending in a variety of jurisdictions relating to welding emissions. Generally, the factual underpinning of the plaintiffs' claims is that the use of welding products for their ordinary and intended purposes in the welding process causes emissions of fumes that contain manganese, which is toxic to the human central nervous system. The plaintiffs assert that they were over-exposed to welding fumes emitted by welding products manufactured and supplied by the Subsidiary Defendants and other co-defendants. The Subsidiary Defendants deny any liability and are defending these actions. It is not possible to reasonably estimate the Subsidiary Defendants' exposure or share, if any, of the liability at this time.

In addition to the foregoing cases, there are a number of other product liability, exposure, accident, casualty and other claims against HNH or certain of its subsidiaries in connection with a variety of products sold by such subsidiaries over several years, as well as litigation related to employment matters, contract matters, sales and purchase transactions and general liability claims, many of which arise in the ordinary course of business. It is not possible at this time to reasonably estimate the probability, range or share of any potential liability of the Company or its subsidiaries in any of these matters.

There is insurance coverage available for many of the foregoing actions, which are being litigated in a variety of jurisdictions. To date, HNH and its subsidiaries have not incurred and do not believe they will incur any significant liability with respect to these claims, which they are contesting vigorously in most cases. However, it is possible that the ultimate

resolution of such litigation and claims could have a material adverse effect on the Company's results of operations, financial position and cash flows when they are resolved in future periods.

BNS Litigation Matters

BNS Sub has been named as a defendant in 1,035 and 1,020 alleged asbestos-related toxic-tort claims as of March 31, 2012 and December 31, 2011, respectively. The claims were filed over a period beginning 1994 through March 31, 2012. In many cases these claims involved more than 100 defendants. Of the claims filed, 873 and 694 were dismissed, settled or granted summary judgment and closed as of March 31, 2012 and December 31, 2011, respectively. Of the claims settled, the average settlement was less than $3. There can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date of existing claims.

BNS Sub has insurance policies covering asbestos-related claims for years beginning 1974 through 1988 with estimated aggregate coverage limits of $183,000, with $2,220 and $2,230 at December 31, 2011 and 2010, respectively, in estimated remaining self insurance retention (deductible). There is secondary evidence of coverage from 1970 to 1973 although there is no assurance that the insurers will recognize that the coverage was in place. Policies issued for BNS Sub beginning in 1989 contained exclusions related to asbestos. Under certain circumstances, some of the settled claims may be reopened. Also, there may be a significant delay in receipt of notification by BNS Sub of the entry of a dismissal or settlement of a claim or the filing of a new claim. BNS Sub believes it has significant defenses to any liability for toxic-tort claims on the merits. None of these toxic-tort claims have gone to trial and, therefore, there can be no assurance that these defenses will prevail. In addition, there can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date of existing claims; and, that BNS Sub will not need to increase significantly its estimated liability for the costs to settle these claims to an amount that could have a material effect on the consolidated financial statements.

BNS Sub annually receives retroactive billings or credits from its insurance carriers for any increase or decrease in claims accruals as claims are filed, settled or dismissed, or as estimates of the ultimate settlement and defense costs for the then-existing claims are revised. As of March 31, 2012 and December 31, 2011, respectively, BNS Sub has accrued $635 and $635 relating to the open and active claims against BNS Sub. This accrual represents the Company’s best estimate of the likely costs to defend against or settle these claims by BNS Sub beyond the amounts accrued by the insurance carriers and previously funded, through the retroactive billings by BNS Sub. However, there can be no assurance that BNS Sub will not need to take additional charges in connection with the defense, settlement or judgment of these existing claims or that the costs of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date relating to existing claims.

23. SUBSEQUENT EVENTS

Settlement of Deferred Fee Liability

On April 11, 2012 (the "Termination Date"), the Company and WGL terminated the Investor Services Agreement, dated as of July 15, 2009, by mutual consent. As a result of the termination of the Investor Services Agreement the full amount of the Deferred Fee Liability became immediately payable - see Note 14 - "Related Party Transactions". The deferred fees are recorded as a liability by the Company with a fair value of approximately $70,508 as of March 31, 2012. Instead of receiving the deferred fee in cash, WGL has elected for the total amount to be paid in common units of the Company. Under the Deferred Fee Agreement, the number of common units to be issued is determined by applying a 15% discount to the market price of the common units, which represents the fair value of the common units giving effect to the discount for lack of marketability. As a result, 6,403,002 Class B common units were issued to WGL on April 11, 2012, subject to adjustment as of March 31, 2012. In connection with the termination of the Investor Services Agreement,WGL agreed not to sell any of the common units issued as payment for the deferred fee during the one year period following the Termination Date. On May 11, 2012, the Company issued an additional 536,645 Class B common units to WGL reflecting an adjustment based on the deferred fee liability as of March 31, 2012.

Steel Excel/BNS Transaction

On April 30, 2012, Steel Excel and BNS entered into a definitive Share Acquisition Agreement (the "Agreement"), pursuant to which Steel Excel will acquire all of the capital stock of SWH., the parent company of Sun Well, for an acquisition price of $85 million less net debt (debt outstanding minus cash), subject to certain adjustments. The acquisition price will be paid through a combination of up to 2,200,000 shares of common stock of Steel Excel, valued at $30 per share, and cash. The Company currently owns approximately 40% of the Steel Excel, and approximately 85% of BNS.

As a result of the acquisition, the Company will beneficially own slightly over 50% of the outstanding common stock of Steel Excel. Pursuant to the Agreement, the Company is entitled to purchase up to 200,000 Steel Excel shares in the open market prior to the completion of the acquisition, or exercise an option on or immediately prior to the closing date to purchase from the Company newly issued shares of common stock at a purchase price of $30 per share, provided that such purchases would not cause a "change of ownership" of Steel Excel under Section 382 of the U.S. Internal Revenue Code.

The parties intend that the transaction will qualify as a "reorganization" within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code. Consequently, following the completion of the Steel Excel's acquisition of SWH, BNS intends to liquidate and distribute its assets to its stockholders. The Agreement provides that BNS will distribute its remaining cash, after payment or making reserve for all of its claims and obligations, to its stockholders other than the Company, and that the Company will receive the Steel Excel shares issued in the transaction. The Agreement and the liquidation are subject to approval by a vote of BNS' stockholders.

Other

On May 10, 2012, the Company, SPH Group LLC, a wholly owned subsidiary of the Company, and SPGS entered into that certain Fourth Amended and Restated Management Agreement, effective as of January 1, 2012, to clarify the manner in which the annual incentive fee is calculated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this Form 10-Q, unless the context otherwise requires the terms "we," "us," "our," "SPH" and the "Company" refer to Steel Partners Holdings L.P., a Delaware limited partnership.

The following discussion is intended to assist you in understanding our present business and the results of operations together with our present financial condition. This section should be read in conjunction with our Consolidated Financial Statements and the accompanying notes contained in this Quarterly Report on Form 10-Q, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Overview

We are a global diversified holding company that engages in multiple businesses through consolidated subsidiaries, associated companies and other interests. We have interests in a variety of businesses, including diversified industrial products, energy, defense, banking, insurance, food products and services, oilfield services, sports, training, education, and the entertainment and lifestyle industries. We also own interests directly and indirectly in other core companies and certain other interests that are accounted for as available-for-sale securities or held by the SPII Liquidating Trust.

The Company's reportable segments are as follows:

Diversified Industrial	Financial Services	Corporate
Handy & Harman Ltd. (1)	WebBank (1)	SPH Services, Inc. (1)
BNS Holding, Inc. (1)		CoSine Communications, Inc. (2)
DGT Holdings Corp. (1)		Barbican Group Holdings Limited (3), (4)
SL Industries, Inc. (2)		Fox & Hound Restaurant Group (2)
Steel Excel Inc. (2)		GenCorp Inc. (3), (5)
API Group PLC (3)		
JPS Industries, Inc. (3)		

(1) Consolidated subsidiary

(2) Associated company

(3) Other core company

(4) The investment in Barbican is held by Corporate and is accounted for as an investment at fair value. Barbican is a privately-held company, which underwrites property and casualty insurance and reinsurance through its subsidiaries and its Lloyds of London syndicate.

(5) The investment in GenCorp Inc. is held by Corporate and is accounted for as an available-for-sale security. GenCorp's continuing operations are comprised of two segments, Aerospace and Defense and Real Estate.

SPH Services is a newly-formed subsidiary of SPH, which commenced operations on January 1, 2012, that was created to consolidate the executive and corporate functions of SPH and certain of its affiliates, including SP Corporate and Steel Partners LLC ("SPLLC"), to provide such services, including, without limitation, legal, tax, accounting, treasury, consulting, auditing, administration, compliance, environmental health and safety, human resources, marketing, investor relations and other similar services, to other companies. In connection with the formation of SPH Services, we acquired SP Corporate and SPLLC, as well as certain assets from HNH, on January 1, 2012. Prior to our acquisition of SPLLC, our former manager, SPLLC, transferred certain assets, including its interest in our management agreement, to SP General Services ("SPGS"), formerly an affiliate of SPLLC.

SPH Services operates through its wholly owned subsidiaries, SP Corporate and SPLLC. SP Corporate has management services agreements with HNH, BNS, CoSine Communications, Inc., DGT, NOVT Corporation ("NOVT"), Ore Holdings, Inc., Steel Excel Inc., Fox & Hound and WebBank.

RESULTS OF OPERATIONS

The following presents a summary of SPH’s consolidated operating results:

	Three Months Ended March 31,	
	2012	2011
Revenues:		
Diversified industrial	$ 179,531	$ 158,407
Financial services	4,036	3,261
Corporate	2,455	13,432
Total Revenues	$ 186,022	$ 175,100
Net income (loss) from continuing operations before income taxes:		
Diversified industrial	$ 40,582	$ 6,376
Financial services	2,296	1,135
Corporate	5,379	(114)
Total	48,257	7,397
Income tax (provision) benefit	(1,872)	5,607
Net income from continuing operations	46,385	13,004
Income from discontinued operations	3,753	2,127
Net income attributable to noncontrolling interests in consolidated entities	(4,168)	(2,640)
Net income attributable to common unitholders	45,970	12,491
Other comprehensive income	4,867	5,400
Comprehensive income attributable to common unitholders	$ 50,837	$ 17,891

Diversified Industrial

As of March 31, 2012, the Diversified Industrial segment for financial reporting purposes consists of HNH, BNS and DGT, which are consolidated subsidiaries, SLI and Steel Excel, which are associated companies, API and JPS, which are classified as Investments at fair value. Prior to December 31, 2011 API and JPS were classified as associated companies. HNH is a diversified holding company with strategic businesses encompassing precious metals, tubing, engineered materials, electronic materials, coated materials, and cutting replacement products and services. DGT, through its subsidiary RFI, manufactures and sells electronic systems and components for a variety of applications. BNS operates through its subsidiary, Sun Well, a provider of premium well services to exploration and production (“E&P”) companies operating primarily in the Williston Basin in North Dakota and eastern Montana. Sun Well provides critical services needed by E&P operators, including well completion, well maintenance and workover, well recompletion, hydrostatic tubular testing and plug and abandonment services.

The following presents a summary of the Diversified Industrial segment operating results as reported in our consolidated financial statements:

	Three Months Ended March 31,	
	2012	**2011**
Revenue:		
HNH	$ 164,136	$ 153,329
BNS	12,362	5,078
DGT	3,033	—
Total Revenue	$ 179,531	$ 158,407
Net income (loss) from continuing operations before income taxes:		
HNH	$ 8,812	$ 3,746
BNS	2,732	986
DGT	(381)	—
Income of associated companies	20,877	1,644
Income from investments held at fair value	8,542	—
Total	$ 40,582	$ 6,376

Total revenue for the Diversified Industrial segment increased to $179,531 for the three months ended March 31, 2012, as compared to $158,407 in the prior year period. The increase was due to the acquisition of SWH by BNS on February 2, 2011, the acquisition of DGT on July 5, 2011 and higher sales volume for HNH as more fully described below.

HNH

The following presents a summary of HNH:

	Three Months Ended March 31,	
	2012	**2011**
Sales	$ 164,136	$ 153,329
Cost of sales	120,299	114,441
Gross profit	43,837	38,888
Selling, general and administrative expenses	32,389	28,378
Interest expense, net	3,160	3,226
Derivative activity (income) loss	(571)	3,538
Other expense, net	47	—
Net income from continuing operations before income taxes	$ 8,812	$ 3,746

Net sales for the three months ended March 31, 2012 increased by $10,807, or 7.0%, to $164,136, as compared to $153,329 for the three months ended March 31, 2011. Higher sales volume from most of HNH’s segments was driven by higher demand for HNH’s products. There was no material impact on revenue related to silver prices as both periods in 2012 and 2011 had average silver prices of approximately $32 per ounce.

Approximately $7,719 of the increase in sales were attributable to HNH's Engineered Materials segment, driven by higher volume of commercial roofing products and fasteners, which were favorably impacted by the mild winter in the United States. Sales of gas connectors also increased, partially offset by lower sales of electro-galvanized steel products as a result of lower demand from the residential construction market. HNH's Precious Metal segment generated $3,193 of the incremental sales, primarily driven by higher volume and an increase of approximately $316.00 per troy ounce in the average market price of gold during the first quarter of 2012 as compared to the same period of 2011. HNH's Arlon Electronic Materials' sales decreased by $2,024, driven by reduced demand for printed circuit board materials related to the telecommunications infrastructure in China, as well as lower sales of flex heater products for the general industrial market.

Gross profit for the three months ended March 31, 2012 increased to $43,837, as compared to $38,888 for the same period of 2011. Gross profit margin for the three months ended March 31, 2012 was 1.3% higher compared to the same period

of 2011, primarily due to increased sales of higher-margin branded roofing fasteners from HNH's Engineering segment, higher margin from HNH's Precious Metal segment along with effective cost control and improved efficiency at the manufacturing plants in the first quarter of 2012 as compared to the first quarter of 2011. However, the Tubing segment gross margin declined in the first quarter of 2012 as compared to the first quarter of 2011, primarily due to higher material and overhead costs.

Selling, general and administrative ("SG&A") expenses were $4,011 higher for the three months ended March 31, 2012, compared to the same period of 2011, reflecting higher variable costs as a result of higher sales during the first quarter of 2012. SG&A as a percentage of net sales was 1.2% higher for the three months ended March 31, 2012 due to the timing of certain fixed charges, principally the fixed monthly corporate charges under the management services agreement with SP Corporate Services LLC (see Note 14 - "Related Party Transactions"), as compared to the same period of 2011.

Derivative activity income was $571 for the three months ended March 31, 2012, compared to a loss of $3,538 in the same period of 2011. Of the $571 gain in 2012, approximately $260 was attributable to precious metal contracts and approximately $310 was attributable to embedded derivative features of HNH's Subordinated Notes and related warrants. Of the $3,538 loss in 2011, approximately $2,700 was attributable to precious metal contracts and approximately $800 was attributable to the embedded derivative features of HNH's Subordinated Notes. The lower loss related to precious metal derivative contracts in the 2012 period resulted principally from a lower number of ounces of silver under contract.

Interest expense was $3,160 for the three months ended March 31, 2012, compared to $3,226 in the same period of 2011. The decrease was primarily due to a lower weighted average interest rate during the first quarter of 2012 compared to the first quarter of 2011 as a result of the redemption of $25 million of 10% Subordinated Notes during the fourth quarter of 2011.

BNS

BNS' operations include the results of its wholly-owned subsidiary, Sun Well. Sun Well's revenue and income from continuing operations before income taxes included in the consolidated financial statements for the three months ended March 31, 2012 are $12,362 and $2,732, respectively, as compared to revenues and income from continuing operations of $5,078 and $986, respectively, for the three months ended March 31, 2011.

