

**AWM INVESTMENT COMPANY, INC.  
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**212-319-6670**

**March 31, 2015**

**This brochure provides information about the qualifications and business practices of AWM Investment Company, Inc. If you have any questions about the contents of this brochure, please contact us at 212-319-6670. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about AWM Investment Company, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Summary of Material Changes**

March 31, 2015:

Changes made since our last filing of Form ADV part 2A in March 2014 are as follows:

**Item 4: Advisory Business: Principal Owners and Pertinent Personnel**

Effective July 29, 2014, Adam Stettner no longer serves on the Board of Directors of Verdasys, Inc. (now known as Digital Guardian, Inc.). He remains a board observer of Digital Guardian, Inc.

Effective May 14, 2014, Dr. David Sable no longer serves on the Board of Directors of Hamilton Thorne Ltd. Effective June 16, 2014, Dr. Sable no longer serves on the Board of Directors of GeneNews Limited.

**Item 5: Fees and Compensation**

AWM receives a management fee from each of the funds each quarter in arrears. With respect to SSFQP and the Private Equity Fund, AWM received a fixed fee of 1.25% and 1% of the net managed assets per annum respectively. Effective July 1, 2014, the management fee was increased to 1.5% of the net managed assets per annum for both of these funds.

March 31, 2014:

Changes made since our last filing of Form ADV part 2A in March 2013 are as follows:

**Item 4: Advisory Business: Principal Owners and Pertinent Personnel**

Effective January 1, 2014, AWM Investment Company, Inc. has assigned the general partnership interest in Special Situations Cayman Fund, L.P. to SSCayman, LLC. AWM no longer serves as, and SSCayman, LLC now serves as the sole general partner of the Cayman Fund.

At a meeting held on December 31, 2013, Adam C. Stettner was duly elected to the office of Vice President and as Director of AWM.

March 31, 2013:

No material changes were made on our Form ADV part 2A filing dated March 31, 2013.

March 31, 2012:

Changes made since our initial filing of Form ADV part 2A in March 2011 are as follows:

Item 4: Advisory Business: Principal Owners and Pertinent Personnel

Added biographical information for Alexander Silverman, co-manager to the Special Situations Private Equity Fund, L.P.

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The following pages discuss the nature of AWM Investment Company's investment advisory business and introduce its principal owners and other pertinent personnel.

### **Advisory Business**

AWM Investment Company, Inc. has been in business since 1992. Our firm offers investment advice primarily in equity securities and securities with equity features of publicly traded companies that possess a technological, market or product niche, that may be for various reasons, undervalued or with prospects of going private or being acquired. We tailor our investment advice to six funds for which we serve as investment adviser. These funds are: Special Situations Fund III QP, L.P. ("SSFQP"), Special Situations Cayman Fund, L.P. (the "Cayman Fund"), Special Situations Private Equity Fund, L.P. (the "Private Equity Fund"), Special Situations Technology Fund, L.P. (the "Tech Fund"), Special Situations Technology Fund II, L.P. (the "Tech Fund II"), and Special Situations Life Sciences Fund, L.P. (the "Life Sciences Fund"). Additionally, we serve as the general partner of MGP Advisers Limited Partnership, the general partner of SSFQP.

Each of the funds, except the Cayman Fund, are Delaware limited partnerships, and combined have a total of \$773,897,644 in net assets as of January 1, 2015. The Cayman Fund is a Cayman Island's limited partnership. We have complete discretionary authority over the assets in each of the funds and we do not serve as investment advisor to any other accounts, discretionary or otherwise.

When making investment decisions on behalf of any one fund we consider that fund's unique investment objective. Two of the funds, SSFQP and the Cayman Fund, seek to maximize capital appreciation through general analysis of equity and equity-related securities, while the Tech Funds focus primarily on publicly traded companies that provide products and services in the communications, information and other technology-related fields. The Life Sciences Fund invests primarily in publicly traded equity of companies that provide products and services in health care, life sciences and related fields and the Private Equity Fund invests primarily in privately negotiated and privately placed equity and equity-related securities of publicly traded companies which possess a technological, market or product niche. To a lesser extent, the Funds may invest in private companies with prospects of going public or being acquired.

