

**PART 2A OF FORM ADV: FIRM BROCHURE**

**ARDSLEY ADVISORY PARTNERS**

**262 HARBOR DRIVE, 4<sup>TH</sup> FLOOR**

**STAMFORD, CT 06902**

**WWW.ARDSLEY.COM**

**August 2012**

**This Brochure provides information about the qualifications and business practices of Ardsley Advisory Partners (“Ardsley”). If you have any questions about the contents of this Brochure, please contact Steven Napoli at 203-564-4230 or [steve@ardsley.com](mailto:steve@ardsley.com). 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 Ardsley also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2 – MATERIAL CHANGES**

This is the second version of Ardsley's Brochure, updated as of August 16, 2012 to add certain detail to the Item 12 description of Ardsley's soft dollar practices.

In the future, when Ardsley amends its Brochure for its annual update and the amended version contains material changes from the last annual update, Ardsley will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, Ardsley will provide the date of the last annual update of its Brochure.

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## ITEM 4 – ADVISORY BUSINESS

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| Item 4.A | <p><b>Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).</b></p> <p><b>Notes:</b> (1) For purposes of this item, your principal owners include the <i>persons</i> you list as owning 25% or more of your firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If you are a publicly held company without a 25% shareholder, simply disclose that you are publicly held. (3) If an individual or company owns 25% or more of your firm through subsidiaries, you must identify the individual or parent company and intermediate subsidiaries. If you are an SEC-registered adviser, you must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries. If you are a state-registered adviser, you must identify all intermediate subsidiaries.</p> <p>Ardley Advisory Partners (“Ardley”) is a New York general partnership that formed and began providing investment advisory services in March 1987.</p> <p>Ardley currently offers investment advisory services through six private investment funds (each one a “Fund” and collectively the “Funds”):</p> <ul style="list-style-type: none"> <li>• Ardley Partners Fund II, LP, a Delaware limited partnership;</li> <li>• Ardley Offshore Fund, Ltd, a British Virgin Islands corporate entity;</li> <li>• Ardley Partners Renewable Energy Fund, LP, a Delaware limited partnership;</li> <li>• Ardley Renewable Energy Offshore Fund, Ltd, a British Virgin Islands corporate entity;</li> <li>• Ardley Partners Institutional Fund, LP, a Delaware limited partnership; and</li> <li>• Ardley New China Partnership, LP, a Delaware limited partnership.</li> </ul> <p>It should be noted that Ardley Partners Institutional Fund, LP and Ardley New China Partnership, LP are open solely to investments by Ardley employees and personnel. Collectively, Ardley Partners Fund II, LP and Ardley Offshore Fund, Ltd. are referred to as the “Flagship Funds”. Collectively, Ardley Partners Renewable Energy Fund, LP and Ardley Renewable Energy Offshore Fund, Ltd. are referred to as the “Renewable Energy Funds”.</p> <p>Ardley also presently offers investment advisory services through one separately managed account (the “Managed Account”).</p> <p>The Funds and the Managed Account are referred to together in this Brochure as the “Advisory Clients”. “Investors” are investors in or the beneficial owners of interests or shares in the Advisory Clients.</p> <p>Philip Hempleman and an affiliate of Ardley, Ardley Partners I, a New York general partnership (together, the “General Partner”), serve as the General Partner of Ardley Partners Fund II, LP, Ardley Partners Renewable Energy Fund, LP and Ardley Partners Institutional Fund, LP. Philip Hempleman serves as General Partner of Ardley New China Partnership, LP. It should be noted that Mr. Hempleman and Ardley Partners I, in their roles as General Partner, have the sole</p> |
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|                 | <p>power and authority to manage the business and legal affairs of Ardsley Partners Fund II, LP, Ardsley Partners Renewable Energy Fund, LP, Ardsley Partners Institutional Fund, LP and Ardsley New China Partnership, LP.</p> <p>Philip Hempleman is the principal owner of Ardsley Advisory Partners.</p>  |
| <b>Item 4.B</b> | <p><b>Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.</b></p> <p>Ardsley provides investment advisory services to the Funds and the Managed Account. As described in further detail in Item 8.A below, these Advisory Clients seek to generate capital appreciation. The investment objective of the Flagship Funds is to seek above-average capital appreciation (rather than current income) by emphasizing active management of the Funds’ portfolios (including the use of leverage and short selling) and investment in growth stocks. The Flagship Funds invest primarily in equity securities of U.S. corporations traded on national securities exchanges and in the over-the-counter market. In circumstances deemed appropriate by Ardsley, the Flagship Funds also make investments in bonds or other fixed income securities issued by U.S. corporations, the U.S. Government or foreign governments.</p> <p>Ardsley pursues this objective for the Renewable Energy Funds by investing principally in equity securities of public and private companies engaged in the development, production and distribution of Renewable Energy/ Clean Tech products and services, and of companies which derive a major portion of their revenue directly or indirectly from business lines which benefit from technological events and advances with respect to such products and services. The Renewable Energy Funds also may invest (by selling short or otherwise) in equity securities of companies whose revenues or stock prices Ardsley believes may be adversely affected by the development, production and distribution of renewable energy products and services.</p> <p>The Funds’ structures, investment objectives and strategies are set forth in a confidential private offering memorandum (each a “CPOM”) provided to each Investor in the relevant Fund.</p> |
| <b>Item 4.C</b> | <p><b>Explain whether (and, if so, how) you tailor your advisory services to the individual needs of <i>clients</i>. Explain whether <i>clients</i> may impose restrictions on investing in certain securities or types of securities.</b></p> <p>With respect to the Funds, Ardsley generally does not tailor its advisory services to the individual needs of Investors.</p> <p>Ardsley is presently managing assets for one Managed Account which has individually negotiated terms that may impose certain restrictions on Ardsley’s investments. The existing Managed Account, and any future managed accounts, are typically subject to a significant minimum balance. Terms of any future managed account relationships would also be subject to individually negotiated</p>   |