As noted above, we consolidated Sun Well effective February 2, 2011, the date that BNS acquired Sun Well. For comparative purposes however, unaudited pro forma revenues and earnings of BNS are presented in the table and discussion below for the full three months ended March 31, 2011. We believe this presentation is more meaningful for management's discussion and analysis in that it allows comparability for both periods.

	Three Months Ended March 31,	
	2012	**2011 (a)**
Revenues	$ 12,362	$ 7,659
Cost of revenues	6,548	4,687
Gross profit	5,814	2,972
Selling, general and administrative expenses	2,891	3,329
Interest expense, net	192	372
Other income, net	(1)	(391)
Net income (loss) from continuing operations before income taxes	$ 2,732	$ (338)

(a) Includes the results of BNS' corporate expenses for the quarter ended March 31, 2011 and Sun Well operating results for the period from February 2, 2011 through March 31, 2011 (all of which is presented in the historical financial statements of the Company), as well as pro forma adjustments to include Sun Well operating results for the period January 1, 2011 through February 1, 2011.

Sun Well's revenue for the three months ended March 31, 2012 increased by $4,703, or 61.4%, to $12,362, as compared to $7,659 for the same period last year. The revenue increase is due to an increase in the average number of rigs in operation (18 in 2012 as compared to 15 in 2011), a 16% increase in revenue per rig hour due to pricing and services provided and an average 11% improvement in billable hours per rig. Gross profit for the quarter ended March 31, 2012 grew by 95.6% as compared to the pro forma results for the quarter ended March 31, 2011, consistent with the increase in revenue, the increase in number of rigs in service and the improvement in revenue per rig and billable hours per rig.

SG&A expenses for the quarter ended March 31, 2012 decreased by 13.2% as compared to the pro forma SG&A

expenses for the quarter ended March 31, 2011, due primarily to $774 in employee bonus payments charged to expense in January 2011. Excluding the 2011 bonus payments, selling, general and administrative costs increased by 8% in the quarter ended 2012 as compared to the pro forma quarter ended March 31, 2011. The increase is due to additions to the administration functions to support the increased customer demand.

Interest expense for the quarter ended March 31, 2012 is related to Sun Well's borrowings on its term loan and revolving credit and lease agreements, which total approximately $20,689 at March 31, 2012. Interest expense in the pro forma quarter ended March 31, 2011 was $372, and includes $255 of interest expense incurred by BNS on $14,000 of debt incurred to consummate the Sun Well acquisition, as well as $117 of interest expense on Sun Well lease debt. The BNS loan was repaid in full in September 2011 and the Sun Well lease debt was repaid prior to BNS's February 2, 2011 acquisition of Sun Well. Other income, net, pro forma, for the quarter ended March 31, 2011 relates to Sun Well's January 2011 termination of a sale and lease back transaction and the reversal of a related deferred gain.

DGT

The Company consolidated DGT effective July 5, 2011, the date that our interest in DGT exceeded 50%. In addition, on November 3, 2011 DGT sold its Medical Systems Group, which comprised approximately 84% of DGT’s net sales of $67,921 for its fiscal year ended July 30, 2011. As a result, the operations of Villa are reflected as discontinued operations in our consolidated financial statements for the three months ended March 31, 2012. For the three months ended March 31, 2012, revenues and pretax loss from continuing operations reported in our consolidated financial statements relating to DGT were $3,033 and $381, respectively.

Income of Associated Companies

Income of associated companies included in the Diversified Industrial segment net income from continuing operations includes the following:

	Ownership at March 31, 2012	**Three Months Ended March 31, 2012**	**Three Months Ended March 31, 2011**
DGT [(a)]	51.5%	$ —	$ 524
JPS [(b)]	39.3%	—	—
API [(c)]	32.4%	—	359
SLI [(d)]	21.7%	3,339	761
Steel Excel [(e)]	40.3%	17,538	—
		$ 20,877	$ 1,644

(a) Effective July 5, 2011, we consolidated DGT. Prior to this date the investment in DGT was accounted for under the equity method.

(b) JPS was an Associated Company through 2011 and on December 31, 2011 the Company discontinued the equity method of accounting and reclassified JPS to Investments at fair value and began classifying JPS as an available for sale security. No income or loss was recorded in Q1 2011, as the information was not available.

(c) Effective December 31, 2011 the Company began classifying API as Investments at fair value and continues to report changes in fair value in the consolidated statement of operations.

(d) Associated company.

(e) Effective January 1, 2012, Steel Excel was reclassified from Corporate to the Diversified Industrial segment due to recent acquisitions of oil field servicing companies.

Income from investments held at fair value

Income from investments held at fair value represents the increase in fair value of API during the three months ended March 31, 2012. Prior to January 1, 2012, the Company's investment in API was accounted for as an associated company. For additional information see Note 5 - "Investments in Associated Companies" to the SPH financial statements found elsewhere in this Form 10-Q.

Financial Services Segment

The Financial Services segment, for financial reporting purposes, consists of our consolidated and wholly-owned subsidiary WebBank (which operates in niche banking markets), and WF Asset Corp (which consists of a portfolio of investments). WebBank provides commercial and consumer loans and services. WebBank's deposits are insured by the FDIC, and the bank is examined and regulated by the FDIC and UDFI.

The following presents a summary of the Financial Services segment:

	Three Months Ended March 31,	
	2012	**2011**
Revenue:		
Interest income (including fees)	$ 2,981	$ 2,179
Non-interest income	1,055	1,082
	4,036	3,261
Costs and expenses:		
Interest	281	215
(Recovery of) provision for loan losses	(145)	116
Selling, general and administrative expenses	1,604	1,795
	1,740	2,126
Net income from continuing operations before taxes	$ 2,296	$ 1,135

Interest Income

Interest income increased by $802, or 36.8%, in the three months ended March 31, 2012, compared to the three months ended March 31, 2011, due primarily to the growth in one of the Banks' lending programs.

Noninterest Income

Noninterest income decreased $27, or 2.5% for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, due primarily to the termination of a lending program, partially offset by gains on sale of other real estate owned.

Interest Expense

Interest expense represents interest accrued on WebBank depositor accounts. Interest expense increased $66, or 30.7%, for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, largely due to growth in average deposits, partially offset by a decrease in average interest rates on certificates of deposits.

(Recovery of) Provision for Loan Losses

At March 31, 2012, WebBank had an estimated $3,762 of impaired loans (of which $2,349 is guaranteed by the USDA or SBA) and an allowance for loan losses of $450.

The (recovery of) provision for loan losses is primarily related to WebBank's portfolio of local real estate loans. WebBank routinely obtains appraisals on underlying collateral of nonperforming loans and records a provision for losses if the value of the collateral declines below the value of the loans. WebBank recorded a reduction of provision for loan losses of $145 for the three months ended March 31, 2012, compared to an expense of $116 for the three months ended March 31, 2011. During the first quarter of 2012, WebBank was able to continue to recover previously charged off loans and effectively reduce the loans portfolio by $4,778 as compared to March 31, 2011.

Selling General and Administrative Expenses

The decrease in SG&A expenses of $191, or 10.6%, for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, was due primarily to a benefit of $110 recorded in the three months ended March 31, 2012

related to the reserve for off balance sheet credit exposures, a recovery of legal expenses of $20 for the three months ended March 31, 2012 compared to legal expenses of $81 for the three months ended March 31, 2011, partially offset by an increase in personnel and occupancy expense for the three months ended March 31, 2012.

Corporate and Other

The following presents a summary of Corporate and Other:

	Three Months Ended March 31,	
	2012	2011
Revenue:		
Investment and other income	$ 116	$ 374
Net investment gains	2,339	13,058
	2,455	13,432
Costs and expenses:		
Interest	38	131
Selling, general and administrative expenses	3,128	1,125
Management fees - related party	1,559	2,167
Increase in deferred fee liability to related party	11,762	489
Other income	(452)	—
	16,035	3,912
(Loss) income from continuing operations before income (loss) from equity method investments and investments held at fair value	(13,580)	9,520
Income of associated companies	29,663	214
Loss from other investments - related party	(10,800)	(8,284)
Income (loss) from investments held at fair value	96	(1,564)
Net income (loss) from continuing operations	$ 5,379	$ (114)

Revenue

Investment and other income is often based on a limited number of transactions, the timing and amounts of which are not always predictable. Net investment gains (losses) include realized gains and losses on sales of securities and write-downs of investments available-for-sale when there is deemed to be an other than temporary impairment. The Company's decision to sell securities and realize gains or losses generally includes its evaluation of strategic considerations, an individual security's value at the time and the prospect for changes in its value in the future. The timing of realized investment gains or losses is not predictable and does not follow any pattern from year to year. Interest and dividend income will vary depending on the type and amount of securities held from year to year.

Investment and other income was $116 for the three months ended March 31, 2012 compared to $374 in the same period last year. The decrease in 2012 was primarily due to lower interest income.

Net investment gains for the three months ended March 31, 2012 was $2,339 compared to $13,058 in the same period of 2011. The decrease was due to higher gains in the three months ended March 31, 2011 from the sale of certain available-for-sale securities as well as gains on certain derivative investments.

Interest Expense

In the ordinary course of business the Company may sell securities short and enter into foreign currency transactions which, in effect, in certain circumstances, may represent borrowings from the counterparty. Interest expense represents interest and other fees on such transactions.

Selling, General and Administrative Expenses

SG&A expenses consist primarily of legal, accounting, audit, tax, professional fees and common unit option expense. SG&A expenses increased to $3,128 in the three months ended March 31, 2012, from $1,125 in the three months ended March 31, 2011. The increase is primarily due to approximately $1,700 reduction of option expense recorded in the first quarter of 2011(see Note - 17 "Capital and Accumulated Other Comprehensive (Loss) Income" to the SPH financial statements found elsewhere in this Form 10-Q) as well as higher professional fees incurred in the three months ended March 31, 2012.

Management Fees to Related Party

Under a management agreement with the Manager effective January 1, 2009 and amended July 15, 2009, SPH paid a monthly management fee based on 1.5% per annum of the net asset value of the Company's common units. Effective January 1, 2012, SPH is paying a quarterly Management Fee at a rate of 1.5% of total partner's capital, payable on the first day of each quarter and subject to quarterly adjustment. SPH also reimburses the Manager for any costs it incurs on behalf of the Company or in connection with its provision of services under the management agreement. For additional information, see Note 14 – "Related Party Transactions" to the SPH financial statements found elsewhere in this Form 10-Q.

Increase in Deferred Fee Liability to Related Party

Increase in deferred fee liability to related party is an expense that arose beginning July 16, 2009 as a result of the assumption in connection with the Exchange Transaction of an obligation pursuant to a deferred fee agreement due to WGL, an affiliate of the Manager ("Deferred Fee Liability"). The increase in Deferred Fee Liability to related party of $11,762 recorded in the first three months of 2012 was due to an increase in an index related to the value of SPH. On April 11, 2012, the Company and WGL terminated the Investor Services Agreement, dated as of July 15, 2009, by mutual consent. As a result of the termination of the Investor Services Agreement the full amount in the Deferred Fee Liability became immediately payable. For additional information, see Note 23 - "Subsequent Events" to the SPH financial statements found elsewhere in this Form 10-Q.

Income of Associated Companies

Income (loss) of associated companies included in the Corporate and Other segment is as follows:

	Ownership at March 31,	Three Months Ended March 31,	
	2012	2012	2011
Steel Excel(a)	40.3%	$ —	$ 359
Cosine	47.0%	(97)	(145)
Fox & Hound (b)	43.6%	29,760	—
		$ 29,663	$ 214

(a) Effective January 1, 2012, Steel Excel was reclassified to the Diversified Industrial segment due to recent acquisitions of oil field servicing companies.
(b) Fox & Hound became an associated company in the first quarter of 2012 (see Note 5 - "Investments in Associated Companies" to the SPH financial statements found elsewhere in this Form 10-Q).

Loss From Other Investments - Related Party

Loss from other investments - related party includes income or loss we recognize on our 43.75% investment in each series of the SPII Liquidating Trust (for additional information see Note 6 - "Investments" of the SPH financial statements found elsewhere in this Form 10-Q). The Company elected to account for its investments in each series of the SPII Liquidating Trust under the equity method at fair value beginning July 16, 2009, the date these investments became subject to the equity method. Unrealized gain/loss on each series of the SPII Liquidating Trust is reported in the consolidated statement of operations. The loss in the first three months of 2012 was primarily due to series of the SPII Liquidating Trust that holds an interest in Fox & Hound. On March 19, 2012, in conjunction with a long-term refinancing of its debt, Fox & Hound issued new common equity. As a result of the transaction, our interest in Fox & Hound through the SPII Liquidating Trust was diluted and reduced by approximately $11,200, which in included in Loss from other investments in our consolidated statement of operations.

Income (Loss) From Investments Held at Fair Value

Income (loss) from investments held at fair value includes income or loss that the Company recognizes on its direct investment in Barbican.

Income Taxes

As a limited partnership, we are generally not responsible for federal and state income taxes and our profits and losses are passed directly to our limited partners for inclusion in their respective income tax returns. Provision has been made for federal, state, local or foreign income taxes on the results of operations generated by our corporate subsidiaries and these are reflected within continuing and discontinued operations. The difference between the effective tax rate and statutory federal rate of 35% is principally due to changes in the valuation allowances and partnership income not subject to taxation.

For the three months ended March 31, 2012, a tax provision of $1,872 was recorded, and for the three months ended March 31, 2011, a tax benefit from continuing operations of $5,607 was recorded. The Company's tax provision represents the income tax expense or benefit of its consolidated subsidiaries, principally for state and foreign income taxes. The Company has recorded deferred tax valuation allowances to the extent that it believes that it is more likely than not that the benefits of its deferred tax assets will not be realized in future periods. Included in the Company's tax benefit for the three months ended March 31, 2011 is $7,957 from the release of BNS's valuation allowance relating to NOL's.

Other Comprehensive Income

Other comprehensive income primarily represents the net unrealized gains and unrealized losses during the period on available-for-sale securities held at the end of each reporting period, adjusted for the reversal of unrealized gains and unrealized losses recognized in prior periods on available-for-sale securities sold during the period. Approximately $5,291 and $5,399 of the other comprehensive income recorded for the three months ended March 31, 2012 and 2011, respectively, was related to unrealized gains on available-for-sale securities.

FINANCIAL CONDITION

Cash Flow Summary

	Three Months Ended March 31,	
	2012	2011
Net cash provided by (used in) operating activities	$ 12,124	$ (27,131)
Net cash provided by (used in) investing activities	29,004	(24,352)
Net cash provided by financing activities	2,719	3,586
	$ 43,847	$ (47,897)

Cash Flows from Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2012 was $12,124. Net income of $50,138 was partially offset by a decrease of $4,111 relating to changes in operating assets and liabilities. Of this working capital decrease, $18,535 was from an increase in accounts receivable and $4,453 was from an increase in inventories, partially offset by an increase in accounts payable and accrued and other liabilities of $10,823 and a net decrease in loans held for sale of $8,539. Net income was also impacted by $11,762 relating to the increase in the Deferred Fee Liability to related party and $610 relating to net cash provided by operating activities of discontinued operations. The increase in accounts receivable relates primarily the increase in sales by HNH during the first three months of 2012 compared to the same period last year.

Net cash used in operating activities for the three months ended March 31, 2011 was $27,131. Net income of $15,131 was offset by a decrease of $36,642 relating to changes in operating assets and liabilities (of which $21,324 was from an increase in accounts receivable, $1,137 was from a decrease in accounts payable and accrued and other liabilities, $7,599 was due to an increase in inventories and $7,630 was due to a net increase in loans held for sale). In addition, net cash used by operating activities of discontinued operations was $2,654.

Cash Flows from Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2012 was $29,004. Significant items included proceeds from the sale of discontinued operations of $22,761 and net proceeds from sales of investments of $23,173, which were partially offset by investments in associated companies of $10,923, which represents our indirect investment in Fox & Hound, and purchases of property plant and equipment of $6,554.

