

**Part 2A of Form ADV: Firm Brochure**

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

**March 31, 2021**

**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. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Summary of Material Changes

### **March 31, 2021:**

Changes made since our last filing of Form ADV part 2A in March 2020 are as follows:

#### Item 4: Advisory Business:

Clients have been updated to reflect the Feeder Fund.

#### Item 15: Custody

First Republic Bank was added as a custodian for all Funds.

### **March 31, 2020:**

Changes made since our last filing of Form ADV part 2A in March 2019 are as follows:

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

The biographies of Dr. David Sable and Alex Silverman have been updated. The biography of Rose Carling has been removed and replaced with Marianne Kelly, who now serves as Chief Compliance Officer.

### **March 31, 2019:**

Changes made since our last filing of Form ADV part 2A in March 2018 are as follows:

#### The Entire Part II Form ADV:

All items have been updated to reflect a new fund, the Life Sciences Innovation Fund, L.P. (the “Innovation Fund”).

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

The biographies of Austin Marx, David Greenhouse, Dr. David B. Sable, Alexander Silverman and Ryan Nelson have been updated.

**March 31, 2018:**

Changes made since our last filing of Form ADV part 2A in March 2017 are as follows:

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

The biography of Ryan M. Nelson, CFA was added to disclose his role as Assistant Portfolio Manager to Special Situations Fund III QP, L.P.

**Item 15: Custody**

Our third-party administrator, Conifer Asset Solutions LLC (“Conifer”) was acquired by SS&C Technologies, Inc. (“SS&C”). All references to Conifer should be replaced with SS&C.

Fidelity Prime Services no longer serves as a secondary prime broker and custodian to the funds.

**March 31, 2017:**

Changes made since our last filing of Form ADV part 2A in March 2016 are as follows:

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

Dr. Sable no longer serves on the board of Progyny. He currently serves as an advisor to OvaScience, a company owned by the funds. Effective February 21, 2017, Dr. Sable has been reappointed and currently serves on the Board of Directors of Hamilton Thorne, Ltd., a company owned by the funds.

Rose Miloscio was designated an Investment Adviser Certified Compliance Professional® in April 2009, not 2008.

**Item 7 Types of Clients**

The definition of “qualified client” as defined in the Investment Advisory Act of 1940 is increased to require a net worth of at least \$2.1 million.

**March 31, 2016:**

Changes made since our last filing of Form ADV part 2A in March 2015 are as follows:

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

Dr. David B. Sable now serves on the board of Progyny, a private company not owned by the funds.

**Item 15: Custody**

Effective July 1, 2015, Conifer Asset Solutions LLC (“Conifer”) serves as a third-party administrator to the funds.

In addition to Morgan Stanley & Co. serving as the funds’ prime broker and custodian, Fidelity Prime Services (“Fidelity”) may also serve as prime broker and custodian of the assets, of the funds.

**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.

**TABLE OF CONTENTS**

<u>Item No.</u>	<u>Subject</u>	<u>Page</u>
4	Advisory Business	1
5	Fees and Compensation	3
6	Performance-Based Fees and Side-By-Side Management	4
7	Types of Clients	5
8	Methods of Analysis, Investment Strategies and Risk of Loss	6
9	Disciplinary Information	11
10	Other Financial Industry Activities and Affiliations	11
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
12	Brokerage Practices	12
13	Review of Accounts	13
14	Client Referrals and Other Compensation	14
15	Custody	14
16	Investment Discretion	15
17	Voting Client Securities	15
18	Financial Information	15

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. ("AWM") 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 seven 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. and its feeder fund, Special Situations International, Ltd., (collectively, 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"), Special Situations Life Sciences Fund, L.P. (the "Life Sciences Fund") and Life Sciences Innovation Fund, L.P. (the "Innovation Fund"). Additionally, AWM serves as the general partner of MGP Advisers Limited Partnership ("MGP"), the general partner of SSFQP.

Each of the funds, except the Cayman Fund, are Delaware limited partnerships, and combined have a total of \$950,313,917 in net assets as of January 1, 2021. 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. 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. The Innovation Fund invests in various seed, early and developmental stage private companies in the assisted reproductive technology sector.

AWM also provides certain administrative duties to each of the funds discussed above. As such, we provide the office space, facilities and personnel that are necessary in order to provide these 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 Life Sciences Innovation GP LLC, the general partner of the Innovation Fund, L.P. Mr. Marx received his B.A. from CUNY (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, the general partner of SSFQP and is also a member of each of the general partners of the above funds. Mr. Greenhouse received his B.S. from the University of Virginia (1982) and his M.B.A. from the University of Pennsylvania (1987).

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 of AWM. 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 B.A. in Physics (1986) and his M.S. in Computer Graphics (1989) from Cornell University.