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|                 | <p>terms.</p> <p>Ardsley may from time to time in the future, enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more Investors that provide such Investors with additional and/or different rights or terms than those set forth in the Funds’ offering documents. Such Side Letters may, among other things, contain investment restrictions.</p>   |
| <b>Item 4.D</b> | <p><b>If you participate in <i>wrap fee programs</i> by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.</b></p> <p>Ardsley does not participate in wrap fee programs.</p>   |
| <b>Item 4.E</b> | <p><b>If you manage <i>client</i> assets, disclose the amount of <i>client</i> assets you manage on a <i>discretionary basis</i> and the amount of <i>client</i> assets you manage on a <i>non-discretionary basis</i>. Disclose the date “as of” which you calculated the amounts.</b></p> <p><b>Note: Your method for computing the amount of “<i>client</i> assets you manage” can be different from the method for computing “assets under management” required for Item 5.F in Part 1A. However, if you choose to use a different method to compute “<i>client</i> assets you manage,” you must keep documentation describing the method you use. The amount you disclose may be rounded to the nearest \$100,000. Your “as of” date must not be more than 90 days before the date you last updated your <i>brochure</i> in response to this Item 4.E</b></p> <p>As of December 31, 2011, Ardsley manages \$545,228,792 in fund assets on a discretionary basis. Ardsley does not currently manage any Advisory Client assets on a non-discretionary basis.</p> |

## ITEM 5 – FEES AND COMPENSATION

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| Item 5.A | <p><b>Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.</b></p> <p><b>Note: If you are an SEC-registered adviser, you do not need to include this information in a <i>brochure</i> that is delivered only to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.</b></p> <p>The Funds offer private investment fund interests/shares only to certain qualified investors and admission to the Funds is not open to the general public. Private investment fund interests/shares are sold only to qualified investors who are “Accredited Investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and “Qualified Eligible Persons” under Regulation 4.7 of the Commodity Exchange Act. Given the Funds’ ownership restrictions, Ardsley has determined to limit the sale of private investment fund interests/shares to “Qualified Purchasers”, as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended.</p> <p>Please refer to the applicable Fund’s offering documents for a complete description of that Fund’s fee schedule.</p>   |
| Item 5.B | <p><b>Describe whether you deduct fees from <i>clients</i>’ assets or bill <i>clients</i> for fees incurred. If <i>clients</i> may select either method, disclose this fact. Explain how often you bill <i>clients</i> or deduct your fees.</b></p> <p>Ardsley deducts fees from each Fund’s assets. Ardsley generally deducts a management fee based on the net assets of each Fund, quarterly in arrears (the “Management Fee”). To the extent a capital contribution or withdrawal is made as of any day that is not the first day of a fiscal quarter, the Management Fee is prorated.</p> <p>Ardsley also charges performance based compensation in the form of an incentive allocation (the “Incentive Allocation”). The Incentive Allocation is generally calculated each month and paid as of the last day of each fiscal year. Under the loss carryforward provision, generally an Investor will not be charged an Incentive Allocation until any net loss previously allocated to such Investor has been offset by subsequent net profits.</p> <p>Ardsley or the General Partner, in their respective sole discretion, may, in effect, waive, reduce or rebate the Management Fee or the Incentive Allocation for certain Investors.</p> <p><b>It is critical that Investors refer to their respective Fund’s offering documents for a complete understanding of how fees are deducted from their assets. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund’s offering documents.</b></p> |
| Item 5.C | <p><b>Describe any other types of fees or expenses <i>clients</i> may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that <i>clients</i> will incur brokerage and other transaction costs, and direct <i>clients</i> to the section(s) of your <i>brochure</i> that discuss brokerage.</b></p>  |