Net cash used in investing activities for the three months ended March 31, 2011 was $24,352. Significant items included acquisitions, net of cash acquired of $57,414 and release of restricted cash relating primarily to closing out foreign currency financial instruments of $5,692. These decreases in cash were partially offset by net proceeds received from the sale of investments of $20,356, and proceeds received from the sale of discontinued operations of $26,543.

Cash Flows from Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2012 was $2,719. This was due primarily to net revolver borrowings of $13,473, partially offset by lower bank deposits held by WebBank of $4,031, net change in overdrafts of $2,808 and net repayments of term loans of $586.

Net cash provided by financing activities for the three months ended March 31, 2011 was $3,586. This was due to net proceeds from term loans and short term debt of $4,485 and the net change in overdrafts of $2,804, partially offset by lower bank deposits held by WebBank of $3,180.

Liquidity and Capital resources

Holding Company

SPH, excluding its operating subsidiaries, the “Holding Company,” is a global diversified holding company whose assets principally consist of the stock of its direct subsidiaries, cash and cash equivalents and other non-controlling investments in debt and equity securities. The Holding Company continuously evaluates the retention and disposition of its existing operations and investments and investigates possible acquisitions of new businesses in order to maximize unitholder value. Accordingly, further acquisitions, divestitures, investments and changes in capital structure are possible. Its principal potential sources of funds are available cash resources, investments, borrowings, public and private capital market transactions, repayment of subsidiary advances, distributions or dividends from subsidiaries, as well as dispositions of existing businesses and investments. The Holding Company’s investments are subject to changes that may result in amounts realized from any future sales that are, at times significantly different from the value we are reporting at March 31, 2012. These investments, including those accounted for under the equity method, can be impacted by market conditions, changes in the specific business environments of our investees or by the underlying performance of these businesses.

In addition to cash and cash equivalents, the Holding Company considers investments at fair value included in its consolidated balance sheet as being generally available to meet its liquidity needs. Investments at fair value are not as liquid as cash and cash equivalents, but they are generally convertible into cash within a reasonable period of time. As of March 31, 2012, the Holding Company had cash and cash equivalents of $27,078 and investments of $110,815. The Holding Company had $24,314 of restricted cash which serves as collateral with respect to foreign currency financial instruments. The Holding Company is not able to use these funds for other purposes, and the Holding Company does not consider this amount to be available to meet its liquidity needs.

The Holding Company generally does not have access to the cash flow generated by the Company’s operating businesses for its needs, and the operating businesses generally do not rely on the Holding Company to support their operating activities. The Holding Company’s available liquidity, and the investment income realized from the Holding Company’s cash, cash equivalents and marketable securities is used to meet the Holding Company’s recurring cash requirements, which are principally the payment of its overhead expenses. Prior to March 31, 2012, the Holding Company’s only long-term cash requirement was the payment of the Deferred Fee Liability which was valued at $70,508 as of March 31, 2012. On April 11, 2012, the Company and WGL terminated the Investor Services Agreement, dated as of July 15, 2009, by mutual consent. As a result of the termination of the Investor Services Agreement the full amount in the Deferred Fee Liability became immediately payable - see Note 14 - "Related Party Transactions". Instead of receiving the deferred fee in cash, WGL has elected for the total amount to be paid in common units of the Company. Under the Deferred Fee Agreement, the number of common units to be issued is determined by applying a 15% discount to the market price of the common units, which represents the fair value of the common units giving effect to the discount for lack of marketability. As a result, 6,403,002 Class B common units were issued

to WGL on April 11, 2012, subject to adjustment as of March 31, 2012. These Class B common units have the same rights as the common units, except that they may not be sold in the public market until the capital account allocable to such Class B common units is equal to the capital account allocable to the common units. On May 11, 2012, the Company issued an additional 536,645 Class B common units to WGL reflecting an adjustment based on the deferred fee liability as of March 31, 2012. In connection with the termination of the Investor Services Agreement,WGL agreed not to sell any of the common units issued as payment for the deferred fee during the one year period following the Termination Date. The Holding Company also provides a $4,000 line of credit to WebBank, which was undrawn as of March 31, 2012.

The Holding Company and its operating businesses may use their available liquidity to make acquisitions of new businesses and other investments, but, the timing and cost of any future investments cannot be predicted. The Company may seek external debt or equity financing and will rely on its existing liquidity to fund corporate overhead expenses, the payment of the Deferred Fee Liability, and new acquisition opportunities. It may also dispose of existing businesses and investments.

At March 31, 2012, the Holding Company and its consolidated subsidiaries had, in the aggregate, cash and cash equivalents of $171,042 available for operations in the ordinary course of business and for the acquisition of interests in businesses. In addition, a portion of the Holding Company's investments at fair value, as may be determined from time to time not to be strategic, are also available to be sold and the proceeds of which may be used acquire interests in other businesses and finance operations in the ordinary course.

As of March 31, 2012, SPH's associated companies, without giving effect to SPH's ownership share of such companies, had, in the aggregate, approximately $301,000 of cash and marketable securities (including approximately $269,000 related to Steel Excel) available for operations in the ordinary course of business and potential acquisition of businesses. SPH does not have control of or access to this cash and marketable securities.

Discussion of Segment Liquidity and Capital Resources

Diversified Industrial

HNH

As of March 31, 2012, HNH's current assets totaled $192,348, its current liabilities totaled $122,059, and its working capital was $70,289, as compared to working capital of $70,069 as of December 31, 2011.

HNH generated $646 of positive cash flow from operating activities in the three months ended March 31, 2012 and $18,824 of cash used in operating activities in the comparable 2011 period. The increase in cash flow from operations was principally attributable to a lower use of working capital during the three months ended March 31, 2012. In our consolidated financial statements we recorded pre-tax income of $8,812 relating to HNH from continuing operations and $8,143 of net income from continuing operations for the three months ended March 31, 2012.

For HNH, the parent company, sources of cash flow consist of its cash on-hand, distributions from its principal subsidiary, H&H Group, and other discrete transactions. H&H Group's credit facilities restrict H&H Group's ability to transfer any cash or other assets to HNH, subject to the following exceptions: (i) unsecured loans for required payments to the WHX Pension Plan, a defined benefit pension plan sponsored by HNH, (ii) payments by H&H Group to HNH for the payment of taxes by HNH that are attributable to H&H Group and its subsidiaries, and (iii) unsecured loans, dividends or other payments for other uses in the aggregate principal amount, together with the aggregate amount of all other such loans, dividends and payments, not to exceed $60,000 in the aggregate (a portion of which has been used). These exceptions are subject to the satisfaction of certain conditions, including the maintenance of minimum amounts of excess borrowing availability under the credit facilities. H&H Group's credit facilities are collateralized by first priority liens on substantially all of the assets of H&H Group and its subsidiaries.

The ability of H&H Group to draw on its U.S. revolving line of credit under the Wells Fargo Facility (the "First Lien Revolver") is limited by its borrowing base of accounts receivable and inventory. As of March 31, 2012, HNH's availability under the First Lien Revolver was $46,500.

There can be no assurances that H&H Group will continue to have access to its lines of credit if financial performance of its subsidiaries do not satisfy the relevant borrowing base criteria and financial covenants set forth in the applicable financing agreements. If H&H Group does not meet certain of its financial covenants or satisfy the borrowing base criteria, and if it is unable to secure necessary waivers or other amendments from the respective lenders on terms acceptable to management, its

ability to access available lines of credit could be limited, its debt obligations could be accelerated by the respective lenders, and liquidity could be adversely affected.

BNS

As of March 31, 2012, BNS current assets totaled $17,600 and its current liabilities were $10,700, for a working capital of $6,900 as compared to working capital of $6,200 at December 31, 2011. The increase in working capital is due primarily to increase in trade receivables, from $7,700 at December 31, 2011 to $8,600 at March 31, 2012, as increases in cash and equivalents offset increases in current liabilities from December 31, 2011 to March 31, 2012.

Sun Well entered into a credit agreement with Wells Fargo Bank, National Association in June 2011 that included a $20,000 term loan and a revolving line of credit for up to $5,000. The term loan is repayable in $1,000 quarterly installments from September 30, 2011 through June 30, 2015. The balance of the term loan at March 31, 2012 was $18,000, of which $4,000 is shown as a current liability. Sun Well borrowed $1,000 on the revolving line of credit during the quarter ended March 31, 2012.

Sun Well uses capitalized lease obligations to fund a portion of its capital acquisitions. At March 31, 2012, capitalized lease obligations were $1,700 as compared to $1,800 at December 31, 2011.

BNS source of cash flows are the cash flows generated by Sun Well. Sun Well uses its operating cash flows as well as the borrowings under its term loan and borrowings under capital leases to fund its operations and its debt obligations. The loan is secured by the assets of Sun Well and limits the amount of cash that it can distribute to BNS in the form of loans or dividends. The line of credit availability is limited based on Sun Well's borrowing base assets (primarily accounts receivable), and is only available if Sun Well is in compliance with the terms of its loan agreements and has sufficient borrowing base assets. There can be no assurances that Sun Well will continue to have access to its line of credit if its financial performance does not satisfy the relevant borrowing base criteria and financial covenants set forth in the applicable financing agreement. If Sun Well does not meet certain of its financial covenants or satisfy the borrowing base criteria in its credit facilities, and if it is unable to secure necessary waivers or other amendments from the respective lenders on terms acceptable to Sun Well, its ability to access available lines of credit could be limited, its debt obligations could be accelerated by the respective lenders, and liquidity could be adversely affected.

BNS expects that it will be able to fund its activities in the ordinary course of business over at least the next twelve months.

DGT

At January 28, 2012, its most recent fiscal period reported to the SEC on Form 10-Q, DGT had $43,300 in cash and cash equivalents. As discussed below, on November 3, 2011 DGT received $27,300 in connection with the sale of Villa. DGT’s sources of capital include, but are not limited to, cash flow from operations and short-term credit facilities. DGT believes that available short-term and long-term capital resources are sufficient to fund DGT’s working capital requirements, scheduled debt payments, interest payments, capital expenditures and income tax obligations for the next 12 months.

During its fiscal year ended July 30, 2011, DGT completed a Rights Offering which provided $14,300, net of expenses. DGT also received proceeds of $2,500 for a mortgage on its Bay Shore, NY facility. In addition, approximately $2,400 of long-term debt was repaid, including the approximately $1,000 for the purchase price of the manufacturing facility in Milan, Italy at the conclusion of its lease in April 2011.

On September 12, 2011, DGT entered into a share purchase agreement with VIV s.r.l., a limited liability company incorporated under Italian law (“VIV”), pursuant to which DGT agreed to sell all of the shares of its Italian subsidiary, Villa, its medical and dental imaging systems segment, to VIV, subject to the terms and conditions set forth therein. The sale was consummated on November 3, 2011. As a result, the operations of Villa are reflected as discontinued operations in our consolidated financial statements for the period from July 5, 2011. In conjunction with the sale, immediately prior to the sale, Villa paid a dividend to DGT in the amount of $4,538. In consideration for the sale of the shares of Villa to VIV, DGT received $22,761 in cash and an unsecured subordinated promissory note (the “Note”) made by VIV in the amount of €500. The Note has a term of 5 years with interest accruing at a rate of 6% per annum beginning 18 months after issuance. The Note may be prepaid at any time and if prepayment in full occurs during the first 18 months following the date of issuance, the total principal amount will be reduced to €400. Payment of the Note will be subordinated to the repayment of the loan extended to VIV by Banca Intesa to provide financing for the Villa Sale.

Financial Services

WebBank manages its liquidity to provide adequate funds to meet anticipated financial obligations such as certificate of deposit maturities and to fund customer credit needs. WebBank had $84,529 and $77,285 in cash at the Federal Reserve Bank and in its Fed Funds account at its correspondent bank at March 31, 2012 and December 31, 2011, respectively. WebBank had $6,500 and $5,500 in lines of credit from its correspondent banks at March 31, 2012 and December 31, 2011, respectively. WebBank had $2,206 and $2,115 available from the Federal Reserve discount window at March 31, 2012 and December 31, 2011, respectively. Additionally, WebBank has available a $4,000 line of credit from the Holding Company at March 31, 2012 and December 31, 2011. WebBank had a total of $97,235 and $88,900 in cash, lines of credit, and access to the Federal Reserve Bank discount window at March 31, 2012 and December 31, 2011, respectively, which represents approximately 79% and 71%, respectively, of WebBank's total assets.

Contractual Commitments and Contingencies

On March 31, 2012, Steel Partners, Ltd., an affiliate of the Manager, assigned its right and title to its New York City office lease to SPH Services. In connection with the assignment, Steel Partners, Ltd. remitted $3,286 to SPH Services, subject to adjustment, which represents the present value of the lease payment obligations over the fair value of the leased facilities through June 30, 2015, the expiration date of the lease, given current market conditions. The total payments under the lease through June 30, 2015, including base rent and operating expense and real estate tax escalations, is approximately $7,400. Sublease rental receipts for the period aggregate $795.

On April 11, 2012, the Company and WGL terminated the Investor Services Agreement, dated as of July 15, 2009, by mutual consent. As a result of the termination of the Investor Services Agreement the full amount in the Deferred Fee Liability became immediately payable - see Note 14 - "Related Party Transactions". The deferred fees are recorded as a liability by the Company with a fair value of approximately $70,508 as of March 31, 2012. Instead of receiving the deferred fee in cash, WGL has elected for the total amount to be paid in common units of the Company. Under the Deferred Fee Agreement, the number of common units to be issued is determined by applying a 15% discount to the market price of the common units. As a result, 6,403,002 Class B common units were issued to WGL on April 11, 2012, subject to adjustment as of March 31, 2012. On May 11, 2012, the Company issued an additional 536,645 Class B common units to WGL reflecting an adjustment based on the deferred fee liability as of March 31, 2012.

There were no other material changes in our contractual obligations or any other liabilities reflected on our consolidated balance sheet as of March 31, 2012 as compared to those reported in our 2011 Form 10-K.

Off-Balance Sheet Risk

We have off-balance sheet risk related to certain financial instruments, including futures, options, securities sold, not yet purchased and undisbursed loan commitments. For additional information regarding these arrangements, refer to Note 8 - “Financial Instruments,” to the consolidated financial statements contained in this Form 10-Q.

Critical Accounting Policies and Estimates

There were no material changes to our critical accounting policies and estimates during the three months ended March 31, 2012 compared to those reported in our 2011 Form 10-K.

Recent Accounting Standards

See Note 2- “Recently Adopted Accounting Standards” to the SPH financial statements found elsewhere in this Form 10-Q for information on recent accounting standards.

Special Notes Regarding Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including, in particular, forward-looking statements under the headings “Item 7- Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements appear in a number of places in this report and include statements regarding the Company’s intent, belief or current expectations with respect to (i) its financing plans, (ii) trends affecting its financial condition or results of operations, and (iii) the impact of competition. The words “expect,” “anticipate,”

"intend," "plan," "believe," "seek," "estimate," and similar expressions are intended to identify such forward-looking statements; however, this report also contains other forward-looking statements in addition to historical information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the Company's exposure to market risk during the first three months of 2012. For a discussion of the Company's exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act we conducted an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of March 31, 2012 our disclosure controls and procedures are effective in ensuring that all information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are parties in a variety of legal actions arising out of the normal course of business. For further information regarding our legal proceedings, see our Legal Proceedings set forth in Note 22 - "Commitments and Contingencies," to the consolidated financial statements included in Part I of this Report.

Item 1A. Risk Factors

There have been no material changes with respect to risk factors as previously disclosed in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2011.

Item 5. Other Information

On May 10, 2012, the Company's Board of Directors approved an increase in the salary to be paid by SP Corporate to James F. McCabe, Jr., the chief financial officer of the Company's general partner, effective as of February 1, 2012. As a result, Mr. McCabe's base salary will be $400,000 per year. In addition, the Company's Board of Directors awarded a bonus of $85,000 to Mr. McCabe.