AWM also serves as the Administrator to each of the funds discussed above. As such, we provide the office space, facilities and personnel that are necessary in order to provide all the administrative services required for the operation of the business and affairs of the funds.

### **Principal Owners and Pertinent Personnel**

The principal owners of AWM are Austin W. Marx, President, David M. Greenhouse, Executive Vice President and Adam Stettner, Vice President.

Austin W. Marx was born in 1940 and is the President and a shareholder of AWM. Mr. Marx has played an integral part in the management of each of the funds from each fund's inception with the first fund's formation in 1985. Mr. Marx is a member of each of the general partners of the above funds and is also a limited partner of MGP Advisers Limited Partnership (MGP), the general partner of Special Situations Fund III QP, L.P. Mr. Marx received a BA from CUNY in 1963.

David M. Greenhouse was born in 1960 and is the Executive Vice President and a shareholder of AWM since 1992. Mr. Greenhouse has participated in the management of the investments of the funds since 1992. He is a limited partner of MGP and is also a member of each of the general partners of the above funds. Mr. Greenhouse received a BS from the University of Virginia and an MBA from the University of Pennsylvania.

Adam Stettner was born in 1964 and is a shareholder of AWM since 2010. Effective December 31, 2013, Mr. Stettner also serves as Vice President for the firm. He is a limited partner of MGP and is also a member of each of the general partners of the above funds. Mr. Stettner has served as portfolio manager for the Tech Funds since their inception, with the first Tech Fund's formation in 1997. Mr. Stettner serves as a board observer of Digital Guardian, Inc. (formerly Verdasys, Inc.), a company owned by the funds. Prior to managing the Tech Funds, Mr. Stettner was President of Stettner Consultants, Inc., a technology consulting company that he founded in 1989. He received his Master of Science degree in Computer Graphics in 1989 and his BA in Physics in 1986 from Cornell University.

Dr. David B. Sable, born in 1959, has been the portfolio manager for the Life Sciences Fund since its formation in July 2005. Prior to serving as portfolio manager for the Life Sciences Fund, Dr. Sable served as the Director of the Division of Reproductive Endocrinology at Saint Barnabas Medical Center in Livingston, New Jersey (1999-2004). Dr. Sable also served as an Associate Director (1992-1998) at Saint Barnabas and has acted as Obstetrician and Gynecologist at Saint Barnabas (1992-2004), Saint Luke's Roosevelt Hospital Center, New York, NY (1998-1999), Brigham and Women's Hospital, Boston, MA (1990-1992) and New York Hospital, New York, NY (1989-1990). Dr. Sable received his B.S. from The Wharton School, University of Pennsylvania in 1981 and his M.D. from the University of Pennsylvania in 1986. Dr. Sable serves on the Clinical Advisory Board of OvaScience, a private company not owned by the funds.

Alexander Silverman, born in 1971, joined the firm in April 2000 as a senior member of the investment team and is currently a co-manager of the Private Equity Fund. From 1995 to 2000 he was with Value Line Asset Management, first as a small-cap analyst, then an associate portfolio manager (1997 to 1998) and finally as a portfolio manager overseeing \$1 billion in small-cap investments. Prior to that he served as an equity analyst at Value Line from 1993-1995, publishing research on 35 companies in various industries. Mr. Silverman earned his B.A. in Psychology from Kalamazoo College (1993) and his M.B.A. from New York University Stern School (1999).

Peter E. Price, CPA, born in 1968, joined AWM on July 1, 2005 as its Chief Operating Officer. From 1990 to 2005, Mr. Price worked for Anchin, Block and Anchin LLP (“ABA”), where he rose through the ranks to make partner. ABA serves as the independent auditor for the funds. Mr. Price received a BS in Accounting from the State University of New York at Binghamton in 1990.

Rose M. Carling, born in 1965, is the Secretary and Chief Compliance Officer for AWM. Ms. Carling has been employed by the Special Situations Funds since 1987. She was designated an Investment Adviser Certified Compliance Professional® in April 2008 and received a BBA in Accounting from Baruch College in 1995.

#### Item 5 Fees and Compensation

### **Fees and Compensation**

AWM receives a management fee from each of the funds each quarter in arrears. AWM receives a fixed fee of 1.5% of the net managed assets per annum from each of the funds. Fees are not negotiable.