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|          | <p>The Funds’ offering documents set forth the fees and expenses to be paid by Investors. Prospective Investors should carefully review the offering documents and a Fund’s governing documents prior to investing in a Fund.</p> <p>Ardsley will bear all expenses incurred in connection with the offer and sale of interests in the Ardsley Partners Fund II, LP, Ardsley Partners Institutional Fund, LP, and Ardsley New China Partnership, LP. Ardsley will also bear all administrative, bookkeeping, legal and accounting expenses (collectively the “Administrative Expenses”) of Ardsley Partners Fund II, LP, Ardsley Partners Institutional Fund, LP, and Ardsley New China Partnership, LP. Ardsley pays all of the expenses above for Ardsley Partners Renewable Energy Fund, LP, with the exception of expenses incurred for third-party administrator services which the Fund (Ardsley Partners Renewable Energy Fund, LP) bears.</p> <p>The Ardsley Partners Fund II, LP, Ardsley Partners Institutional Fund, LP, Ardsley New China Partnership, LP and Ardsley Partners Renewable Energy Fund, LP bear all investment expenses, including interest expenses, brokerage commissions, custodial fees, taxes, expenses related to the purchase and sale of illiquid securities, and any other expenses which the General Partner reasonably determines should not be considered Administrative Expenses of the applicable Fund.</p> <p>The Ardsley Offshore Fund, Ltd. and Ardsley Renewable Energy Offshore Fund, Ltd. bear all of their own operating and investment expenses, including administrative, bookkeeping, legal, and accounting expenses; corporate licensing; interest expenses; brokerage commissions; custodial fees; taxes; and other expenses associated with the operation of the applicable offshore Fund.</p> <p>It should also be noted that to the extent a trade error occurs, Fund/Investor losses caused by trade errors due to gross negligence, bad faith or willful misconduct on the part of Ardsley or its employees will be reversed with Ardsley being responsible to make the affected Funds whole. However, pursuant to Ardsley’s offering documents, the applicable Funds are required to bear the costs of any other trading errors. The Funds will be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, willful misconduct or gross negligence.</p> |
| Item 5.D | <p><b>If your <i>clients</i> either may or must pay your fees in advance, disclose this fact. Explain how a <i>client</i> may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.</b></p> <p>Investors in the Funds do not pay fees in advance, and therefore refunds are not necessary. However, following is summary information about the withdrawal rights of the Funds. Please refer to the applicable Fund’s offering documents for a complete description of that Fund’s withdrawal rights.</p> <p>Investors in the Ardsley Partners Fund II, LP and Ardsley Partners Renewable Energy Fund, LP may generally make withdrawals from their capital account in the applicable Fund as follows: (i) at the end of any fiscal quarter, upon 45 days’ prior written notice, an Investor may withdraw up to 25% of its capital account; and (ii) at the end of any fiscal year, upon 30 days’ prior written notice, an Investor may withdraw any amount from their capital account. Notwithstanding</p>  |