On May 10, 2012, the Company, SPH Group LLC, a wholly owned subsidiary of the Company, and SPGS entered into that certain Fourth Amended and Restated Management Agreement, effective as of January 1, 2012, to clarify the manner in which the annual incentive fee is calculated. Warren G. Lichtenstein, the Chairman and Chief Executive Officer of the Company's general partner, is the Chief Executive Officer of the SPGS. Jack L. Howard, the President of and a member of the Board of Directors the Company's general partner, is the President of SPGS. James F. McCabe, Jr., the Chief Financial Officer of the Company's general partner, is also the Chief Financial Officer of SPGS.

On May 11, 2012, the Company issued 536,645 Class B common units to WGL reflecting an adjustment in the number of units to be issued to WGL based on the deferred liability as of March 31, 2012 in connection with the termination of the Investor Services Agreement.

Item 6. Exhibits

Exhibit No.	Description
Exhibit 10.1	Employment Agreement by and among WHX Corporation, Handy & Harman, and James McCabe, Jr. dated as of February 1, 2007.
Exhibit 10.2	Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 1, 2009.
Exhibit 10.3	Second Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 4, 2009.
Exhibit 10.4	Fourth Amended and Restated Management Agreement by and among Steel Partners Holdings L.P., SPH Group LLC and SP General Services LLC, dated as of May 11, 2012.
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) of the Securities Exchange Act of 1934.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) of the Securities Exchange Act of 1934.
Exhibit 32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and Rule 13a-14(b) of the Securities Exchange Act of 1934.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and Rule 13a-14(b) of the Securities Exchange Act of 1934.
Exhibit 101.INS (1)	XBRL Instance Document
Exhibit 101.SCH (1)	XBRL Taxonomy Extension Schema
Exhibit 101.CAL(1)	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.DEF (1)	XBRL Taxonomy Extension Definition Linkbase
Exhibit 101.LAB (1)	XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase

(1) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 15, 2012

STEEL PARTNERS HOLDINGS L.P.

By: Steel Partners Holdings GP Inc.
Its General Partner

By: /s/ James F. McCabe, Jr.
James F. McCabe, Jr.
Chief Financial Officer
(Principal Accounting Officer)

Exhibit 10.1

**Employment Agreement by and among WHX Corporation,
Handy & Harman, and James McCabe, Jr. dated as of February 1, 2007**

THIS AGREEMENT, dated and effective as of February 1, 2007, is entered into by and among WHX CORPORATION ("WHX"), a corporation organized under the laws of the State of Delaware, HANDY & HARMAN ("H&H"), a corporation organized under the laws of the State of New York, each with principal offices located at
555 Theodore Fremd Avenue, Rye, New York 10580 (collectively, the "Companies"), and JIM MCCABE (the "Executive"), an individual with a residence at 1363 Worthington Court, Ambler PA.

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as
follows:

1. EMPLOYMENT; TERM.

a) Executive's employment with each of the Companies shall begin thirty (30) days following notice from the Companies that Executive has satisfied all of the conditions of the offer and Executive has been provided a mutually agreed-upon employment agreement that has been executed by the Companies (the "Effective Date") pursuant to the terms and conditions contained herein. The Executive shall hold the office of Senior Vice President of each of the Companies. The Executive shall perform all the duties consistent with these positions as set forth in each of the Companies' By-Laws, as well as any other duties commensurate with the Executive's positions that are assigned to the Executive from time to time by the respective Board of Directors of each of the Companies (the "Boards").

The Executive shall devote his full working time, attention and energies to the business of each of the Companies and shall not, during the term of this Agreement, be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage;
however, this shall not be construed as preventing the Executive from investing his personal assets in any business or venture which does not compete, directly or indirectly, with either of the Companies in any manner, in such form or manner as will not require any services on the part of the Executive in the
operation of the affairs of the entities in which such investments are made and in which the Executive's participation is solely that of an investor, and the Executive may purchase securities in any corporation for which securities are regularly traded, provided, that such purchase shall not result in the Executive
beneficially owning at any one time one percent (1%) or more of the equity securities of any corporation engaged in a business directly competitive with either of the Companies.

b) The term of this Agreement shall commence on the Effective Date and shall continue in full force and effect until the first anniversary of the Effective Date, at which time, and on each anniversary of the Effective Date thereafter, the term of this Agreement shall be extended for a one (1) year period until the next anniversary thereafter (such period, as it may be extended from time to time, the "Term"), unless one party hereto shall provide notice of termination to the other party hereto no less than thirty (30) days prior to such anniversary or on such earlier date as this Agreement is terminated in accordance with the provisions set forth below.

2. COMPENSATION. Subject to the terms and conditions of this Agreement, the Companies shall collectively pay to the Executive, as aggregate compensation for the duties to be performed by the Executive under this Agreement, the following:

a) A base salary of not less than $300,000 per annum, to be paid in equal installments no less frequently than monthly.

b) The Executive shall also be entitled to such annual bonus, if any, as the Board or the Compensation Committee of WHX, in its sole and absolute discretion, shall determine, in accordance with the terms of any bonus plan of each of the Companies applicable to Executive. The bonus for 2007 will not be less than $100,000 as long as the Executive has not been terminated for Cause (as defined in Section 5(a) below) or terminated his employment pursuant to Section 6(b) below, prior to April 1, 2008.

c) WHX agrees to grant Executive 50,000 options (the "Options") to purchase WHX's common stock, pursuant to the draft 2007 WHX Corporation Incentive Stock Plan (the "Plan"). Such Options shall be made available to Executive as soon as practicable (but in no event earlier than WHX's receipt of shareholder approval for the Plan and the filing of a Registration Statement on Form S-8 registering the securities to be issued thereunder), and if such approval and registration has not been obtained on or prior to September 30, 2007, , then Executive shall be issued 50,000 "phantom" options in lieu of such Options at that time, with such "phantom" options to have the same strike price and vesting provisions as the Options would have had on September 30, 2007 had the Plan been approved by WHX's shareholders as of that date. If, however, WHX issues "phantom" options to other executives of the Companies generally on a different date, then the date above of September 30, 2007 shall be deemed to have been changed to such other date.

3. VACATION. The Executive shall be entitled to vacation, with pay, of four (4) weeks in each calendar year. This vacation time shall be pro-rated for partial employment in the final calendar year of employment.

4. BENEFITS. The Executive shall receive the benefits made available to executives of each of the Companies, including without limitation the following:

a) Health insurance coverage, if and to the extent provided to all other employees of each of the Companies;

b) A temporary living allowance of $3,400 per month through February 2009 and a car allowance of $600.00 per month; and

c) Life insurance, disability insurance and 401-K benefits, if and to the extent provided to executives of either of the Companies (excluding any benefits anyone else is entitled to under any supplemental executive retirement program).

Executive acknowledges that to the extent that any of the compensation and benefits described herein constitute wages or other taxable income to the Executive, such wages or other taxable income shall be subject to applicable income and employment tax withholding, as required.

5. TERMINATION OF AGREEMENT BY EACH OF THE COMPANIES. This Agreement may be terminated by either of the Companies by providing notice to the Executive pursuant to Section 12 below upon the occurrence of any of the following:

a) For Cause (as defined below);

b) Death of the Executive;

c) Disability (as defined below) of the Executive; or

d) Without Cause.

The term "Cause," as used herein, means: (i) the Executive's engaging in conduct which is materially injurious to either of the Companies or any of their respective customer or supplier relationships, monetarily or otherwise; (ii) the Executive's engaging in any act of fraud, misappropriation or embezzlement or sexual or other harassment of any employee of either of the Companies; (iii) the Executive's engagement in any act which would or does constitute a felony; (iv) the willful or continued failure by the Executive to substantially perform his duties, including, but not limited to, willful misconduct, gross negligence or other acts of dishonesty; or (v) the Executive's material violation or breach of this Agreement.

The term "Disability," as used herein, means the Executive's absence from the full-time performance of his duties hereunder for a period of at least ninety (90) days, whether or not consecutive, within any twelve (12) consecutive month period as a result of any incapacity due to physical or mental illness. If the Agreement is terminated pursuant to Sections 5 (a), (b), or (c), then Executive shall be entitled to receive from each of the Companies the aggregate of any due but unpaid compensation through the date of termination; if pursuant to Section 5(b), all life insurance proceeds to which his estate is entitled pursuant to any life insurance program maintained by either of the Companies in which he is a participant; if pursuant to Section 5(c), any disability insurance payments to which he is entitled pursuant to any disability insurance program maintained by either of the Companies in which he is a participant; and any expenses incurred and submitted for reimbursement, in accordance with Section 8, but not paid prior to such termination. Executive shall receive no further benefits or compensation, except as required by law.

6. TERMINATION OF AGREEMENT BY THE EXECUTIVE.

a) This Agreement may be terminated by the Executive by providing written notice to either of the Companies within sixty (60) days following a Material Diminution (as defined below) of the Executive's position, duties, responsibilities or base salary compensation with either of the Companies or the relocation of WHX's headquarters to a location more than 50 miles from Rye, New York (a "Material Diminution or Relocation Termination Election"). In the case of a Material Diminution or Relocation Termination Election by the Executive, such Company or Companies shall have ten (10) business days following their receipt of written notice of termination from the Executive to cure such Material Diminution or Relocation. In the case of a Material Diminution or Relocation Termination Election, if such Company or Companies do not cure such Material Diminution or Relocation within the ten (10) business days following its receipt of such Material Diminution or Relocation Termination Election from the Executive, pursuant to this Section, termination of Executive's employment shall be effective at the end of such ten (10) business day period.

"Material Diminution" shall only mean a situation in which the Executive is no longer employed as the Senior Vice President of both of the Companies, or employed or offered employment in substantially equivalent positions of substantially equivalent companies, regardless of what, if any, additional positions Executive may from time to time hold or not hold with each of the Companies or its subsidiaries or affiliates, or the material diminution of the duties or responsibilities commensurate with the position of Senior Vice President of the Companies, or a reduction of the Executive's base salary compensation below the amount set forth herein.

b) In all other instances, the Executive may voluntarily terminate his employment upon thirty (30) days prior written notice to each of the Companies.

7. SEVERANCE AND OTHER PAYMENTS.

a) In the event the Executive's employment is terminated by either of the Companies pursuant to Section 5(d) of this Agreement, which termination shall include the giving of notice not to extend the Term pursuant to Section 1(b), the Companies collectively agree to pay to the Executive as aggregate compensation: (i) a lump-sum cash payment equal to his then current annual base salary (the "Severance Payment"); (ii) monthly COBRA payments of any health-related benefits (medical, dental, and vision) as are then in effect for either a 12-month period following termination or until the Executive obtains or is eligible for coverage through a subsequent employer, whichever is earlier; (iii) any bonus payment that Executive may be entitled to pursuant to any bonus plans as are then-in-effect; and (iv) a car (not living) allowance, as provided pursuant to Section 4(b), for a one year period after termination. Prior to, and as a precondition to the payment of the Severance Payment, the Executive shall deliver to each of the Companies a general release of each of the Companies, their subsidiaries and affiliates, and each of their officers, directors, employees, agents, successors and assigns (but excluding a release of each of the Companies' continuing obligations under this Agreement and/or pursuant to its continuing indemnification obligations to Executive under their charters, bylaws, resolutions of each of the Board of Directors and under applicable insurance policies), in a form acceptable to each of the Companies and provide a Director Resignation (as defined below), if applicable. The Severance Payment and bonus payment referred to in Section 7(a)(iii) shall be made no later than ten (10) business days following the delivery by the Executive of the release referred to above and the Director Resignation (if applicable), and if said release and the Director Resignation are not so delivered within sixty (60) days of the Executive's receipt of said release (which release shall be delivered promptly to Executive following his termination of employment), then the Executive shall not be entitled to receive any Severance Payment or other benefits described herein. In all other instances, including termination of the

Executive's employment for Cause, termination pursuant to Sections 5(b) or 5(c) above, or if the Executive voluntarily leaves the employment of each of the Companies (other than for a reason set forth in Section 6(a) above), the Executive shall not be eligible or entitled to, and neither of the Companies shall be obligated to make, any payment following the Executive's termination, including the Severance Payment, except as otherwise provided in Section 5 or Section 7(b), and each of the Companies shall have no further obligations to the Executive including the obligation for a car allowance. Executive agrees that, upon the termination of his employment with each of the Companies, he shall immediately resign his positions, if any, as an officer and director of each of the Companies and each of its subsidiaries (the "Director Resignation").

b) In the event the Executive terminates his employment pursuant to Section 6(a), and either of the Companies does not cure timely the situation as provided in Section 6(a) under which the Executive has elected to terminate his employment, then the Executive shall be entitled to receive from such Company or Companies the same payments and benefits as provided for in the first sentence of Section 7(a) above, subject to the same terms and conditions set forth for the receipt of such payments and benefits as provided for in Section 7(a) above.

c) The Executive's entitlement to the Severance Payment and other payments listed in the first sentence of Section 7(a) (except for COBRA payments as provided therein), described in Sections 7(a) and 7(b) above, shall not be impacted or otherwise effected by other employment the Executive may obtain and the Executive shall be under no obligation to seek other employment in order to receive such Severance Payment and other payments listed in the first sentence of Section 7(a).

8. EXPENSES.

Any ordinary and necessary expenses reasonably incurred by the Executive in connection with his employment by each of the Companies, and which are directly connected with or pertaining to the furtherance of the business of each of the Companies in accordance with each of the Companies' Travel & Expense Policy, shall be reimbursed to the Executive by each of the Companies, within thirty (30) days from the date of the receipt of an expense report, attaching receipts stating: (i) the amount of such expense; (ii) the time and place that the expense was incurred; (iii) the business purpose of the expense; and (iv) the business relationship to each of the Companies of persons entertained, if any.

9. DISCLOSURE OF INFORMATION.

a) The Executive will not at any time, whether during or after the termination of his employment, divulge, use, furnish, disclose or make available to any person or entity, any non-public information concerning each of the Companies' business, including without limitation, its marketing plans and strategies, pricing policies, planned strategies related to sources of supply, methods of delivery, customer names, purchasing needs and/or priorities of

customers, and the finances or financial information of each of the Companies, so far as such information has come to his knowledge as a result of or subsequent to his employment by each of the Companies, except to the extent that disclosure may be required by law or to the extent that such information is in the public domain through no fault of the Executive. The Executive acknowledges that such information, including without limitation, information regarding each of the Companies' customers, their purchasing needs and priorities, each of the Companies' sources of supply, their business plans and financial condition, is
non-public, proprietary, and confidential and that the disclosure of such information may cause each of the Companies substantial harm. Executive hereby agrees to keep confidential all matters of such nature entrusted to him and agrees not to use or attempt to use any such information in any manner that may
harm or cause injury to each of the Companies. In addition, copies of all data files on Executive's own media must be deleted and a letter stating such must be sent to each of the Companies promptly following the termination of Executive's employment with each of the Companies, but no later than five business days after receiving notice from either of the Companies demanding such deletion.

b) Executive agrees that upon termination of his employment with each of the Companies he will immediately surrender and turn over to each of the Companies all books, forms, records, reports, lists and all other papers and writings, including items storing computer memory (except computer hard drives from which items relating to each of the Companies and its business have been deleted), relating to each of the Companies and their business, and all other property belonging to each of the Companies, it being understood and agreed that the same are solely the property of each of the Companies.

c) The provisions of this Section shall survive the expiration and termination of this Agreement.

