

SECURITIES AND EXCHANGE COMMISSION

FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2006-01-05** | Period of Report: **2005-12-31**
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ISSUER

SPECIAL SITUATIONS FUND III L P

CIK: **914248** | IRS No.: **133737427** | State of Incorporation: **DE** | Fiscal Year End: **1231**

Mailing Address

*153 EAST 53RD STREET 51ST
FLOOR
NEW YORK NY 10022*

Business Address

*153 E 53 ST 51ST FL
NEW YORK NY 10022
2128325300*

REPORTING OWNER

MGP ADVISERS LP

CIK: **1213426** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **4** | Act: **34** | File No.: **811-08110** | Film No.: **06510445**

Mailing Address

*C/O SPECIAL SITUATIONS
FUNDS
527 MADISON AVENUE,
SUITE 2600
NEW YORK NY 10022*

Business Address

*C/O SPECIAL SITUATIONS
FUNDS
527 MADISON AVENUE,
SUITE 2600
NEW YORK NY 10022
2122076500*

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person MGP ADVISERS LP			2. Issuer Name and Ticker or Trading Symbol SPECIAL SITUATIONS FUND III L P [NONE]		5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input type="checkbox"/> Officer (give title below) <input checked="" type="checkbox"/> Other (specify below) GP and Investment Adviser		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 12/31/2005		6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person		
C/O SPECIAL SITUATIONS FUNDS, 527 MADISON AVENUE, SUITE 2600			4. If Amendment, Date Original Filed(Month/Day/Year)				
(Street) NEW YORK, NY 10022							
(City)	(State)	(Zip)					

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Units of limited partnership interest	07/01/2005		J ⁽¹⁾		114.2853 ⁽¹⁾	D	\$25,000	1,244.7802	D	
Units of limited partnership interest	12/31/2005		J ⁽²⁾		218.1847 ⁽²⁾	A	\$25,000	1,462.9649 ⁽²⁾	D	
Units of limited partnership interest	12/31/2005		J ⁽³⁾		1,345.0631 ⁽³⁾	D	\$25,000	117.9018 ⁽³⁾	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		Date Exercisable	Expiration Date					

Explanation of Responses:

1. To record semi-annual adjustment of units from profit (loss) reinvestment.

2. To record semi-annual adjustment of units from profit (loss) reinvestment.
3. Pursuant to that certain Exchange Tender Offer described in the Schedule TO-I of Special Situations Fund III, L.P. (SSF III), as filed by SSF III with the Securities and Exchange Commission on November 17, 2005, MGP transferred the units of limited partnership interest detailed herein to Special Situations Fund III QP, L.P. as of January 1, 2006. The number of units owned and transferred is an estimate. Such number is calculated based on performance allocation which can only be estimated at this time.

Signatures

/s/ Austin W. Marx

** Signature of Reporting Person

01/04/2006

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.