Morgan Stanley & Co. serves as each fund’s custodian and directly debits its fee based on the fund’s assets. Each fund is also responsible for its share of brokerage and transaction costs. More information regarding brokerage may be found on page 10 under item 12 of this brochure.

#### Item 6 Performance-Based Fees and Side-By-Side Management

### **Performance – Based Fees**

The general partners of each of the funds entered into an Investment Management and Administration Agreement with AWM where the general partner delegates to AWM, under the general supervision of the general partner, the rights and authority to exercise investment discretion over the assets of the funds, in addition to AWM’s administrative duties to the funds.

The respective general partners of each of the funds receive a performance allocation that is equal to 20% of a limited partner’s book profit subject to a “high-water mark”. The high water mark establishes a value which a fund’s value must be above in order for the general partner to earn the performance allocation. If the fund’s value falls below the high water mark, there is a loss for the accounting period, and the performance allocation will not apply to future periods until the loss has been recovered. If a limited partner were to redeem a portion of his interest in a fund at a time when he had an unrecovered book loss, the amount of his unrecovered book loss would be reduced in the same proportion as his capital account is reduced by his redemption.

Book profit is based on, and includes, unrealized appreciation of the funds’ portfolio investments which may never be realized as portfolio investments are sold or liquidated. In addition,

compensating a general partner on the basis of its fund's performance may create an incentive to invest in more risky or speculative investments than those in which it would invest if it were compensated in another manner. The general partners and AWM are subject to a fiduciary duty to the funds and to the restrictions of the Investment Advisers Act of 1940 in evaluating the acquisition, retention and disposition of the funds' investments. As a result of the general partners' receipt of a performance allocation, the interest owned by a general partner in a respective fund will increase disproportionately to any increase in the interest owned by the limited partners.

Performance allocations generally occur semi-annually and may occur more frequently upon the occurrence of certain events, such as capital contributions or redemptions. Compensation is not negotiable, however the respective general partners have the right to reduce or waive the performance allocation chargeable to any limited partner's capital account.

AWM does not serve as investment advisor to any clients other than those listed in item 7, and therefore does not engage in side by side management.

#### Item 7 Types of Clients

### Types of Clients

AWM's only clients are funds which are exempt from registration under the Investment Company Act of 1940 under sections 3(c)1 or 3(c)7 of the Act. A 3(c)1 fund requires an investor to be an "accredited investor" as defined under Regulation D and a "qualified client" as defined in the Investment Advisory Act of 1940, with a net worth of at least \$2 million. A 3(c)7 fund requires an investor to be a "qualified purchaser" within the meaning of Section 3(c)7 of the Investment Company Act of 1940, as amended. A qualified purchaser is generally defined as someone having at least \$5 million in investments. Further criteria to meet the definitions of accredited investor, qualified client and qualified purchaser may be found in the subscription documents for each of the funds. The fund names and minimum investment requirements are listed below:

**Special Situations Fund III QP, L.P.** is a 3(c)7 fund with a minimum initial investment requirement of \$100,000.

**Special Situations Cayman Fund, L.P.** is a 3(c)1 fund with a minimum initial investment requirement of \$100,000.

**Special Situations Technology Fund II, L.P.** is a 3(c)7 fund with a minimum initial investment requirement of \$100,000.

**Special Situations Technology Fund, L.P.** is a 3(c)1 fund with a minimum initial investment requirement of \$100,000.



**Special Situations Life Sciences Fund, L.P.** is a 3(c)1 fund with a minimum initial investment requirement of \$250,000.

**Special Situations Private Equity Fund, L.P.** is a 3(c)1 fund with a minimum initial investment requirement of \$100,000.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

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

In evaluating and monitoring investments for the funds, we review information published or furnished by various companies and other entities, including prospectuses and offering memoranda, periodic and annual reports, reports on Forms 10-K and 10-Q, proxy statements and other filings under the Exchange Act, similar reports with respect to companies not publicly traded in the United States and other analytical or descriptive evaluations of performance. In many instances, we communicate directly with management of the companies or other entities under evaluation or review. Many factors, such as the relationship of market value to book or current asset value, the testing results of new products, the history of introduction of successful products or services, and the strength of management and earnings performance, will be considered. In addition, general market performance, economic conditions and political factors will be reviewed as part of this evaluation and monitoring process. There is no single factor that will be predominantly considered in choosing investments for the funds. Although the funds may acquire a significant position in a particular company or entity, they may be unable or unwilling to assert an influence on the management of such company or entity to assure the success of its investment.