10. COVENANTS NOT TO COMPETE OR INTERFERE.

a) During his employment with each of the Companies, and for a one year period following the termination of Executive's employment, the Executive will not (i) directly or indirectly, own an interest in, operate, join, control, or participate in, or be connected as an officer, employee, agent, independent contractor, consultant, partner, shareholder, or principal of any corporation, partnership, proprietorship, firm, association, person, or other entity engaged in a business which sells, manufactures or produces the products sold, manufactured or produced by each of the Companies and/or any of their subsidiaries (the "Products") at the time of the termination of the Executive's employment under this Agreement or which otherwise competes, directly or indirectly, with each of the Companies or their subsidiaries (a "Competing Business"), or (ii) knowingly solicit or accept business for a Competing Business (x) from any customer of each of the Companies, or their subsidiaries, (y) from any former customer of each of the Companies, or their subsidiaries, who purchased any Products during the twelve months preceding the termination of the Executive's employment under this Agreement, or (z) from any prospect of each of the Companies, or their subsidiaries, with whom the Executive met to solicit or with whom the Executive discussed the sale of any Products during the twelve months preceding the termination of the Executive's employment under this Agreement. Executive acknowledges that each of the Companies' sales of the Products is national in scope. Notwithstanding the foregoing, the Executive may own up to 1% of the outstanding common stock of any class of common equity of a publicly traded entity provided the Executive's role with the entity is passive in nature.

b) During his employment with the Company, and for a two year period following the termination of Executive's employment, the Executive will not directly or indirectly, as a sole proprietor, member of a partnership or stockholder, investor, officer or director of a corporation, or as an employee, agent, associate or consultant of any person, firm or corporation, induce or solicit, or attempt to induce or solicit, any employee of either of the Companies or its subsidiaries or affiliates to terminate his or his employment with either of the Companies or in any way interfere with the relationship between either of the Companies, or their subsidiaries or affiliates, and the employee, and will not solicit, hire, retain or enter into any business arrangements, with or enter into any discussion to do the same, with any person working for, or independent contractor of, either of the Companies, or their subsidiaries or affiliates.

c) During his employment with each of the Companies, and for a one year period following the termination of Executive's employment, the Executive will not directly or indirectly hire, engage, send any work to, place orders with, or in any manner be associated with any supplier, contractor, subcontractor or other business relation of each of the Companies, or their subsidiaries or affiliates, if such action would have a reasonably foreseeable adverse effect on the business, assets or financial condition of either of the Companies or their subsidiaries or affiliates or materially interfere with the relationship between any such person or entity and either of the Companies or their subsidiaries or affiliates.

d) It is the desire and intent of the parties that the provisions of this Section 10 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this Section 10 shall be adjudicated to be invalid or unenforceable, then this Section 10 shall be deemed amended to delete therefrom the portion that is adjudicated to be invalid or unenforceable. The provisions of this Section 10 are intended to and shall survive the termination or expiration of this Agreement.

11. INJUNCTIVE RELIEF. In addition to the remedies available to each of the Companies, the Executive acknowledges that any breach by the Executive of the provisions of Sections 9 or 10 of this Agreement, would cause irreparable injury to each of the Companies for which there may be no adequate remedy at law. In addition to all of the rights and remedies to which each of the Companies may be entitled, each of the Companies shall also be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction which would prevent the Executive from violating or attempting to violate any such provisions. In seeking such an order, any requirement to post a bond or other undertaking shall be waived. In any action brought to enforce these restrictive covenants, each of the Companies shall be entitled to an award of all reasonable costs and fees incurred in bringing such an action, including reasonable attorney's fees. Nothing herein shall be construed as prohibiting each of the Companies from pursuing any other remedies for such breach or threatened breach.

12. NOTICES. All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given upon delivery if delivered by hand, sent by telecopier, facsimile or overnight courier, and three (3) days after such communication is mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, to the other party, in each case addressed as provided in the introduction to this Agreement. Addresses may be changed by written notice sent to the other party at the last recorded address of that party.

13. INSURANCE. Each of the Companies may, at its election and for its benefit, insure the Executive against accidental loss or death, and the Executive shall submit to such physical examinations and supply such information as may be reasonably required in connection therewith.

14. AUTHORITY. The Executive represents and warrants that he is not subject to any agreement, understanding, arrangement, order, judgment or decree of any kind, or any other restrictive agreement or arrangement, which would prevent him from entering into this Agreement, or from providing the services he is expected to provide as an employee of each of the Companies pursuant to this Agreement, or which would be breached by the Executive executing this Agreement. The Executive agrees to indemnify and hold each of the Companies harmless from and for any liability to each of the Companies arising from a breach of this representation and warranty.

15. ASSIGNMENT. The services to be rendered and the obligations to be performed by the Executive under this Agreement are special and unique, and all such services and obligations and all of the Executive's rights under this Agreement are personal to the Executive and shall not be assignable or

transferable and any purported assignment or transfer thereof shall not be valid or binding upon each of the Companies. However, in the event of the Executive's death during the term of this Agreement, the Executive's estate shall be entitled to receive salary and any other payment due and accrued through the date of the Executive's death and all payments due to the Executive pursuant to the provisions of Sections 5 and 7. Each of the Companies may assign this Agreement and any and all of its rights under this Agreement to any person, firm or corporation succeeding to the business of either of the Companies, provided that such successor entity shall assume (by contract or by operation of law) that Company's obligations under this Agreement, at which point such Company
shall be relieved of its obligations hereunder.

16. WAIVER OF BREACH. The waiver by either of the Companies or the Executive of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either of the Companies or the Executive.

17. AMENDMENTS. No amendments or variations of the terms and conditions of this Agreement shall be valid unless the same is in writing and signed by all of the parties hereto.

18. COMPLETE AGREEMENT. This Agreement constitutes the entire understanding between the parties hereto relating to the matters contained herein, and supersedes any prior agreements, arrangements or understandings, whether oral or written, relating to the employment of the Executive by each of the Companies.

19. HEADINGS. The section headings contained herein are for convenience purposes only and shall not in any way affect the interpretations or enforceability of any provision of this Agreement.

20. SEVERABILITY. The invalidity or unenforceability of any provision of this Agreement, whether in whole or in part, shall not in any way affect the validity and/or enforceability of any other provision herein contained. Any invalid or unenforceable provision shall be deemed severable to the extent of any such invalidity or unenforceability.

21. COUNSEL. It is acknowledged by the Executive that he has had the opportunity to be represented by counsel of his choosing in connection with the negotiation and execution of this Agreement.

22. GOVERNING LAW. This Agreement and all matters concerning its interpretation, performance, or the enforcement hereof, shall be governed in accordance with the laws of the State of New York, without regard to conflict of law principles.

23. JURISDICTION. Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any state or federal court sitting in the County of New York, State of New York, and each of the parties hereto hereby irrevocably and unconditionally agrees that any and all claims which arise out of or relate to this Agreement or to the Executive's employment with each of the Companies shall be heard and determined in any such court. Each of the parties hereto irrevocably and unconditionally waives any objection that either of them may now or hereinafter have to the venue of any suit, action or proceeding arising out of or relating to this Agreement or to the Executive's employment with each of the Companies in any state or federal court sitting in New York County. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient

forum to the maintenance of such action or proceeding in any such court. Each of the parties hereto irrevocably waives the right to a trial by jury and each of the parties irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is to receive notice in accordance with Section 12.

24. EXPENSES. In the event that either of the Companies or the Executive incurs expenses in connection with the enforcement of this Agreement, the prevailing party shall be entitled to recover all expenses incurred in connection with such enforcement of this Agreement from the non-prevailing party including, without limitation, reasonable attorneys' fees.

25. COUNTERPARTS. This Agreement may be executed in one or more counterparts with each counterpart considered as an original.

26. DUPLICATIVE PAYMENTS AND BENEFITS NOT INTENDED. For the avoidance of doubt, all payments due and benefits recited hereunder are the joint and several obligation of each of the Companies, and under no circumstance shall any payment or benefit be provided to Executive by either Company as a duplicative payment or benefit.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this
Agreement as of the day and year first above written.

[SIGNATURE PAGE TO MCCABE EMPLOYMENT AGREEMENT]

EXECUTIVE
/s/ Jim McCabe

Jim McCabe
WHX CORPORATION
By: /s/ Glen Kassan

Name: Glen Kassan
Title: CEO
HANDY & HARMAN
By: /s/ Glen Kassan

Name: Glen Kassan
Title: Director

Exhibit 10.2

**Amendment to Employment Agreement by and among WHX Corporation,
Handy & Harman, and James F. McCabe, Jr., effective January 1, 2009**

THIS AMENDMENT OF EMPLOYMENT AGREEMENT ("Amendment") is entered into by and among WHX Corporation, a Delaware corporation, Handy & Harman, a New York company (collectively the "Companies"), and Jim McCabe ("Executive"), effective as of January 1, 2009.

Background

A. The Companies and the Executive previously entered into an Employment Agreement, dated as of February 1, 2007 ("Agreement").

B. The Companies and the Executive wish to amend the Agreement, effective as of January 1, 2009, to comply with the final regulations under Code Section 409A.

In consideration of the premises, the parties hereby agree to amend the Agreement as follows, effective January 1, 2009.

Amendment

1. Subsection 2(b) of the Agreement, regarding the Executive's annual bonus, shall be amended by inserting the following sentence to the end thereof:

"Payment of any annual bonus under this Agreement shall be made at the same time that other senior-level executives receive their annual incentive compensation awards in the calendar year following the year earned in accordance with the terms of the applicable bonus plan, the Companies intend that the bonus will be paid between January 1st and March 15th of the year following the year that the bonus is earned, but in no event will it be paid later than December 31st of the year following the year that the bonus is earned."

2. Section 6(a) of the Agreement, regarding termination by the Executive, shall be amended to read as follows:

"6. Termination of Agreement by the Executive.

(a) This Agreement may be terminated by the Executive by providing written notice to either of the Companies within sixty (60) days following a Material Diminution (as defined below) of the Executive's position, duties, responsibilities or base salary compensation with the company or the relocation of WHX's headquarters to a location more than 50 miles from Rye, New York (a "Material Diminution or Relocation Termination Election"). In the case of a Material Diminution or Relocation Termination Election by the Executive, such Company or Companies shall have thirty (30) days following its receipt of written notice of termination from the Executive to cure such Material Diminution or Relocation. In the case of a Material Diminution or Relocation Termination Election, if such Company or Companies does not cure such Material Diminution or Relocation within the thirty (30) days following its receipt of such Material Diminution or Relocation Termination Election from the Executive, pursuant to this Section, termination of Executive's employment shall be effective at the end of such thirty (30) day period.

“Material Diminution” shall only mean a situation in which (i) the Executive is no longer employed as the Senior Vice President of both of the Companies or is not employed or offered employment in substantially equivalent positions of substantially equivalent companies, regardless of what, if any, additional positions Executive may from time to time hold or not hold with each of the Companies or its subsidiaries or affiliates, or (ii) the Executive suffers a material diminution of the duties or responsibilities commensurate with the position of Senior Vice President of the Companies, or (iii) the Executive suffers a reduction of the Executive's base salary compensation below the amount set forth herein.

3. The following sentence shall be added after the third sentence of Section 15 of the Agreement:

“With respect to the payments to which the Participant would have been entitled had he survived, such payments shall be paid to the Participant's estate pursuant to the same schedule that the Participant would have received them had he survived, with the initial payment to be made as soon as administratively practicable after the estate is opened, such payments to include all missed periodic payments.”

4. A new Section 27 is added to the Agreement, to read as follows:

“27. Code Section 409A

(a) The parties hereto intend that all benefits and payments to be made to the Executive hereunder will be provided or paid to him in compliance with all applicable provisions, or an exemption or exception from the applicable provisions of, section 409A of the Internal Revenue Code of 1986 as amended (“Code”) and the regulations issued thereunder, and the rulings, notices and other guidance issued by the Internal Revenue Service interpreting the same, and this Agreement shall be construed and administered in accordance with such intent. The parties also agree that this Agreement may be modified, as reasonably requested by either party, to the extent necessary to comply with all applicable requirements of, and to avoid the imposition of any additional tax, interest and penalties under, the section 409A of the Code in connection with, the benefits and payments to be provided or paid to the Executive hereunder. Any such modification shall maintain the original intent and benefit to the Companies and the Executive of the applicable provision of this Agreement, to the maximum extent possible without violating section 409A of the Code.

(b) All payments to be made upon a termination of employment under this Agreement may only be made upon a “separation from service” as defined under section 409A of the Code. For purposes of section 409A of the Code, the right to receive a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. Further, for purposes of the limitations on nonqualified deferred compensation under section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment. In no event may the Executive, directly or indirectly, designate the calendar year of a payment.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the “separation pay exception,” to the maximum extent applicable. Any payments hereunder that qualify for the “short-term deferral” exception or another exception under section 409A of the Code shall be paid under the applicable exception.

(d) Notwithstanding the foregoing or anything to the contrary contained in any other provision of this Agreement, if the Executive is a “specified employee” at the time of his “separation from service” within the meaning of section 409A of the Code, then, to the extent required by section 409A, any payment hereunder designated as being subject to this Section shall not be made until the first business day after the expiration of six (6) months from the date of his separation from service. On such date, there shall be paid to the Executive in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence. Notwithstanding the foregoing, if the Executive dies within such six (6) months period, then there shall be paid to the estate of Executive within ninety (90) days of Executive's death, an amount equal to the aggregate amount of the payments delayed pursuant to the second preceding sentence.

The term “specified employee” shall mean any individual who, at any time during the twelve (12) month period ending on the identification date (as determined by the Companies or their Delegates, is a specified employee under section 409A of the Code, as determined by the Companies or their Delegates. The determination of “specified employees,” including the number and identity of persons considered “specified employees” and identification date, shall be made by the Companies or their Delegates in accordance with the provisions of sections 416(i) (without respect to paragraph (5) thereof) and 409A of the Code.

All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, to the extent that the recovery of expenses under Section 24 hereof is not excludible from gross income under Coder Section 162 as a business expense incurred in connection with the performance of service as an employee (ignoring applicable limitation based upon adjusted gross income) but cannot be paid within the limited period of time set forth in Treasury Registration Section 1.409A-1(b)(9)(v)(E) because the prevailing party has not then been determined, the recovery shall be paid by March 15th of the year following the year that the prevailing party has been determined. In the event that multiple issues are presented, the prevailing party shall be the party that has substantially prevailed with respect to the most significant issue or set of issues presented.”

5. In all other respects the Agreement shall be and remain unchanged.

The Companies, by their duly authorized officers, and the Executive have executed this Amendment, effective as of January 1, 2009.

EXECUTIVE

/s/ Jim McCabe
Jim McCabe

WHX CORPORATION

By: /s/ Peter T. Gelfman
Name: Peter T. Gelfman
Title: Secretary

HANDY & HARMAN

By: /s/ Peter T. Gelfman
Name: Peter T. Gelfman
Title: Secretary

Exhibit 10.3

Second Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 4, 2009

AMENDMENT TO EMPLOYMENT AGREEMENT (the “Amendment”) made as of this 3rd day of January, 2009, by and among WHX Corporation and Handy & Harman, including each of their parents, subsidiaries and affiliates (the “Company” or “Employer”), and James McCabe (“Executive”).

WHEREAS, Executive entered into a certain Employment Agreement (the “Agreement”), dated February 1, 2007;

WHEREAS, Employer and Executive wish to further amend the terms of the Agreement as set forth below;

NOW, THEREFORE, in consideration of the promises and mutual covenants hereinafter contained, and in consideration of Executive's continued employment, the parties hereto agree as follows:

1. Defined Terms. All capitalized terms contained in this Amendment shall, for the purposes hereof, have the same meaning ascribed to them in the Agreement unless the context hereof clearly provides otherwise or unless otherwise defined herein.

2. Base Salary Reduction. Effective January 4, 2009, Executive's base salary in effect as of December 31, 2008 shall be reduced by five percent (5%) (the “2009 5% Base Salary Reduction”).

3. Executive's Acknowledgment and Waiver. Executive acknowledges that such 2009 5% Base Salary Reduction shall not constitute a Material Diminution under the Agreement and therefore shall not provide a basis for a Material Diminution or Relocation Termination Election pursuant to Section 6(a) of the Agreement. Executive waives all claims against the Company relating to the 2009 5% Base Salary Reduction.