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|                   | <p>the foregoing, an Investor admitted to Ardsley Partners Fund II, LP or Ardsley Partners Renewable Energy Fund, LP as of a date other than January 1 of any fiscal year will not be permitted to withdraw from the Fund, in whole or in part, prior to the end of the first fiscal year following the fiscal year of the Investor's admission to the Fund. Ardsley or the General Partner may require or permit the withdrawal of an Investor under such other circumstances as they, in their sole discretion, deem appropriate.</p> <p>Investors in the Ardsley Offshore Fund, Ltd. and Ardsley Renewable Energy Offshore Fund, Ltd. have monthly liquidity with 30 days' written notice. There is no lock-up period for the Ardsley Offshore Fund, Ltd. or the Ardsley Renewable Energy Offshore Fund, Ltd.</p> |
| <b>Item 5.E</b>   | <p><b>If you or any of your <i>supervised persons</i> accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.</b></p> <p>Not applicable.</p>   |
| <b>Item 5.E.1</b> | <p><b>Explain that this practice presents a conflict of interest and gives you or your <i>supervised persons</i> an incentive to recommend investment products based on the compensation received, rather than on a <i>client's</i> needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to <i>clients</i>. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.</b></p> <p>Not applicable.</p>   |
| <b>Item 5.E.2</b> | <p><b>Explain that <i>clients</i> have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.</b></p> <p>Not applicable.</p>  |
| <b>Item 5.3.3</b> | <p><b>If more than 50% of your revenue from advisory <i>clients</i> results from commissions and other compensation for the sale of investment products you recommend to your <i>clients</i>, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.</b></p> <p>Not applicable.</p>   |
| <b>Item 5.E.4</b> | <p><b>If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.</b></p> <p><b>Note: If you receive compensation in connection with the purchase or sale of securities, you should carefully consider the applicability of the broker-dealer registration requirements of the Securities Exchange Act of 1934 and any applicable state securities statutes</b></p> <p>Not applicable.</p>   |

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

As noted in Item 5.B above, Ardsley receives performance-based compensation in the form of an Incentive Allocation. While each Fund managed by Ardsley pays performance-based compensation, it should be noted that Ardsley does not charge an Incentive Allocation with respect to members, employees, and affiliates of either Ardsley or the General Partner.

The possibility that Ardsley may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such a performance-based fee. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund or Managed Account and the risks associated with such performance-based compensation prior to making an investment.

## ITEM 7 – TYPES OF CLIENTS

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

As described in Item 4.A, Ardsley offers investment advisory services to pooled investment vehicles operating as private investment funds, and a separately managed account.

As described in Item 5.A, above, each Investor must meet certain suitability requirements. In addition, the minimum initial investment for the Flagship Funds is \$1,000,000, and the minimum additional contribution is \$100,000. The minimum initial investment for the Renewable Energy Funds is \$2,000,000, and the minimum additional contribution is \$250,000. Ardsley does not regularly accept managed accounts due to the significant amount of additional complexity that occurs in our trading and back office operations. The minimum investment required for a separate account is \$25,000,000. These minimums are subject to waiver at the discretion of the General Partner in the case of the Ardsley Partners Fund II, LP and Ardsley Partners Renewable Energy Fund, LP, and the board of directors in the case of Ardsley Offshore Fund, Ltd. and Ardsley Renewable Energy Offshore Fund, Ltd.