We may use a variety of investment strategies and techniques involving equity or debt securities, including purchasing securities with borrowed money, selling securities short, and purchasing and writing listed put and call options. We may also enter into transactions designed to minimize the effect of currency fluctuations with respect to securities of foreign companies or securities that are not denominated in United States dollars.

There can be no assurance that the investment objectives of the funds will be achieved. Below we discuss some of the risk factors faced when investing in the particular manner described above.

**Risk Factors**

An investment in a fund is for investors who do not require current income and who can accept a high degree of risk in their investment. The discussion below is not intended to be an exhaustive list of all potential risks associated with an investment in a fund. The risks discussed below relate to the investment strategies employed by AWM.

## **Possible Illiquidity of Portfolio Investments; Investments in Restricted Securities**

A significant portion of the investments are in small capitalization companies whose securities are not actively traded, and a fund may own a relatively large percentage of the outstanding securities. A fund may also invest in securities that are subject to sales restrictions because they were acquired in private transactions or because a fund is deemed to be an affiliate of the issuer. Generally, unless exempt from registration, these restricted securities bear a legend stipulating it cannot be sold publicly in the United States without the expense and time required to register the securities under the Securities Act unless such sale is exempt from registration under the applicable provisions of the Securities Act. These market, legal or contractual limitations result in the relative illiquidity of the restricted investments, which may prevent or delay their sale, impose volume limitations on the number of shares that are permitted to be sold or reduce the amount of proceeds that might otherwise be realized from their sale. Also, if restricted securities are sold to the public, a fund may be deemed an “underwriter” or a “controlling person” with respect to the restricted securities and may be subject to liability under the Securities Act.

All sales require delivery of the securities sold to the purchaser by settlement date. When a sale is effected in a restricted security that has been registered or is otherwise legally allowed to be sold, it is submitted to the transfer agent in order to have the legend removed. Having a legend removed from a certificate may be time consuming and shares may then be borrowed to make delivery to the purchaser on settlement date. The time between settlement date and the receipt of the certificates with the legend removed may pose risks to the funds similar to that posed by short sales. Please see the discussion on short sales on page 8.

## **Special Situations Investments**

A significant portion of the funds’ portfolios are in “special situations investments” – investments in equity securities and securities with equity features of companies traded publicly “over-the-counter” or listed on national securities exchanges, that possess a technological, market or product niche, that may be, for various reasons, undervalued, or with prospects of going private or being acquired. Special situations investments can offer the opportunity for significant capital gains; however, such investments involve a high degree of business and financial risk that can result in substantial losses. The funds may invest in companies whose capitalizations are limited and in companies operating at losses or with substantial variations in operating results from period to period. Certain of the fund’s investments may involve “start-up” companies, companies developing new products or companies seeking to raise additional capital for expansion. Investments may be made in companies which are in the process of, or have recently undergone, reorganization after a bankruptcy. In addition, significant positions may be taken in rapidly changing high-technology fields that may be particularly susceptible to the risks of product obsolescence.

## **Initial Public Offerings**

Each of the funds may invest in Initial Public Offerings (IPO’s) or Private Investments in Public Equity. The allocation of such securities among the funds is done in a fair and equitable manner, depending on the facts and circumstances of each situation and, with respect to IPO’s; in compliance with FINRA rules 5130 and 5131. When purchases of securities are made with

respect to one fund, the purchase is allocated solely to the account of that fund. When purchases are made in an aggregate for more than one fund, we, when allocating securities, will consider the funds' stated investment objectives, liquidity, other holdings of such securities, overall portfolio, application of rules 5130 and 5131 as well as possibly other factors that are deemed relevant.

### **Capital Structure of an Issuer**

Due to the differences in the nature of the funds, it is possible that one or more of the funds may own a different part of the capital structure of an issuer than the other funds. In the event that such issuer was to undergo bankruptcy, each fund's ability to recoup their investment may vary significantly.