4. Calculation of Executive's Severance Payment. In the event that after January 4, 2009, Executive becomes eligible for a Severance Payment for any reason set forth in the Agreement that is unrelated to the 2009 5% Base Salary Reduction, the Company shall calculate the base salary component of Executive's Severance Payment (as set forth in Section 7(a)(i) of the Agreement) on the basis of the greater of: (i) Executive's base salary on the date of the termination of Executive's employment by the Company, or (ii) Executive's base salary as of December 31, 2008.

5. Miscellaneous Provisions.

(a) Except as modified by this Amendment, the Agreement and all its terms and conditions thereof shall remain in full force and effect.

(b) The covenants, agreements, terms and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and, except as may otherwise be provided in the Agreement, as hereby modified and supplemented, their respective legal successors and assigns.

(c) This Amendment may not be changed orally but only by a writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

HANDY & HARMAN

By: /s/ Peter T. Gelfman
Name: Peter T. Gelfman
Title: Secretary

WHX CORPORATION

By: /s/ Peter T. Gelfman
Name: Peter T. Gelfman
Title: Secretary

/s/ James McCabe
James McCabe

Exhibit 10.4

FOURTH AMENDED AND RESTATED MANAGEMENT AGREEMENT

THIS FOURTH AMENDED AND RESTATED MANAGEMENT AGREEMENT is entered into effective as of May 11, 2012, by and among Steel Partners Holdings L.P. (formerly WebFinancial L.P.) a Delaware limited partnership (the "Partnership"), SPH Group LLC, a Delaware limited liability company and a directly and indirectly wholly owned subsidiary of the Partnership ("Group"), and SP General Services LLC, a Delaware limited liability company (successor by assignment from Steel Partners LLC, a Delaware limited liability company) (together with its permitted assignees, the "Manager").

WHEREAS, the Partnership and the Manager previously entered into the Second Amended and Restated Management Agreement effective as of July 14, 2009 (the "Original Agreement") pursuant to which the Manager agreed to perform various services on behalf of and for the benefit of the Managed Entities (defined below); and

WHEREAS, the Partnership and the Manager wish to amend and restate the Original Agreement to clarify the manner in which equity value is derived for the purpose of calculating the Annual Incentive Number (defined below).

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. The following terms have the following meanings assigned to them:

(a) "Additional Incentive Unit" shall have the meaning set forth in SECTION 10(b).

(b) [Reserved]

(c) "Adjustment" shall have the meaning set forth in SECTION 10(a).

(d) "Affiliate" shall mean with respect to any Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person, or any director, officer or employee or partner of such Person.

(e) [Reserved]

(f) "Annual Fee" shall have the meaning set forth in SECTION 8(a).

(g) "Annual Incentive Number" shall have the meaning set forth in SECTION 10(a).

(h) "Agreement" means this Management Agreement, as amended from time to time.

(i) "Baseline Date EV per Common Unit" shall have the meaning set forth in SECTION 10(a).

(j) "Business" means the business of the Managed Entities.

(k) "Capital Account Alignment" shall have the meaning set forth in SECTION 10(a).

(l) "Change of Control" means the occurrence of any of the following:

(i) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Manager, taken as a whole, to any Person other than one of the Manager's Affiliates or any Person, including trusts, which operates for the benefit of any of the current owners of the Manager; or

(ii) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than its Affiliates, in a single transaction or in a series of related transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 20% or more of the total voting power of the voting capital interests of the Manager.

(m) "Class A Common Units" means the Common Units of the Partnership issued as of the date hereof.

(n) "Class B Common Units" shall have the meaning set forth in SECTION 10(a).

(o) "Code" means the Internal Revenue Code of 1986, as amended.

(p) "Common Units" means, prior to January 1, 2012, the Common Units of the Partnership and, after December 31, 2011, the Class A Common Units and the Class B Common Units of the Partnership.

(q) "Deferred Fee Agreement" shall have the meaning set forth in SECTION 10(a).

(r) "EV" shall mean the equity value of the Partnership as at any baseline date or measurement date, as the case may be, as measured by the product of (a) the volume weighted average (i) of the closing bid and ask prices as quoted on the over-the-counter market on the Pink Sheets for the Baseline Date EV per Common Unit for January 2012, and (ii) thereafter, of the closing trading prices of the Class A Common Units as reported by the New York Stock Exchange (or other national securities exchange on which such securities may be principally traded, if not then traded on the New York Stock Exchange), in any case for the twenty (20) trading days ending on such date, and (b) the number of Class A Common Units and Class B

Common Units outstanding; or (after January 2012) if the Common Units are not then traded on a national securities exchange, then by deducting the value of the Partnership's liabilities as reflected on its balance sheet for such date from the value of the Partnership's assets as reflected on such balance sheet.

(s) "Excess Funds" shall have the meaning set forth in SECTION 2(h).

(t) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(u) [Reserved]

(v) "General Partner" means the general partner of the Partnership.

(w) "Governing Instruments" means, with regard to any entity, the articles of incorporation and bylaws in the case of a corporation, certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the articles of formation and the operating agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents, in each case as amended from time to time.

(x) [Reserved]

(y) "Incentive Unit Grant Date" shall have the meaning set forth in SECTION 10(a).

(z) "Incentive Units" shall have the meaning set forth in SECTION 10(a).

(aa) "Independent Directors" means those directors of the General Partner who are not Affiliates of the Manager or any of its Affiliates.

(ab) "Investment Company Act" means the Investment Company Act of 1940, as amended.

(ac) "Issuance" shall have the meaning set forth in SECTION 10(b).

(ad) "Limited Partners" means the limited partners of the Partnership.

(ae) "Management Fee" shall have the meaning set forth in SECTION 8(a).

(af) "Managed Entities" means the Partnership, Steel Partners II, L.P., Group, SPH Group Holdings LLC, and each Subsidiary that the Manager designates as a "Managed Entity" from time to time.

(ag) "Measurement Date EV per Common Unit" shall have the meaning set forth in SECTION 10(a).

(ah) "Offshore Fund" means Steel Partners II (Offshore) Ltd.

(ai) "Onshore Fund" means Steel Partners II (Onshore) LP.

(aj) [Reserved]

(ak) "Partnership Account" shall have the meaning set forth in SECTION 5.

(al) "Person" means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

(am) "Reduced Measurement Date EV per Common Unit" shall have the meaning set forth in SECTION 10(a).

(an) "Restricted Jurisdiction" means any foreign country with respect to which investments or other transactions are in any way restricted by the U.S. Office of Foreign Assets Control, the Transaction Control Regulations, the Cuban Assets Control Regulations, the Foreign Funds Control Regulations, the Iranian Assets Control Regulations, the South African Transactions Regulations or the Libyan Sanctions Regulations of the United States Treasury Department or any similar regulations of such Department relating to any other country (31 C.F.R., Subtitle B, Chapter V, as amended), or any subdivision, agency or instrumentality of or in any such country or any territory or other place subject to the jurisdiction thereof.

(ao) "Securities" means publicly issued and privately placed: corporate and municipal bonds, notes, debentures and other debt obligations; United States and foreign government bonds, bills, notes and other debt obligations and United States and foreign government agency bonds, notes and other debt obligations issued by or on behalf of United States or other foreign government agencies (excluding any Restricted Jurisdiction); money market instruments; other interest-bearing securities; depository receipts; bankers' acceptances; foreign exchange; trust receipts; common and preferred stock; debentures; warrants; installment receipts; preorganization certificates and subscriptions; limited partnership interests; general partnership interests; other interests or property of whatever kind or nature of any Person, government or entity whatsoever commonly regarded as securities; financial instruments commonly known as "floors", "swaps" and "caps"; financial, securities- or currency-linked derivative instruments; currency interests; options, including puts and calls and any combinations thereof (written by a Managed Entity or others); and rights and derivative instruments convertible into or related to the aforementioned securities, including without limitation short positions in any such securities.

(ap) "Subsidiary" means any subsidiary of the Partnership (any entity in which the Partnership owns in excess of 50% of the voting and economic interest); any partnership, the general partner of which is the Partnership or any subsidiary of the Partnership; and any limited liability company, the managing member of which is the Partnership or any subsidiary of the Partnership.

(aq) "Transaction Fees" shall mean any transaction, commitment, "break-up" or other fees received directly as a result of an agreement to commit capital to a transaction or in the event that a proposed transaction is not consummated.

SECTION 2. APPOINTMENT AND DUTIES OF THE MANAGER.

(a) The Partnership hereby appoints the Manager to manage the Managed Entities subject to the further terms and conditions set forth in this Agreement, and the Manager hereby agrees to perform each of the duties set forth

herein, including providing the services of the Chairman, Chief Executive Officer, President and Chief Operating Officer of Steel Partners Holdings GP Inc. The appointment of the Manager shall be exclusive to the Manager except to the extent that the Manager otherwise agrees, in its sole and absolute discretion, and except to the extent that the Manager elects, pursuant to the terms of this Agreement, to cause the duties of the Manager hereunder to be delegated to or provided by third parties, whether or not affiliated with the Manager (provided that no such delegation by the Manager shall relieve the Manager of responsibility therefor), and the Partnership, at the direction of the Manager, will enter into agreements directly with such third parties to whom such duties may be delegated, as the Manager deems appropriate.

(b) The Manager, in its capacity as manager of the Managed Entities, at all times will be subject to the supervision of the General Partner and will have only such functions and authority as the General Partner may delegate to it including, without limitation, the functions and authority identified herein and delegated to the Manager hereby. The Manager and its key senior executives will be responsible for the day-to-day operations of the Managed Entities and will perform (or cause to be performed) such services and activities relating to the operations of the Managed Entities as may be appropriate for a Chief Executive Offer and President to perform, including, without limitation:

(i) serving as the Partnership's consultant with respect to the periodic review of the Business and operations of the Managed Entities and any modifications to its purpose as directed by the General Partner and consented to by the Manager and other policies established by the General Partner and approved by the Manager;

(ii) investigation, analysis, selection and implementation of business opportunities for the Managed Entities;

(iii) with respect to prospective business opportunities by the Managed Entities, conducting negotiations with sellers and purchasers and their respective agents and representatives and having discretion to determine if and when to proceed with any such business opportunities, including entering into, on behalf of the Managed Entities, any agreements with other Persons with respect to any such business opportunities;

(iv) entering into any agreements on behalf of the Managed Entities in connection with the performance of its obligations under this Agreement;

(v) engaging and supervising, on behalf of the Managed Entities and at the Managed Entities' expense, independent contractors which provide legal, accounting, custodial, administration and other services and such other services as may be required relating to the Business;

(vi) providing executive and administrative personnel, office space and office services required in rendering services to the Managed Entities;

(vii) supervising the day-to-day operations of the Managed Entities and performing and supervising the performance of such other administrative functions necessary in the management of the Managed Entities as may be agreed upon by the General Partner and the Manager, including, without limitation, the collection of revenues and the payment of the Managed Entities' debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

(viii) counseling the Managed Entities in connection with policy decisions to be made by the General Partner or the relevant management team of a Managed Entity;

(ix) monitoring the operating performance of the Managed Entities and providing periodic reports with respect thereto to the General Partner or the relevant management team of a Managed Entity, including comparative information with respect to such operating performance and budgeted or projected operating results;

(x) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Managed Entities may be involved or to which the Managed Entities may be subject arising out of the day-to-day operations of the Managed Entities;

(xi) using commercially reasonable efforts to cause expenses incurred by or on behalf of the Managed Entities to be commercially reasonable or commercially customary; and

(xii) performing such other services as may be required from time to time for management and other activities relating to the Managed Entities as the General Partner or the relevant management team of a Managed Entity shall reasonably request or the Manager shall deem appropriate under the particular circumstances.

(c) The Manager may enter into agreements with other parties, including its Affiliates, or direct the Managed Entities to enter into such agreements directly, for the purpose of engaging one or more parties for and on behalf of the Managed Entities to provide management and/or other services to the Managed Entities pursuant to agreement(s) with terms which are then customary for agreements regarding the provision of services to companies that have businesses similar in type to the Managed Entities; *provided* that with respect to any agreements entered into with Affiliates of the Manager pursuant to which such Affiliates shall perform any obligations of the Manager under this Agreement and in respect of which the Manager receives the Management Fee, the Manager shall provide prompt notice of the terms of such agreement or arrangement to the Independent Directors, and further provided that any arrangement entered into directly by the Managed Entities with such other party to perform any obligations of the Manager under this Agreement shall result in a reduction of the Management Fee payable under this Agreement in the amount of the fees charged under such direct arrangement.

(d) As provided in SECTION 2(b)(v), the Manager may retain, for and on behalf, and at the sole cost and expense, of the Partnership or the Managed Entities, such services of accountants, legal counsel, appraisers, insurers,

brokers, transfer agents, registrars, developers, investment banks, financial advisors, banks and other lenders and others as the Manager deems necessary or advisable in connection with the management and operations of the Managed Entities and the Business. Notwithstanding anything contained herein to the contrary, the Manager shall have the right to cause any such services to be rendered by its employees or Affiliates. The Partnership or the Managed Entities shall pay or reimburse the Manager or its Affiliates performing such services for the cost and expenses thereof; *provided* that such costs and reimbursements as to Affiliates of the Manager are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

(e) As frequently as the Manager may deem necessary or advisable, or at the direction of the General Partner, the Manager shall, at the sole cost and expense of the Partnership or the Managed Entities, prepare, or cause to be prepared, any reports and other information with respect to the Business as may be reasonably requested by the General Partner.

(f) The Manager shall prepare regular reports for the General Partner to enable the General Partner to review the Business and compliance with the guidelines and policies approved by the General Partner.

(g) Notwithstanding anything contained in this Agreement to the contrary, the Manager shall not provide advice, and will have no authority to make the actual decisions, with respect to the acquisition or disposition of securities, which shall be vested in the General Partner.

(h) Notwithstanding anything contained in this Agreement to the contrary, the Manager shall not be required to expend money ("Excess Funds") in connection with any expenses that are required to be paid for or reimbursed by the Managed Entities in excess of that contained in any applicable Partnership Account or otherwise made available by the Managed Entities to be expended by the Manager hereunder or any other party with respect to the Managed Entities. Failure of the Manager to expend Excess Funds out-of-pocket shall not give rise or be a contributing factor to the right of the Partnership under SECTION 16(a) to terminate this Agreement due to the Manager's unsatisfactory performance.

(i) Managers, members, partners, officers, employees or agents may serve as directors, officers, employees, agents, nominees or signatories for the Managed Entities, to the extent permitted by their Governing Instruments or by any resolutions duly adopted by the General Partner pursuant to the Partnership's Governing Instruments. When executing documents or otherwise acting in such capacities for a Managed Entity, such persons shall use their respective titles in the Partnership or such other Managed Entity, to the extent that they are an officer of the Partnership or such other Managed Entity or shall use their respective titles in the Manager.

(j) The General Partner shall pass any and all necessary resolutions to provide for the delegation of its duties to the Manager under this Agreement (and to facilitate the delegation of duties to the Manager in respect of the other Managed Entities), and to permit such delegation to be approved or evidenced by acts of the Board of Directors, or by any certificate duly signed by any officer of the General Partner (or, as applicable, the officers or authorized persons of the other Managed Entities), to verify or confirm the authority of the Manager or any of its members, partners, officers, employees or agents authority to enter into agreements on behalf of and bind the Partnership (and each Managed Entity).

(k) In performing its duties under this SECTION 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including, without limitation, accountants, legal counsel and other professional service providers) hired by the Manager at the Managed Entities' sole cost and expense.

SECTION 3. DEVOTION OF TIME; ADDITIONAL ACTIVITIES.

(a) The Manager will provide the Managed Entities with appropriate support personnel required to enable the Manager to provide the management services contemplated hereunder, and such personnel shall devote such time to the management of the Managed Entities as the Manager reasonably deems necessary and appropriate, commensurate with the level of activity of the Managed Entities from time to time.