Dr. David B. Sable, born in 1959, is a limited partner of MGP and is also a member of LS Advisers, LLC, the general partner of the Life Sciences Fund, L.P., and is the managing member of Life Sciences Innovation GP LLC, the general partner of the Innovation Fund. Dr. Sable has been the portfolio manager for the Life Sciences Fund since its formation in July 2005 and for the Innovation Fund since its formation in October 2018. Prior to serving as portfolio manager for these funds, 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 (1981) and his M.D. from the University of Pennsylvania (1986). Dr. Sable serves as a board observer and is on the scientific board of TMRW Life Sciences, Inc. and on the Board of Directors of MedAnswers, Inc., Hamilton Thorne, Ltd., and Celmatix, Inc. all companies owned by the Funds. He also serves on the Board of Directors of Ohana BioSciences beginning in March 2020.

Alexander Silverman, born in 1971, joined the firm in April 2000 as a senior member of the investment team. He currently is a member of MG Advisers, LLC, the general partner of the Private Equity Fund, and serves as the Private Equity Fund's portfolio manager. Effective January 2020, he is also a limited partner of MGP. 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 of Business (1999).

Ryan M. Nelson, CFA, born in 1975, joined the firm in April 2011 as a research analyst-generalist. Mr. Nelson is currently a limited partner of MGP and is a member of SST Advisers, LLC, the general partner of the Tech Funds. Mr. Nelson serves as an assistant portfolio manager of SSFQP. From 2008 to 2010 he worked as a small-cap analyst and assistant portfolio manager at a start-up hedge fund in Philadelphia. Prior to that he was a Principal and financial services analyst at Chartwell Investment Partners and a small cap generalist at Liberty Ridge Capital. Before earning his MBA, Mr. Nelson was a strategy consultant at Marakon Associates and a member of Capital One Financial's internal strategy team. He earned his B.A. in Economics from Northwestern University (1997) and his M.B.A. from the Wharton School, University of Pennsylvania (2005).

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 his B.S. in Accounting from the State University of New York at Binghamton (1990).

Marianne Kelly, born in 1979, is the Chief Compliance Officer for AWM. She joined the firm on April 3, 2000 as an Operations Specialist, serving in various capacities throughout the firm, including compliance. Ms. Kelly earned her B.S. in Business Finance and Economics from The College of Staten Island (2012).

#### 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 SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences Fund. For the Innovation Fund, AWM receives 2% per annum of the aggregate amount of capital contributions in respect of the investments that have not been the subject of a disposition as of the first day of a quarter. Any fees received by AWM, the Life Sciences Innovation GP, LLC ("LSIGP") or an affiliate of the Innovation Fund related to portfolio investments in the Innovation Fund will be used to offset those management fees on a dollar for dollar basis. Fees are not negotiable.

Morgan Stanley & Co. serves as custodian for SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences Fund and directly debits its fee based on those funds' assets. Each fund is also responsible for its share of brokerage and transaction costs. More information regarding brokerage may be found on pages 12 and 13 under item 12 of this brochure.

### **Performance – Based Fees**

SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences Fund entered into an Investment Management and Administration Agreement with AWM, under the general supervision of the general partner, delegating the rights and authority to exercise investment discretion over the assets of the funds, in addition to certain administrative duties to be performed by AWM for the funds. The Innovation Fund, its general partner, Life Sciences Innovation GP LLC (“LSIGP”), and AWM entered into an Investment Management Agreement whereby AWM is delegated the authority to originate, analyze, and recommend investment opportunities. AWM has the power to structure, make, monitor, and dispose of investments and to provide such services as LSIGP may request.

The respective general partners of each of SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences Fund 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.

For the Innovation Fund, net investment income or loss, net realized gain or loss and unrealized gain or loss on investments are allocated to the partners pro rata in proportion to their respective capital contributions; however, the Limited Partners’ allocation of income and losses is divided between the Limited Partners and LSIGP first, 100% to all partners until all partners have received an amount equal to their capital contributed and thereafter, 80% to the Limited Partners and 20% as “Carried Interest” to LSIGP.

The capital accounts reflect the Carried Interest, if any, to LSIGP as if the Innovation Fund had realized all assets and settled all liabilities at fair value reported in the financial statements and allocated all gains and losses and distributed the net assets to the partners at the reporting date consistent with the provisions of the Innovation Fund's governing documents. The Carried Interest to LSIGP will remain provisional until final distribution of the Fund.

If LSIGP receives distributions of Carried Interests with respect to any Limited Partner and that Limited Partner did not receive cumulative distributions representing its aggregate capital contributions, then LSIGP will be required to return, from the Carried Interest distributions, to the Limited Partner the shortfall between the amount distributed to the Limited Partner and the amount of its aggregate capital contributions (the "clawback"). The clawback is limited to the after-tax amount of Carried Interest previously distributed to LSIGP.

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 \$2.1 million, excluding the value of their primary residence. 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.

**Life Sciences Innovation Fund, L.P.** is a closed end 3(c)1 fund with a minimum commitment of \$100,000, which had its final closing on December 31, 2018.

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 SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences Fund, 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 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.

The Innovation Fund seeks investments in both U.S. and non-U.S. private companies that specialize in assisted reproductive technology. Dr. Sable, the fund's portfolio manager, uses his extensive knowledge in this field that he acquired from over a decade of service as a specialist in reproductive technology. He uses his expertise to locate various seed-stage, early-stage, and developmental stage companies in the assisted reproductive technology sector. The Innovation Fund invests in securities in such companies from secondary sources and in interests of special purpose vehicles and other entities whose portfolios are comprised of one or more companies consistent with the Innovation Fund's investment focus.