### **Market Volatility**

Domestic as well as foreign economic conditions may adversely affect investment activities. Interest rates, general levels of economic activity and participation by other investors in the financial markets will affect the value of investments made or held by the funds. Increased market volatility increases the risk of loss in securities investments as compared to the risk of loss during more stable market conditions.

### **Low-Rated and Unrated Debt Securities**

Although not a significant portion of the funds' assets are invested in debt securities, the funds are not restricted in their investment in such securities, including those classified as low-rated or unrated by Moody's Investors Service, Inc., Standard & Poor's Corporation or other recognized rating services. Low-rated and unrated debt securities generally offer higher current yields than higher rated securities, but involve greater volatility of price and risk of payment of principal and income, including the possibility of default by, or bankruptcy of, the issuers of the securities. In addition, the markets in which low-rated and unrated securities are traded are more limited than those in which higher rated securities are traded. The existence of limited markets for any particular debt security in which a fund invests may diminish the fund's ability to sell such securities at fair value.

### **Non-United States Securities**

Subject to each fund's specific limitations, investments may be made in securities of foreign issuers listed on foreign securities exchanges or traded in foreign markets. This type of investing presents its own set of considerations. For example, investing in foreign securities traded outside the U.S. subjects the funds to fluctuations in currency exchange rates and revaluations of currencies. In addition, foreign companies may have less information available, may not be subject to the same uniform accounting, auditing and financial reporting standards or other regulatory practices and requirements, and may not have as much liquidity as United States securities and their markets. Investing in foreign securities may result in higher expenses because of the cost of converting foreign currencies to United States dollars, expenses relating to foreign custody, the payment of fixed brokerage commissions on foreign exchanges, which generally are higher than commissions on United States exchanges, and the imposition of

transfer taxes or transaction charges associated with foreign exchanges. In addition, investments in foreign securities may be subject to local economic or political risks, including instability of some foreign governments, the possibility of currency blockage, the imposition of withholding taxes on dividend or interest payments, and the potential for expropriation, nationalization or confiscatory taxation and limitations on the use or removal of funds or other assets.

### **Leverage**

Subject to each funds limitation, the funds may borrow money to purchase securities. Borrowing money to purchase securities provides greater opportunity for diversification and capital gain but, at the same time, increases current expenses and exposure to capital risk. To the extent that securities are purchased with borrowed funds, Partners that are exempt from United States income taxation may be subject to tax on “unrelated business taxable income” as defined by the Internal Revenue Service.

### **Short Sale**

A short sale involves the sale of a security that is not owned in the expectation of purchasing the same security (or a security exchangeable for the same security) at a later date at a lower price. To make delivery to the buyer, one must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the short seller. When a fund makes a short sale in the United States, it must leave the proceeds from the sale with the broker and it also must deposit with the broker an amount of cash or U.S. government securities or other securities sufficient under current margin regulations to collateralize the obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions are governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security and the possibility of incurring a substantial loss in covering the short sale. In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the stock that has been loaned at any time. In such event, the fund would be required to replace the borrowed securities by borrowing the securities from another lender. It generally is more difficult to find securities that can be borrowed in the case of micro-cap and small-cap issuers. If the fund is unable to replace the borrowed securities, it would be required to close out the short sale by buying the security in the market in order to make delivery. In such event, the fund could incur a significant loss if the security sold short had increased in value. In addition, the fund also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

### **Time Required to Invest and for Maturity of Investments**

There can be no assurance as to when cash contributions of investors in the funds will be fully invested in portfolio securities, although the funds do not anticipate incurring any significant delays in investing any contributions. In addition, there is no way to predict whether there will be sufficiently attractive investments available to the funds at any given time so that they may be fully invested in accordance with their investment objectives. The overall rate of return of a fund

is affected by the length of time and the percentage of its assets that remain in lower-yielding short-term investments while waiting for opportunities to invest in appropriate portfolio securities.