(b) It is understood that the Manager and its members, officers, employees, agents, or Affiliates may provide management services to any Person, including to Limited Partners and Persons whose business or investments may be similar to those of the Partnership, and may engage in any other business activity. The Manager and its Affiliates shall be permitted to give advice to the Managed Entities that differs from that provided to its clients (and, where applicable, is different from the advice it has given in conjunction with its other business activities), even though the objectives of such other clients may be substantially the same or similar as those of the Managed Entities. The Manager shall discharge its duties under this Agreement with the same degree of skill, care, and diligence as it uses in the administration of its other clients, but shall not be obligated to treat the Managed Entities more favorably than or preferentially to its other clients, or where applicable any of its other businesses, except to the extent otherwise required by applicable law.

(c) Subject to SECTION 7(c), and applicable law, nothing contained herein shall limit or otherwise restrict the Manager or any of its members, officers, employees, agents, or Affiliates from buying, selling, or trading for its or their own account.

(d) Nothing contained herein shall prevent the Manager, or any Person affiliated or associated in any way with the Manager, from contracting or entering into any financial, banking, brokerage, or other transactions with the Managed Entities, nor shall it prevent any Limited Partner, or any Person the securities of which are held by or for the account of the Managed Entities, from being interested in any such transaction, except to the extent prohibited by applicable law.

SECTION 4. MANAGER AS INDEPENDENT CONTRACTOR. The Manager shall, for all purposes of this Agreement, be deemed to be an independent contractor and not an agent or employee of the Managed Entities and, except as

otherwise expressly provided herein, shall have no authority to act for or to represent the Managed Entities or otherwise to be deemed an agent of the Managed Entities.

SECTION 5. BANK ACCOUNTS. The General Partner may establish and maintain one or more bank accounts, brokerage accounts, custody accounts or other similar types of accounts in the name of the Partnership or any Subsidiary (any such account, a "Partnership Account"), and may collect and deposit funds into any such Partnership Account or Partnership Accounts, and disburse funds from any such Partnership Account or Partnership Accounts; and the Manager shall from time to time render appropriate accountings of such collections and payments to the General Partner and, upon request, to the auditors of the Managed Entities.

SECTION 6. RECORDS; CONFIDENTIALITY. The Manager shall maintain appropriate books of account and records relating to services performed under this Agreement, and such books of account and records shall be accessible for inspection by representatives of the Managed Entities at any time during normal business hours upon one (1) business day's advance written notice. The Manager shall keep confidential any and all information obtained in connection with the services rendered under this Agreement and shall not disclose any such information to nonaffiliated Persons (or use the same except in furtherance of its duties under this Agreement) except (i) with the prior written consent of the General Partner, (ii) to legal counsel, accountants and other professional advisors; (iii) to appraisers, financing sources and others in the ordinary course of the Business; (iv) to governmental officials having jurisdiction over the Partnership or the Managed Entities; (v) in connection with any governmental or regulatory filings of any of the Managed Entities or disclosure or presentations to any of the Managed Entities' investors; or (vi) as required by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party. The foregoing shall not apply to information which has previously become publicly available through the actions of a Person other than the Manager or any other Person to which the Manager makes disclosure in accordance with the terms of this SECTION 6. The provisions of this SECTION 6 shall survive the expiration or earlier termination of this Agreement for a period of one year.

SECTION 7. OBLIGATIONS OF MANAGER; RESTRICTIONS.

(a) The Manager shall require each Person entering into any agreement with the Managed Entities to make such representations and warranties, if any, as may, in the judgment of the Manager, be necessary and appropriate. In addition, the Manager shall take such other action necessary or appropriate with regard to the protection of the Managed Entities and the Business.

(b) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) is not in compliance in all material respects with the Partnership's Agreement of Limited Partnership and the guidelines and policies as then in effect, (ii) would, to the knowledge of the Manager, violate any law, rule or regulation of any governmental body or agency having jurisdiction over any of the Managed Entities or any Subsidiary or that would otherwise not be permitted by the relevant Governing Instruments. If the Manager is ordered to take any such action by any of the Managed Entities, the Manager shall promptly notify the General Partner of the Manager's judgment that such action would adversely affect such status or violate any such law, rule or regulation or the Governing Instruments. Notwithstanding the foregoing, neither the Manager, nor its Affiliates, members, managers, directors, officers, stockholders or employees shall be liable to the Managed Entities, the General Partner, or the Managed Entities' limited partners, interest holders or shareholders, for any act or omission by the Manager, its Affiliates, members, managers, directors, officers, stockholders or employees except as provided in SECTION 14.

(c) Notwithstanding any other provision contained herein, the Manager shall not (i) consummate any transaction which would involve the acquisition by any of the Managed Entities of an asset in which the Manager or any of its Affiliates has a direct or indirect ownership interest or the sale by any of the Managed Entities of an asset to the Manager or any of its Affiliates or to any Person in which the Manager or any of its Affiliates has a direct or indirect ownership interest, or (ii) under circumstances where the Manager is subject to an actual or potential material conflict of interest because it manages both the Managed Entities and another Person (not an Affiliate of the Managed Entities) with which any of the Managed Entities has a contractual relationship, or otherwise, take any action constituting the granting to such Person of a waiver, forbearance or other relief, or the enforcement against such Person of remedies, under or with respect to the applicable contract, unless such transaction or action, as the case may be and in each case, is approved by the Independent Directors. As applicable now or in the future, to the extent that any such transaction is approved by the Independent Directors such consent shall constitute client consent to principal trades pursuant to the provisions of the Investment Advisers Act of 1940.

SECTION 8. COMPENSATION. The Manager, as full compensation for services rendered to the Managed Entities pursuant to this Agreement, shall be paid by Group as follows:

(a) The Manager shall receive a quarterly management fee (the "Management Fee") with respect to the Partnership in an amount equal to 1/4 of $6,236,957 (the "Annual Fee"), which Annual Fee is subject to adjustment on a quarterly basis pursuant to SECTION 8(b) herein.

(b) The Annual Fee shall be adjusted on a quarterly basis. The Annual Fee shall be calculated by multiplying the total partners' capital as set forth in the consolidated balance sheet of the Partnership, prepared in accordance with the accounting principles adopted by the Partnership (as set forth in the Partnership's financial statements), as of the last day of the most recently completed fiscal quarter by one and one-half percent (1.5%).

(c) The Manager shall compute each installment of the Management Fee as of the last day of the immediately preceding quarter with respect to which the Management Fee was determined. A copy of the computations made by the Manager to calculate such installment shall promptly be delivered to the General Partner for informational purposes only. At

the request of the Manager, the Partnership shall, from time to time, advance to the Manager or its designees the amount of any Management Fee for any quarter based on the Manager's good faith estimate of the Management Fee for such quarter pending the final determination of the Management Fee for such quarter. Upon delivery of the final computation of the Management Fee for such quarter, after taking into account any advances to the Manager or its designees, the amount due (i) to the Manager or its designees by the Partnership or (ii) to the Partnership by the Manager or its designees shall be paid no later than the first day of the next fiscal quarter following the fiscal quarter in which the final Management Fee computation was delivered to the Partnership.

(d) For the avoidance of doubt, any services provided by an Affiliate of the Manager or any officers or employees thereof (other than services specifically required to be provided by the Manager pursuant to this Agreement), to other than the Managed Entities, shall be provided under a separate arrangement and any compensation related thereto shall be in addition to any compensation payable to the Manager related to its services to the Managed Entities, provided that such amounts are no greater than those which would be payable to outside professionals, consultants or the Subsidiary's officers, directors or employees engaged to perform such services pursuant to agreements negotiated on an arm's-length basis. Except as otherwise provided herein, any services provided by the Manager to an entity other than the Managed Entities (other than services specifically required to be provided by the Manager pursuant to this Agreement), can be charged a separate fee from the Management Fee.

SECTION 9. [RESERVED].

SECTION 10. INCENTIVE UNITS.

(a) The Partnership hereby grants to the Manager incentive units (the “Incentive Units”) that will give rise to the receipt by the Manager, under the terms described below, of Class B Common Units of the Partnership, as defined in the Partnership's Limited Partnership Agreement (“Class B Common Units”), subject to the following terms and conditions as set forth in this SECTION 10 (references in this SECTION 10 to the "Manager" shall include any Affiliate or Persons designated by the Manager to be a recipient of Incentive Units):

(i) The aggregate number of Incentive Units to be issued to the Manager shall be equal to 100 percent (100%) of the number of the Common Units of the Partnership outstanding, on a fully diluted basis, subject to adjustment as provided in this SECTION 10(a) and SECTION 10(b). As of May 11, 2012, (the “Incentive Unit Grant Date”) the number of Incentive Units shall be 32,122,686.

(ii) The Partnership shall issue to the holder of the Incentive Units, determined as of the last day of each fiscal year of the Partnership (the “Incentive Calculation Date”), a number of Class B Common Units equal to the Annual Incentive Number (as defined below) as of such Incentive Calculation Date.

(iii) The “Annual Incentive Number” means the number of Class B Common Units equal to (I) (A) the number of Incentive Units multiplied by (B) 15 percent (15%) of the difference between (x) the EV per Common Unit as of the Incentive Calculation Date (the “Measurement Date EV per Common Unit”) and (y) the EV per Common Unit at the beginning of such year, (the “Baseline EV per Common Unit”), divided by (II) the Reduced Measurement Date EV per Common Unit (as defined herein), subject to adjustment as provided in this SECTION 10. The “Reduced Measurement Date EV per Common Unit” means (A) the Measurement Date EV per Common Unit minus (B) (y) the amount described in clause (I) above divided by (x) the number of outstanding Common Units on the Incentive Calculation Date. The reference to Common Unit or Common Units in the computations described in this clause (iii) shall not include the Class B Common Units computed with respect to an Incentive Calculation Date. The Annual Incentive Number will only be awarded if the difference between the Measurement Date EV per Common Unit and the Baseline EV per Common Unit is positive.

By way of illustration only, assume the following:

On January 1, 2012, there are 100 Class A Common Units (and no Class A Common Units are issued during 2012) and 100 Incentive Units. The Baseline EV per Common Unit is 10 and the Measurement Date EV per Common Unit is 12. The amount described in clause (I) above is 30 (100 x 15 percent x (12-10)). The Reduced Measurement Date EV per Common Unit is 11.70 (12-(30 ÷ 100)). 2.56 Class B Common Units (30 ÷ 11.70) are issued as of December 31, 2012.

On January 1, 2013, there are 100 Class A Common Units (and no Class A Common Units are issued during 2013), 2.56 Class B Common Units and 102.56 Incentive Units. Baseline EV per Common Unit is 11.70 and the Measurement Date EV per Common Unit is 12.70. The amount described in clause (I) is 15.38 (102.56 x 15 percent x (12.70-11.70)). The Reduced Measurement Date EV per Common Unit is 12.55 (12.70-(15.38 ÷ 102.56)). 1.23 Class B Common Units (15.38 ÷ 12.55) are issued as of December 31, 2013. This brings the total number of Class B Common Units to 3.79.

(iv) The value of any distributions made by the Partnership to the limited partners before the end of a fiscal year (and after the date of issuance in the case of the first year in which the Incentive Units are issued) that do not reduce the number of outstanding Common Units will be deducted in an equitable manner from the Baseline EV per Common Units for such year.

(v) The Partnership shall make any adjustment to the Baseline EV per Common Unit or the Measurement Date EV per Common Unit that it determines is equitably required by reason of (x) the repurchase of Common

Units, (y) the effect of the Third Amended and Restated Deferred Fee Agreement, effective as of January 1, 2012, between the Partnership and WGL Capital Corp. (the "Deferred Fee Agreement"), or (z) the raising of new capital, including, without limitation, adding the value of such new capital to the Baseline EV per Common Unit to the extent that the issue price of the new Common Units exceeds the Baseline EV per Common Unit.

(vi) In the event that the Measurement Date EV per Common Unit decreases in one or more subsequent years as a result of a decline of asset values, the Baseline EV per Common Unit shall be the Baseline EV per Common Unit immediately following the most recent Incentive Calculation Date as of which Class B Common Units were issued until the Measurement Date EV per Common Unit exceeds such Baseline EV per Common Unit.

(vii) Each issuance of Class B Common Units will have a different series pursuant to the terms of the Limited Partnership Agreement.

(viii) Each series of Class B Common Units will have the same rights as the Class A Common Units except that a Class B Common Unit will not be saleable in the public market until the capital account allocable to such Class B Common Unit is equal to the capital account allocable to a Class A Common Unit ("Capital Account Alignment"), determined as if a Class B Common Unit and a Class A Common Unit were separate partnership interests for U.S. federal income tax purposes. At such time that Capital Account Alignment is achieved, a Class B Common Unit will convert automatically into a Class A Common Unit. Class B Common Units (including Class B Common Units received in respect of a year) will be allocated their share of taxable income based on their percentage interests, except as otherwise determined by the Partnership.

(ix) Prior to conversion, Class B Common Units may be sold only in private market transactions that allow the Partnership to track the transfer of such Class B Common Units. The holders of Class B Common Units will be required to notify the General Partner prior to any transfer of such Common Units.

(x) A copy of the computations made by the Manager to calculate such Annual Incentive Number shall promptly be delivered to the General Partner for informational purposes only. Upon delivery of the computation of the Annual Incentive Number, the Class B Common Units due to the Manager or its designees by the Partnership, if any, shall be issued, effective as of the prior Incentive Calculation Date, no later than the first day of the next calendar month following the calendar month in which the Annual Incentive Number computation was delivered to the Partnership.

(xi) Subject to limitations, if any, under Section 409A of the Code, all or a portion of the Incentive Units shall be transferable to any Affiliate of the Manager or any officer or employee of the Manager or its Affiliates.

(xii) If there shall occur any change in the capital structure of the Partnership by reason of any Common Unit split, Common Unit reverse split, Common Unit dividend or other dividend of equity, subdivision, combination or reclassification of the Common Units, any recapitalization, merger, consolidation, spin off, reorganization or partial or complete liquidation, sale or transfer of all or part of the assets of the Partnership or its Affiliates or other transaction or event having an effect similar to any of the foregoing or any other transaction that has the effect of increasing or decreasing the number of Common Units outstanding, then, subject to SECTION 10(a)(xiii) herein, there shall be an appropriate adjustment of the aggregate number of Incentive Units to be issued to the Manager.

(xiii) Notwithstanding anything contained in this Agreement to the contrary, no adjustment (i.e., any "modification", "extension", "substitution" or "assumption", in each case, as defined in Treas. Reg. § 1.409A-1(b)(5)(v) (or any successor regulation)) ("Adjustment") to the terms of the Incentive Units shall occur pursuant to this Agreement or otherwise without the written consent of the Manager if such Adjustment would result in the Incentive Units providing for a deferral of compensation subject to Section 409A of the Code.

(xiv) The Incentive Units shall be subject to such other customary terms as are reasonably acceptable to the Manager and a committee of the board of directors of the General Partner composed entirely of one or more Independent Directors.

(b) In addition, if any issuance (an "Issuance") of Common Units (including, without limitation, the receipt of Class B Common Units pursuant to SECTION 10(a)), options, convertible securities or any other right to acquire Common Units by the Partnership following the Incentive Unit Grant Date results in an increase in the number of outstanding Common Units on a fully diluted basis as compared to the number of outstanding Common Units as of the date of the most recent Issuance (or, in the case of the first Issuance, since the Incentive Unit Grant Date), the Manager shall promptly be issued additional Incentive Units ("Additional Incentive Units") so that as of the date of grant of the Additional Incentive Units, after taking into account the number of outstanding Common Units on a fully diluted basis and all Incentive Units granted since the Incentive Unit Grant Date, the Manager shall hold Incentive Units (in the aggregate) equal to one hundred percent (100%) of the sum of the number of Common Units of the Partnership outstanding and the number of notional units used to determine the Deferred Fee Accounts in accordance with that certain Deferred Fee Agreement, on a fully diluted basis (provided, that, for this purpose only, Incentive Units and Additional Incentive Units previously issued shall be considered to be outstanding as of the date of such determination). Each Additional Incentive Unit shall otherwise be subject to the same terms as the Incentive Units, unless otherwise agreed to by the Manager.