The minimum initial investment for Ardsley Partners Institutional Fund, LP and the Ardsley New China Partnership, LP are at the discretion of the General Partner. As stated in Item 4.A, Ardsley Partners Institutional Fund, LP and Ardsley New China Partnership, LP solely accept investments from Ardsley employees and personnel.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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| Item 8.A | <p><b>Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that <i>clients</i> should be prepared to bear.</b></p> <p>Ardsley’s core area of expertise is long/short equity and global macro investing. Ardsley utilizes long/short global equity dedicated to Renewable Energy/ Clean Tech. in diversified sectors including Technology, Healthcare, Biotechnology, Cap Goods &amp; Industrials, Alternative Energy, Energy and Consumer Related.</p> <p>The Flagship Funds utilize a global long/short hedge fund, whose style is categorized as Growth At a Reasonable Price (GARP), supplemented by value and special situations. The investment objective of the Flagships Funds is long term wealth creation through a portfolio of selected long and short investments in public securities.</p> <p>The Renewable Energy Funds’ strategy is similar to the strategy of the Flagship Funds in that it is a long/short fundamentally driven fund with a bottom-up approach. However, unlike the multi-sector Flagship Funds, the Renewable Energy Funds focus solely on opportunities in the Renewable Energy/ Clean Tech sector. For the Renewable Energy Funds, Ardsley prefers to invest in companies that are profitable today, and preferably profitable without subsidies. Generally, at least 75% of the portfolio consists of these companies. The Renewable Energy Funds will be capitalization agnostic, taking advantage of a range of opportunities from large-cap to micro-cap. The Renewable Energy Funds will be very global in nature with many of the best opportunities and companies in the sector located abroad. Ardsley will apply its expertise on a global scale to capture these opportunities.</p> <p>Ardsley has utilized its investment approach for the past 20+ years with our Flagship Funds, and applies a similar approach for the Renewable Energy Funds. Ardsley utilizes three basic investment styles. These three investment styles will focus on the Renewable Energy sectors from a global perspective.</p> <ol style="list-style-type: none"> <li>1) The first style is a core investment style in which the firm utilizes a fundamentally driven bottom up approach to identify specific securities of companies that it believes will be successful and whose prices in the market do not reflect the value of the firm. These companies tend to be long-term investments, typically ranging from a year to several years. The Ardsley research team performs in-depth proprietary fundamental analysis to identify issues and to make recommendations for the portfolio. Ardsley subscribes to a rigorous, bottom-up analysis typically associated more with equity holders than with debt holders. We carefully examine historic cash flow, model future projections, meet with company management, and consult with industry specialists, competitors, suppliers, and customers of each of our prospective investment targets. We prepare our own spreadsheets and company specific models for every company that we include in the portfolio as well as its comparables. We supplement this research with street research, industry media, industry forums, sector</li> </ol> |
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|                 | <p>consultants, conference calls, peer idea sharing groups and technical screens, but never rely on external modeling for our decisions. We also utilize consultants for analysis on global legislative trends.</p> <p>2) The second style is an opportunistic event-driven style still focusing on the fundamentals of companies but taking advantage of shorter term events such as earnings announcements, new company announcements, M&amp;A activity, etc. These positions are traditionally held shorter-term, roughly a quarter.</p> <p>3) The third style is a short-term trading style that takes advantage of market inefficiencies. For example liquidity events, volatility, and technical. Typically these investments are held for a week or less and are primarily equity securities.</p> <p>In order to optimize returns in down market phases, Ardsley utilizes derivatives, options, and other defensive investment vehicles, as well as employing a highly responsive portfolio management approach that focuses on adjusting invested exposure through cash levels and short positions, where appropriate. In addition, Ardsley is constantly vigilant to opportunities that arise globally in all types of financial markets as a supplement to equity investments.</p> <p>We supplement this research through outside subscriptions provided by service providers such as Moody's, Credit Sight, and S&amp;P and a variety of industry periodicals. We also receive research provided by the major Wall Street investment firms, but never rely on external modeling for our decisions.</p>  |
| <b>Item 8.B</b> | <p><b>For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.</b></p> <p>Prospective Investors should consider the following factors in determining whether an investment in a Fund is a suitable investment:</p> <p><u>Risks of Investing in the Renewable Energy Sector.</u> Investments in renewable energy and companies with environmentally-friendly products are subject to political priorities and changing government regulation, which may not be enforced. New renewable energy technologies may be feasible, but not cost effective, as research and development costs for such technologies are high. Potential advantages of renewable energy may be slow in development and recognition. Additionally, interest in achieving a clean environment may diminish, particularly if the cost of non-renewable energy declines.</p> <p><u>Risks of Investing in Energy-Related Securities.</u> The Funds are subject to the risk that the earnings, dividends, and securities prices of energy companies will be greatly affected by changes in the prices and supplies of oil and other energy fuels. Prices and supplies of energy may fluctuate significantly over any time period due to many factors, including international political developments; production and distribution policies of the Organization of Petroleum Exporting Countries ("OPEC") and other oil-producing countries; relationships among OPEC members and other oil-producing countries and between these countries and oil-importing nations; energy conservation; the regulatory environment; tax</p> |