Once an investment is made in a special situation investment, it may take several years before the investment has matured to a point considered appropriate for its disposition. Should a fund for any reason, including its semi-annual redemption of interest, be required to dispose of its investments, it might receive a substantially lower return on its investment than may have been expected at the time of the purchase of the security. There is no way to predict how long a fund will hold any of its portfolio investments, and, in any event, no assurance can be given that any of the fund's portfolio investments will generate gains.

#### Item 9 Disciplinary Information

### **Disciplinary Information**

There have been no legal or disciplinary events involving AWM, its principals or supervised persons that would affect an investor or prospective investor's evaluation of our advisory business or the integrity of our management or personnel.

#### Item 10 Other Financial Industry Activities and Affiliations

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

Austin Marx, David Greenhouse and Adam Stettner, the principals of AWM, are also affiliates of the general partners of the various funds.

MGP Advisers Limited Partnership serves as general partner of SSFQP.

SST Advisers, L.L.C. serves as general partner of the Tech Funds.

LS Advisers, L.L.C. serves as general partner of the Life Sciences Fund.

MG Advisers, L.L.C. serves as general partner of the Private Equity Fund.

SSCayman, L.L.C. serves as general partner of the Cayman Fund.

Each fund will encounter competition for investment opportunities from other individuals or entities, including the other Special Situations Funds. Such competition may limit the investment opportunities available to a fund and/or the size of a fund's investment in a particular security. While we are obligated to provide each fund with a continuing and suitable investment program consistent with its investment objective and policies, we are not required to present to each fund any particular investment opportunity which has come to our attention, even if the opportunity is within the investment objective and policies of a particular fund. Any one fund will invest in certain companies in which one or more of the other funds have invested or may in the future invest, and each fund may co-invest with one or more of the other funds. Because of different objectives or other factors, a particular special situation investment may be acquired by

one fund at a time when another fund is selling such investment. Conflicts with respect to investment opportunities will be resolved in a manner equitable to the interests of all the funds.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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

Our Code of Ethics specifies and prohibits certain types of transactions deemed to create actual conflicts of interest, the potential for conflicts, or the appearance of conflicts, and to establish reporting requirements and enforcement procedures. The fundamental requirement is that all personnel place the interests of our clients above their own. All personal transactions of our personnel must avoid any actual or potential conflicts of interest and all activities of our personnel must never cause them profit by taking advantage of their position within the firm. All personnel must report any violation of the Code of Ethics to the Chief Compliance Officer (“CCO”) and comply with all Federal Securities Laws. We will provide a copy of our Code of Ethics to any investor or prospective investor upon request.

Our Insider Trading Policy governs the policies and procedures with respect to purchases and sales of securities by our personnel. Occasionally, management or employees may buy or sell for themselves securities that they also recommend to the funds. However, before any personal transactions are effected in securities that are recommended to the funds, all personnel must obtain consent from our CCO. The CCO maintains a list of securities that require pre-approval, which includes, but is not limited to, all positions owned by the funds. Permission to purchase or sell securities will only be given as long as we are not in possession of “material non-public information”, and all facts and potential conflicts are considered and determined not to require any restriction on trading.

Item 12 Brokerage Practices

**Brokerage Practices**

AWM is responsible for the execution of portfolio transactions and the choice of broker-dealers to be used by all of the funds. In selecting brokers or dealers to execute portfolio transactions, we seek the best overall terms available. We consider such factors as, the breadth of the market in the security, the price of the security, the reliability, financial condition and execution capability of the broker or dealer, the size of and the complexity in executing the transaction, and the reasonableness of the commission for the specific transaction. We may utilize a broker-dealer that employs a person related to personnel of our firm or an investor in one of the funds. These relationships are not, and will not be, a factor in determining which broker-dealer to use, and these relationships do not affect the commission rates paid by the funds.

We are authorized to cause the funds, or any future clients, to pay to a broker or dealer that provides brokerage and research services a higher commission than another broker or dealer would have charged for effecting the same transaction. We will determine in good faith that the

commission paid is reasonable in relation to the value of the brokerage and research services provided. Certain of the services and information received by us that can be attributed to a transaction executed on behalf of one fund may benefit other funds or accounts over which we have or will have investment discretion in the future.