There can be no assurance that the investment objectives of any 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. For a discussion of more risks related specifically to one of the funds, please refer to that fund's Limited Partnership Agreement, Private Placement Memorandum and subscription documents. 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 10.

A fund may make venture capital investments in private, illiquid securities of companies in their early stages of development. These companies may take a significant amount of time, if ever, to realize their potential and reach a point to be sold or otherwise be disposed of at an attractive price. An investment in a private company may never reach fruition or have an exit strategy such as being acquired or having a public offering.

## **Special Situations and Venture Capital 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. A fund may make venture capital investments, investing in private "startup" companies in their earliest developmental stages. These companies may have significant capital needs to support their expansion. They may also face intense competition from similar companies that have greater financial support and resources for research, marketing and attracting qualified managerial and technical personnel. Investments may be made in companies which are in the process of, or have recently undergone, reorganization after a bankruptcy. Investment may be made in rapidly changing high-technology fields that may be particularly susceptible to the risks of product obsolescence.

There may be difficulty in locating appropriate investments for a particular fund's strategy. Identifying and structuring certain deals such as Private Investments in Public Entities (PIPEs) or finding early stage companies specifically suited for a particular fund's strategy may prove to be time consuming and highly competitive. There can be no assurance that specific types of investments can be found or that a certain fund would be able to invest. Also, an investment may not be significantly large enough in a company, limiting a fund's ability to appoint a director or to otherwise have influence on the company.

## **Initial Public Offerings**

Each of the funds may invest in Initial Public Offerings (IPOs) or Private Investments in Public Equity (PIPEs). 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 IPOs; 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, 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 are 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 fund's 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 publicly traded 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 or a beginning stage private company, 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 the semi-annual redemption of interest for certain funds, 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.

### **Dependence on the General Partner and Key Personnel**

The principals of each of the General Partners' of each of the funds are the same individuals. The loss of any one of these individuals could have a significant adverse impact on the business of any or all of the funds. There can be no assurance that these individuals will remain in the employ of the General Partner or affiliated entity of any of the funds or otherwise continue to be able to carry out their duties with respect to each fund.

### **Allocation of Management Time and Services**

David M. Greenhouse and Adam C. Stettner are the principals of the general partners of each of the funds and are principally responsible for the investment decisions of all of the funds. As such, each of them is required to allocate their time, effort, and services among the funds in a fair and equitable manner. Mr. Greenhouse and Mr. Stettner may encounter conflicts when allocating their time and services among the funds, but each has agreed to devote as much time as they consider necessary to conduct the business and affairs of each the funds.

#### **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.  
Life Sciences Innovation GP LLC serves as the general partner of the Innovation Fund.

Each fund will encounter competition for investment opportunities from other individuals or entities, including each other. 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. Due to its different strategy, the Innovation Fund will not encounter the same competition for investments as the other funds. The Innovation Fund seeks to invest in beginning stage private companies in the assisted reproductive technology sector. While the other funds are not prohibited from like investments, their strategy is to seek investments primarily in public companies in accordance with the objectives outlined in their respective limited partnership agreements.

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 management or our CCO. Pre-approval is required to trade in all positions currently owned by the funds and for securities meeting the criteria of a potential investment for one or more of 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.

### **Review of Accounts**

The funds' investments and investment opportunities are reviewed and monitored 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.

All investors in each of SSFQP, the Cayman Fund, the Tech Funds, the Private Equity Fund and the Life Sciences fund are provided 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 in the Innovation Fund are provided audited financial statements annually. Each of the investors in all of the funds are provided a quarterly letter updating them on their fund(s)' status. Investors may also obtain estimated valuations and historical information with respect to their account on a monthly basis from the firm's investor portal. This investor portal is not for public use and is only accessible by existing investors and their authorized third parties.

### **Client Referrals and Other Compensation**

Each of the general partners of SSFQP, the Cayman Fund, 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.

### **Custody**

The majority of the funds' assets, which include securities and cash, excluding those of the Innovation Fund, are held at Morgan Stanley & Co. ("Morgan"), a qualified custodian. Cash and cash equivalents for all of the funds are also held at First Republic Bank ("FRB"), a qualified custodian. AWM reconciles Morgan's and FRB's account statements monthly and sends quarterly fund financial statements, excluding the Innovation Fund, to all of the investors. An

offshore custodian may be utilized for foreign assets when it is deemed it necessary or appropriate to facilitate the funds' operations. SS&C Technologies, Inc. ("SS&C") serves as a third-party administrator to SSFQP, the Cayman Fund, the Technology Funds, the Private Equity Fund and the Life Sciences fund. As the official holder of the books and records, SS&C's responsibilities include: independently performing portfolio and fund accounting, calculating the net asset value of the Fund on a semi-annual basis in connection with the Fund's openings, providing semi-annual account statements directly to investors in the Fund, processing investor redemptions and subscriptions, and being responsible for all Anti-Money Laundering procedures. AWM performs such administrative duties for the Innovation Fund. All of the funds are 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.