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|  | <p>policies; and the economic growth and political stability of the key energy-consuming countries.</p> <p><u>Limited Diversification; Concentration of Investments.</u> The Renewable Energy Funds' portfolios are expected to be concentrated in a single sector. Accordingly, the risk of loss to a Fund is greater than if its portfolio were invested in a more diversified manner among various industry sectors. In addition, although the Renewable Energy Funds' investments among a variety of different securities is intended to reduce exposure to adverse events associated with specific issuers, the number of investments will be limited. As a consequence, the Renewable Energy Funds' returns as a whole may be adversely affected by the unfavorable performance of even a single investment.</p> <p><u>General Economic and Market Conditions.</u> The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices of securities, commodities or other financial instruments and the liquidity of a Fund's investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss. The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.</p> <p><u>Non-U.S. Investments.</u> A Fund may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the U.S. involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding and other taxes on interest, dividends, capital gains and other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Fund's investment opportunities. The legal and regulatory environment also may be different, particularly as to bankruptcy and reorganization. In addition, accounting and financial reporting standards that</p> |
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|  | <p>prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, a Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It also may be difficult to enforce a Fund's rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to a Fund under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.</p> <p><u>Currency Exchange Exposure.</u> A Fund may invest a portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. A Fund, however, values its securities and other assets in U.S. dollars. A Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Fund wishes to use them, or that hedging techniques employed by a Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of a Fund's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of a Fund's securities in their local markets and may result in a loss to a Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on a Fund's non-U.S. dollar investments.</p> <p><u>Emerging Markets.</u> The Funds will invest in markets worldwide, including, without limitation, many developing markets in Asia, Latin America, emerging Europe and Africa. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally and transactions may need to be made on a non-local exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. The quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual</p> |
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|  | <p>circumstances being reported. The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, potentially carry greater risk. In addition, a Fund's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities or restrictions on the ability to convert currency or to take currencies out of certain countries. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries. In addition, economic problems in a single emerging market country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect a Fund's performance.</p> <p><u>Leverage and Borrowing Risks.</u> A Fund may leverage its capital because Ardsley believes that the use of leverage may enable a Fund to achieve a higher rate of return. Accordingly, a Fund may pledge its securities in order to borrow additional funds for investment purposes. A Fund also may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which a Fund may have outstanding at any time may be substantial in relation to its capital. In addition, the amount of leverage used by a Fund for a substantial period of time after commencement of operations of a Fund may be higher than Ardsley generally expects to employ on an ongoing basis. It is anticipated that substantially all of the leverage utilized will be with recourse to the given Fund. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage is a speculative investment practice that involves significant by a Fund in a market that moves adversely to the given Fund's investments could result in a substantial loss to the Fund which would be greater than if the Fund was not leveraged. In general, the anticipated use of short-term margin borrowings results in certain additional risks to a Fund. For example, should the securities pledged to brokers to secure a Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements. A Fund may enter into repurchase and reverse repurchase agreements. When a Fund enters into a repurchase agreement, it "sells" securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, a Fund "buys" securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Fund involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to a Fund.</p> |