(c) The parties acknowledge that, for U.S. federal income tax purposes, Incentive Units and Class B Common Units attributable to such Incentive Units shall be treated as one partnership interest, except at such time that any Class B Common Units shall have been sold or otherwise transferred independently of any Incentive Units, and that as part of the Incentive Units, Class B Common Units are not "issued", notwithstanding the use of that term or a similar term in this SECTION

(d) The Manager may request the Partnership to implement a unit appreciation rights or other form of incentive compensation plan in lieu of or in combination with the Incentive Units which will provide comparable incentive compensation to the Manager as provided herein, the Partnership will also take any other reasonable actions requested by the Manager in connection with the implementation of the incentive compensation arrangements contemplated herein, subject to the approval of the Independent Directors, which approval shall not be unreasonably withheld.

SECTION 11. EXPENSES OF THE PARTNERSHIP. The Partnership or the Managed Entities will bear (or reimburse the Manager or its designees with respect to) all reasonable costs and expenses of the Managed Entities, and the Manager and the General Partner or their Affiliates relating to the operation of the Managed Entities as provided in the Limited Partnership Agreement and elsewhere in this Agreement, including, but not limited to:

(a) Costs of legal, tax, accounting, consulting, auditing, administrative, compliance, marketing, investor relations and other similar services rendered for the Managed Entities or the General Partner, including such services rendered by providers retained by the Manager, an Affiliate of the Manager or the Partnership, or any officers or employees thereof, in amounts in the case of Affiliates which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

(b) Costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third party vendors.

(c) Costs of maintaining or determining compliance with all federal, state and local rules and regulations or any other regulatory agency.

(d) Director and officer liability insurance premiums and the cost of any “errors and omissions” or similar insurance that any Managed Entity requires the Manager or its Affiliates to maintain for benefit of a Managed Entity in connection with the services rendered under this Agreement.

(e) Other fees payable to third party administrators and service providers.

(f) Expenses connected with communications to holders of securities of the Managed Entities and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the Securities and Exchange Commission, the costs payable by the Partnership to any transfer agent and registrar in connection with the listing and/or trading of the Partnership's units on any exchange, the fees payable by the Partnership to any such exchange in connection with its listing, costs of preparing, printing and mailing the Partnership's annual report to the holders of its limited partnership interests and proxy materials with respect to any meeting of the interest holders of the Partnership, including such services as rendered by providers retained by the Manager, an Affiliate of the Manager or a company affiliated with the Partnership, or any officers or employees thereof, in amounts which as to Affiliates are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

(g) Litigation expenses, including professional and consulting fees incurred in connection with managing the business of the Managed Entities and General Partner.

(h) Expenses incurred by managers, officers, employees and agents of the Manager or its Affiliates for travel on behalf of the Managed Entities and other out-of-pocket expenses incurred by managers, officers, employees and agents of the Manager or its Affiliates.

(i) All other expenses actually incurred by the Manager and the General Partner which are reasonably necessary for the performance by the Manager of its duties and functions under this Agreement.

The provisions of this SECTION 11 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination. For the avoidance of doubt, the expenses payable by the Managed Entities as described in this SECTION 11 are exclusive of, and in addition to, the Management Fee.

SECTION 12. CALCULATION OF EXPENSES. The Manager shall prepare from time to time a statement documenting the expenses of the Managed Entities and the expenses incurred by the Manager on behalf of the Managed Entities and shall deliver such statement to the Managed Entities. Expenses incurred by the Manager and payable to the Manager pursuant to SECTION 11 shall be reimbursed by the Managed Entities to the Manager within 30 days following the date of delivery of such statement; *provided*, however, that such reimbursements may be offset by the Manager against amounts due to the Managed Entities. At the election of the Partnership, the Manager will allocate the expenses between the Partnership and certain Subsidiaries, based on an allocation formula determined in good faith by the Manager, the Partnership and any Subsidiary, and shall provide directly to the Partnership and each Subsidiary the computation of the expenses so allocated. If that separate computation is provided, the Partnership and each of its Subsidiaries will be liable for payment of its allocable share of any amounts payable under this SECTION 12 and shall pay such amount directly to the Manager. The provisions of this SECTION 12 shall survive the expiration or earlier termination of this Agreement.

SECTION 13. Transaction Fees. For the avoidance of doubt, the Manager shall not receive any Transaction Fees or other similar fees payable in connection with the Business, including any transaction by a Managed Entity.

SECTION 14. LIMITS OF MANAGER RESPONSIBILITY; INDEMNIFICATION.

(a) The Manager, its members, officers, employees, Affiliates, agents, and legal representatives and the members, officers, employees, Affiliates, agents, and legal representatives of any of their respective Affiliates (each, an "Indemnified Person") shall not be liable for and the Managed Entities shall indemnify and hold harmless each Indemnified Person from and against any loss or expense suffered or sustained by such Indemnified Person including, without limitation, any judgment, settlement, reasonable attorneys' fees, and other costs and expenses incurred in connection with the defense of any actual or threatened action or proceeding (collectively, "Losses"), provided that such Losses did not result from willful misconduct or gross negligence in the performance of such Indemnified Person's obligations and duties or by reason of such Indemnified Person's reckless disregard of its obligations and duties, if any, under this Agreement (in which case the Manager shall indemnify and hold harmless the Partnership and the Managed Entities from and against all Losses incurred in connection therewith). The Managed Entities shall jointly and severally advance to any Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of such conduct. In the event that such an advance is made by the Managed Entities, the Indemnified Person shall agree jointly and severally to reimburse the Managed Entities for such fees, costs, and expenses to the extent that it shall be determined that he, she, or it was not entitled to indemnification.

(b) Notwithstanding any of the foregoing to the contrary, the provisions of this SECTION 14 shall not be construed so as to provide for the exculpation or indemnification of any Indemnified Person for any liability (including, without limitation, liability under U.S. securities laws that, under certain circumstances, impose liability even on persons who act in good faith), to the extent, but only to the extent, that such exculpation or indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this SECTION 14 to the fullest extent permitted by law.

SECTION 15. NO JOINT VENTURE. Nothing in this Agreement shall be construed to make the Partner and the Manager partners or joint venturers or impose any liability as such on either of them.

SECTION 16. TERM. (a) This Agreement shall be effective as of the date first set forth above (the "Effective Date"), and, subject to SECTION 18, shall continue until December 31, 2012 (the "Initial Term") and shall be automatically renewed for successive one-year terms thereafter (each, a "Renewal Term") unless determined otherwise by a majority of the Independent Directors. If the Partnership elects not to renew this Agreement at the expiration of the Initial Term or any Renewal Term as set forth above, the Partnership shall deliver to the Manager prior written notice (the "Termination Notice") of the Partnership's intention not to renew this Agreement not less than 60 days prior to the expiration of the Initial Term or applicable Renewal Term.

(b) If this Agreement is terminated pursuant to this SECTION 16, such termination shall be without any further liability or obligation of either party to the other, except as provided in SECTION 6, SECTION 8, SECTION 11, SECTION 14, and SECTION 21.

SECTION 17. DELEGATION; ASSIGNMENT.

(a) Unless as otherwise provided in the limited partnership agreement of the Partnership, no assignment of this Agreement shall be made by the Manager unless the Independent Directors approve such an assignment (including a deemed assignment occurring as a result of a Change of Control), and this Agreement shall terminate automatically in the event that it is assigned absent such approval; provided, however, that no such consent shall be required in the case of an assignment by the Manager to an Affiliate and the Manager shall give notice to the Partnership of such an assignment. The Manager shall notify the Partnership in writing sufficiently in advance of any proposed Change of Control of the Manager, in order to enable the Partnership to consider whether an assignment shall occur and to determine whether to consent to the assignment or to enter into a new management agreement with the Manager. Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound. In addition, the assignee shall execute and deliver to the Partnership a counterpart of this Agreement naming such assignee as Manager.

(b) It is understood that nothing contained in this SECTION 17 shall operate to prevent the Manager from delegating the whole or any part or parts of its functions, powers, discretions, duties, or obligations hereunder or any of them to any Person that is an Affiliate of the Manager or the Partnership or any other Person approved by the Partnership (which approval shall not be unreasonably withheld), and any such delegation may be on such terms and conditions as the Manager shall determine; provided that the Manager shall evaluate and coordinate the services offered by others. In addition, provided that the Manager provides prior written notice to the Partnership for informational purposes only, nothing contained in this Agreement shall preclude any pledge, hypothecation or other transfer of any amounts payable to the Manager under this Agreement.

(c) This Agreement shall not be assigned by the Partnership without the prior written consent of the Manager, except in the case of assignment by the Partnership to another organization which is a successor (by merger, consolidation or purchase of assets) to the Partnership, in which case such successor organization shall be bound under this Agreement in the same manner as the Partnership.

SECTION 18. TERMINATION UNDER CERTAIN EVENTS.

(a) The Partnership may terminate this Agreement effective upon thirty (30) days' prior written notice of termination from the Partnership to the Manager if (i) the Manager materially breaches any provision of this Agreement and such breach shall continue for a period of more than 30 days after written notice thereof specifying such breach and requesting

that the same be remedied in such 30-day period, (ii) the Manager engages in any act of fraud, misappropriation of funds, or embezzlement against any Managed Entity, (iii) there is an event of gross negligence or willful misconduct on the part of the Manager in the performance of its duties under this Agreement, (iv) there is a commencement of any proceeding relating to the Manager's bankruptcy or insolvency, or (v) there is a dissolution of the Manager or (vi) there is a Change of Control of the Manager, not consented to by the Partnership pursuant to SECTION 17(a).

(b) The Manager may terminate this Agreement effective upon 60 days' prior written notice of termination to the Partnership in the event that the Managed Entities shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period.

(c) The Manager may terminate this Agreement, in the event any of the Managed Entities becomes regulated as an “investment company” under the Investment Company Act, with such termination deemed to have occurred immediately prior to such event.

(d) The Manager may terminate this Agreement at any time immediately effective upon written notice of termination to the Partnership in the event that the election of the majority of the members of the board of directors of the General Partner that were originally elected and approved by the Manager no longer constitute a majority of the members of the board of directors, unless their replacements or successors were approved by the Manager.

SECTION 19. ACTION UPON EXPIRATION OR TERMINATION. In the event of termination pursuant to SECTIONS 19(a), (b) or (d), from and after the effective date of the expiration or termination of this Agreement, the Manager shall not be entitled to compensation for further services under this Agreement, but shall be paid all compensation accruing to the date of expiration or termination. In the event of termination pursuant to SECTIONS 19 (c) or (e), from and after the effective date of the expiration or termination of this Agreement the Manager shall be paid all compensation accruing to the date of expiration or termination plus a termination fee equal to the Management Fee that would otherwise be payable to the Manager for the Initial Term or Renewal Term, as applicable, based upon the aggregate Management Fee earned by the Manager or its Affiliates during the 12-month period immediately preceding the date of such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination plus the Termination Fee. Upon such expiration or termination, the Manager shall forthwith:

(i) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to the Partnership or a Subsidiary all money collected and held for the account of the Partnership or a Subsidiary pursuant to this Agreement;

(ii) deliver to the General Partner a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the General Partner with respect to the Partnership or a Subsidiary; and

(iii) deliver to the General Partner all property and documents of the Partnership or any Subsidiary then in the custody of the Manager.

SECTION 20. REVIEW OF COMPENSATION. The Manager and the General Partner shall review the compensation and fees paid to the Manager for services rendered to the Managed Entities pursuant to this Agreement at least annually.

SECTION 21. RELEASE OF MONEY OR OTHER PROPERTY UPON WRITTEN REQUEST. Any money or other property of the Managed Entities held by the Manager under this Agreement shall be held by the Manager as custodian for the Partnership or other Managed Entity, and the Manager's records shall be appropriately marked clearly to reflect the ownership of such money or other property by the Partnership or such Managed Entity. Upon the receipt by the Manager of a written request signed by a duly authorized officer of the Partnership requesting the Manager to release to the Partnership or any Managed Entity any money or other property then held by the Manager for the account of the Partnership or any Subsidiary under this Agreement, the Manager shall release such money or other property to the Partnership or any Managed Entity, but in no event later than 10 business days following such request. The Manager shall not be liable to the Partnership, any Managed Entity, the General Partner, or the Partnership's or a Managed Entity's shareholders, interest holders or partners for any acts performed or omissions to act by the Partnership or any Managed Entity in connection with the money or other property released to the Partnership or any Managed Entity in accordance with the second sentence of this SECTION 21. The Partnership and any Managed Entity shall indemnify the Manager and its members, managers, officers and employees against any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever, which arise in connection with the Manager's release of such money or other property to the Partnership or any Managed Entity in accordance with the terms of this SECTION 21. Indemnification pursuant to this provision shall be in addition to any right of the Manager to indemnification under SECTION 14 of this Agreement.

SECTION 22. NOTICES. Unless expressly provided otherwise in this Agreement, all notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when delivered against receipt or upon actual receipt of (i) personal delivery, (ii) delivery by reputable overnight courier, (iii) delivery by facsimile transmission with telephonic confirmation or (iv) delivery by registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(a) If to the Partnership:

Steel Partners Holdings L.P.

c/o Steel Partners Holdings GP Inc.
590 Madison Avenue, 32nd Floor
New York, New York 10022
United States
Attention: General Partner

(b) If to Group:

SPH Group LLC
c/o Steel Partners Holdings GP Inc.
590 Madison Avenue, 32nd Floor
New York, New York 10022
United States
Attention: Managing Member

(c) If to the Manager:

SP General Services LLC
590 Madison Avenue, 32nd Floor
New York, New York 10022
United States
Attention: Chief Executive Officer

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this SECTION 22 for the giving of notice.

SECTION 23. BINDING NATURE OF AGREEMENT; SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided in this Agreement.

SECTION 24. ENTIRE AGREEMENT. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter of this Agreement. The express terms of this Agreement control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms of this Agreement. This Agreement may not be modified or amended other than by an agreement in writing signed by the parties hereto.

SECTION 25. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 26. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of any party hereto, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

SECTION 27. HEADINGS. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed part of this Agreement.

SECTION 28. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

SECTION 29. SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 30. GENDER. Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SP GENERAL SERVICES LLC

By: /s/ Warren Lichtenstein

Name: Warren Lichtenstein

Title: Chairman and Chief Executive Officer

Steel Partners Holdings L.P.

By: Steel Partners Holdings GP Inc.
its general partner,

By: /s/ Jack Howard

Name: Jack Howard

Title: President

SPH GROUP LLC

By: Steel Partners Holdings GP Inc.
its managing member,

By: /s/ Jack Howard

Name: Jack Howard

Title: President

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Warren G. Lichtenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 of Steel Partners Holdings L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:
May 15, 2012

/s/ Warren G. Lichtenstein

Warren G. Lichtenstein
Chief Executive Officer
of Steel Partners Holdings GP Inc.

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, James F. McCabe, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 of Steel Partners Holdings L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   c) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   d) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:
May 15, 2012

/s/ James F. McCabe, Jr.

James F. McCabe, Jr.
Chief Financial Officer of Steel Partners Holdings GP Inc.

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Steel Partners Holdings L.P.(the "Partnership") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren G. Lichtenstein, Chief Executive Officer of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

Date:
May 15, 2012

/s/ Warren G. Lichtenstein

Warren G. Lichtenstein
Chief Executive Officer
of Steel Partners Holdings GP Inc.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Steel Partners Holdings L.P.(the “Partnership”) on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James F. McCabe, Jr., Chief Financial Officer of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date:
May 15, 2012

/s/ James F. McCabe, Jr.

James F. McCabe, Jr.
Chief Financial Officer
of Steel Partners Holdings GP Inc.

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.