We are under no obligation to deal with any broker or group of brokers to execute transactions on behalf of the funds. We have discretionary authority over the investments in the funds and recognize that we must allocate securities among the funds in a fair and equitable manner, depending on the facts and circumstances of each situation. When purchases of securities are made with respect to one fund, the purchase is allocated solely to the account of that fund. When purchases are made in an aggregate for more than one fund, we will consider the funds' stated investment objectives, liquidity, other holdings of such securities and overall portfolio, and possibly other factors that are deemed relevant at the time, in order to make a fair and equitable allocation. When purchases are made in an aggregate for more than one fund, we generally, but do not always, "bunch" orders of securities placed with the same broker on the same day in order to obtain the most efficient and cost effective execution. When orders are "bunched", the prices of all securities purchased or sold on that day through a broker as part of a particular order are averaged. Every fund participating in that order pays or receives the same price for all shares purchased or sold as part of that order. While "bunching" and average pricing may result in a different cost for a particular trade for one fund that might otherwise be obtained, we believe that "bunching" and average pricing results in more efficient and equitable final prices for all accounts than if orders were not "bunched" and average-priced.

#### Item 13 Review of Accounts

### **Review of Accounts**

The funds' investments and investment opportunities are reviewed and monitored on a daily basis by Austin Marx, President, David Greenhouse, Executive Vice President and Adam Stettner, Vice President of AWM. Portfolio Managers and analysts also continuously review and monitor the investments and opportunities for investments in the funds.

We provide all investors in each of the funds with quarterly financial statements which contain the fund's Statement of Financial Condition, Portfolio of Investments, Statement of Operations and Statement of Changes in Partners' Capital in accordance with U. S. GAAP. Investors may also obtain estimated valuations and historical information with respect to their account on a monthly basis from the funds' website. This website is not for public use and is only accessible by existing investors and their authorized third parties.

Item 14 Client Referrals and Other Compensation

**Client Referrals and Other Compensation**

Each of the general partners of SSFQP, the Tech Funds, the Private Equity Fund, and the Life Sciences Fund have agreements with referring parties through which the referring party receives compensation from the general partner for the referral of qualified persons who make an investment in the respective fund for which it serves as general partner. The fee, payable semi-annually or annually, is calculated as a percentage of the general partner's performance allocation, if any, of the prior fiscal period with respect to the partnership interest owned by an investor referred by the referring party. In some instances, the referring party may receive a percentage of the investment management fee payable to AWM, calculated with respect to the partnership interest held by the referred investor, payable semi-annually or annually.

Item 15 Custody

**Custody**

The funds' assets are held at Morgan Stanley & Co., a qualified custodian. The funds may utilize an offshore custodian for foreign assets, when it deems it necessary or appropriate to facilitate the funds' operations. We reconcile account statements monthly and send quarterly fund financial statements to all our investors. Each fund is audited by an independent public accounting firm that is registered with the PCAOB and we distribute the audited financial statements to each investor within 120 days after our fiscal year end.

Item 16 Investment Discretion

**Investment Discretion**

AWM has investment discretion over the investments in the funds, subject to the restrictions outlined in each fund's Limited Partnership Agreement.

Item 17 Voting Client Securities

**Voting Client Securities**

AWM's Proxy Voting Policies and Procedures are designed to ensure that its proxy voting activities on behalf of the funds are conducted in the best interest of the funds. For most matters, however, it is our policy not to vote when we believe the outcome is not in doubt in order to avoid the unnecessary expenditure of time and the cost to review the proxy materials in detail and carry out the vote. We believe that the funds are best served by devoting our time to investment activities on their behalf.



While the decision whether or not to vote a proxy must be made on a case-by-case basis, we generally do not vote a proxy if we believe the proposal is not adverse to the best interests of the funds or if adverse, the outcome of the vote is not in doubt. In the situations where we do vote a proxy, we vote within general guidelines outlined within our policy. In many cases the issues are so fact sensitive that no general voting policy can be established.

We will provide investors with a copy of our Proxy Voting Policies and Procedures upon written request. Information regarding how a fund's proxies were voted may also be obtained by an investor upon their written request.

#### Item 18 Financial Information

### **Financial Information**

The financial information disclosures required under this item are only applicable if the advisor requires prepayment of more than \$1,200 in fees per client, six months or more in advance. We do not require prepayment of any fees.