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|  | <p><u>Absence of Regulatory Oversight.</u> While a Fund may be considered similar to an investment company, it is not registered as such under the 1940 Act, in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the 1940 Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) are not applicable. Because securities of a Fund held by brokers generally are not held in the Fund's name, a failure of any such broker is likely to have a greater adverse impact on a Fund than if such securities were registered in the Fund's name.</p> <p><u>Limited Liquidity.</u> An investment in a Fund provides limited liquidity since the interests or shares are not freely transferable and Investors may withdraw their capital only at the end of any fiscal year. As part of its investment program, a Fund may acquire assets or securities, including debt securities, through direct investments or private placements. These investments may be illiquid, lack a readily available market and be subject to restrictions on resale ("Illiquid Investments"). Accordingly, a Fund may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid securities. A Fund also may suspend the withdrawal rights of the Investors. An investment in a Fund is suitable only for sophisticated investors.</p> <p><u>Business and Regulatory Risks of Hedge Funds.</u> Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect the Fund. The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been subject to increasing regulation and oversight. This may increase a Fund's and Ardsley's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on Ardsley, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert Ardsley's time, attention and resources from portfolio management activities. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on a Fund could be substantial and adverse.</p> <p><u>Investment and Trading Risks.</u> All securities investments risk the loss of capital. Ardsley believes that a Fund's investment program and research techniques moderate this risk through a careful selection of common stocks and other securities. No guarantee or representation is made that a Fund's program will be successful. Past performance is not a guarantee of future performance. A Fund's investment program utilizes such investment techniques as margin transactions, short sales, option transactions, repurchase and reverse repurchase agreements and limited diversification, and may utilize futures contracts, which practices can, in certain circumstances, maximize the adverse impact to which a Fund may be subject. In addition, a Fund is subject to the risk that changes in the general level</p> |
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|  | <p>of interest rates may adversely affect a Fund's operating results. A Fund may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities, when Ardsley believes that such securities offer opportunities for capital growth. Such securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. It is likely that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.</p> <p><u>Currency.</u> A portion of a Fund's assets may be invested in debt and equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. A Fund however, values its securities and other assets in U.S. dollars. To the extent unhedged, the value, of a Fund's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the assets of a Fund are invested reduces the effect of increases and magnifies the U.S. dollar equivalent of the effect of decreases in the prices of the securities invested in by Ardsley in their local markets. Conversely, a decrease in the value of the U.S. dollar has the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the non-U.S. dollar securities invested in by Ardsley. Ardsley may also utilize forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.</p> <p><u>Short Selling.</u> A Fund's investment portfolio may include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Fund of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.</p> <p><u>Hedging Transactions.</u> Ardsley may utilize financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange</p> |
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|                 | <p>rates and market interest rates. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus, moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for Ardsley to hedge against an exchange rate or interest rate fluctuation at a price sufficient to protect a Fund's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. The success of Ardsley's hedging transactions is subject to Ardsley's ability to correctly predict movements in the direction of currency and interest rates. Therefore, while Ardsley may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency or interest rates may result in a poorer overall performance for a Fund than if Ardsley had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, Ardsley may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of Ardsley' portfolio holdings.</p> <p><u>Emphasis on Trading in Indices and Financial Instruments.</u> Ardsley may emphasize trading indices and financial instruments. The effect of governmental intervention may be particularly significant at certain times in indices and financial instrument futures and options markets, and such intervention (as well as other factors) may cause all of these markets to move rapidly in the same direction because of, among other things, interest-rate fluctuations.</p> |
| <b>Item 8.C</b> | <p><b>If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.</b></p> <p>Under normal market conditions, the Renewable Energy Funds expect to invest primarily in equity securities of U.S. corporations traded on national securities exchanges and in the over-the-counter market. In circumstances deemed appropriate by Ardsley, the Renewable Energy Funds may also invest in other equity securities of U.S. and non-U.S. corporations, as well as bonds or other fixed income securities issued by U.S. and non-U.S. corporations, the U.S. Government or foreign governments. The Renewable Energy Funds intend to trade futures contracts relating to U.S. Government securities and stock indices although it is not limited to such contracts. There is no maximum aggregate amount of funds that may be contributed nor is there a minimum aggregate amount required for a Fund to commence trading commodity interests. Current income is not a primary objective, but it is considered in attempting to maximize the total return on investments. A Fund may also invest in all manner of over-the-counter and listed interest rate, currency, commodity, equity and other derivative products, including, without limitation, swaps, options, caps, collars, floors and forward rate agreements and agreements relating to or securing such transactions. The Renewable Energy Funds may seek exposure to various markets through direct investments, or by investing in other pooled investment vehicles, such as</p>  |

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|  | <p>exchange-traded funds.</p> <p>Prospective Investors should consider the following factors in determining whether an investment in a Fund is a suitable investment:</p> <p><u>Small and Medium Capitalization Companies.</u> A Fund may take long and short positions in fixed income and equity securities and other instruments of companies with small- to medium-sized market capitalizations. These securities and other instruments may involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors in the case of long positions) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be less liquid.</p> <p><u>Debt Securities.</u> A Fund may invest in U.S. and non-U.S. private and government debt securities and instruments. It is likely that many of the debt instruments in which a Fund invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are dependent on the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.</p> <p><u>Non-Performing Nature of Debt.</u> It is anticipated that certain debt instruments purchased by a Fund will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor also may be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.</p> <p><u>Convertible Securities.</u> Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion</p> |
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|  | <p>value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third- party. Any of these actions could have an adverse effect on the Fund's ability to achieve its investment objective.</p> <p><u>Investments in Distressed Securities.</u> It is anticipated that the majority of a Fund's debt investments will be rated below "investment grade" and/or not rated securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a Fund's investment in any instrument, and a significant portion of the obligations and securities in which a Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Ardsley will correctly evaluate the value of the assets underlying a Fund's investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Fund's investments may not compensate Investors adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other</p> |
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|  | <p>forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Fund of the security in respect to which such distribution was made.</p> <p>In certain transactions, a Fund may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.</p> <p><u>Investing in High Yield Securities.</u> A Fund may invest in high-yield securities. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, a Fund will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.</p> <p><u>Purchasing Initial Public Offerings.</u> Ardsley may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies and, thus, for interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, such as renewable energy, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospectus of achieving them.</p> <p><u>Trading in Commodity Interests, Options and Swap Agreements.</u> The prices of commodity contracts and all derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements also may be highly volatile. Price movements of commodities, futures and option contracts and payments pursuant to swap agreements are influenced by, among other things,</p> |
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|  | <p>interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, a Fund's assets are also subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses or of their counterparties. Ardsley may purchase and sell ("write") options on securities, currencies and commodities on national and international commodities and securities exchanges and in the domestic and international over-the-counter market. The seller ("writer") of a put option which is covered (<i>i.e.</i>, the writer has a short position in the underlying security, currency or commodity) assumes the risk of an increase in the market price of the underlying security, currency or commodity above the sales price (in establishing the short position) of the underlying security, currency or commodity plus the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security, currency or commodity below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, currency or commodity, the loss on the put will be offset, in whole or in part, by any gain on the underlying security, currency or commodity. The writer of a call option which is covered (<i>i.e.</i>, the writer holds the underlying security, currency or commodity) assumes the risk of a decline in the market price of the underlying security, currency or commodity below the value of the underlying security, currency or commodity less the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or commodity above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, currency or commodity, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and creditworthiness of the swap counterparty. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Ardsley from promptly liquidating unfavorable positions and subject a Fund to substantial losses. In addition, Ardsley may not be able to execute futures contract</p> |
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|  | <p>trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Futures trading is also highly leveraged.</p> <p><u>Failure of Futures Commission Merchants.</u> Under the Commodity Exchange Act, as amended, futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that Ardsley engage in futures and options contract trading and the futures commission merchants with whom Ardsley maintain accounts fail to so segregate the assets managed by Ardsley, a Fund will be subject to a risk of loss in the event of the bankruptcy of any of these futures commission merchants. In certain circumstances, a Fund might be able to recover, even in respect of property specifically traceable to Fund assets managed by Ardsley, only a <i>pro rata</i> share of all property available for distribution to a bankrupt futures commission merchant's customers.</p> <p><u>Forward Trading.</u> Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Ardsley would otherwise recommend, to the possible detriment of a Fund. Neither the CFTC nor banking authorities regulate forward currency trading through banks. In respect of such trading, a Fund is subject to the risk of bank failure or the inability or refusal by a bank to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to a Fund.</p> <p><u>Special Investments.</u> The risk of Special Investments is specific to the Renewable Energy Funds. To the extent that Ardsley determines, in its sole discretion, that illiquid investments cannot be fairly valued or that such investments should be held until the resolution of a special event or circumstance, such illiquid investments ("Special Investments") will be maintained in separate memorandum accounts (each a "Special Investment Account"). An Investor may not withdraw any part of its interest attributable to a Special Investment Account. Ardsley will not purchase a Special Investment for a Fund if, as a result of such purchase, more than 15% of the value of the capital of the given Fund (determined at the time a position is acquired, with securities or other assets held in Special Investment Accounts being valued at the lower of cost or fair value). Notwithstanding this limitation, Special Investments made by a Renewable Energy Fund may constitute more than 15% of the value an Investor's capital account (including capital invested in Special Investments) due to various factors because the limitation applies on a Fund-wide, rather than an Investor-specific, basis. Appreciation or</p> |
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|  | <p>depreciation in hedge positions that relate to, and are a part of, a Special Investment will not be taken into account in calculating the 15% guideline. However, in determining whether to make any Special Investment, Ardsley will consider whether, and the extent to which, more than 15% of the capital of any Fund is, or as a result of such investment, will be invested in Special Investments. Special Investments and other Illiquid Investments, assets and liabilities for which no such market prices are available generally will be carried on the books of a Fund at fair value (which may be cost) as reasonably determined by Ardsley. There is no guarantee that fair value will represent the value that will be realized by a Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing Investor with an interest in a Special Investment will not receive any amount in respect of such interest until the related Special Investment is realized or deemed realized.</p> <p><u>Exchange-Traded Funds.</u> Shares of exchange-traded funds ("ETFs") and other similar instruments may be purchased or sold short by a Fund. An ETF is an investment company that is registered under the 1940 Act that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day. Instruments a Fund may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities also may be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs are not registered as investment companies under the 1940 Act. Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, a Fund's investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Ardsley may consider the anticipated expenses associated with an investment in determining whether to invest in an ETF or other instrument that otherwise might be suitable for investment by a Fund.</p> |
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## ITEM 9 – DISCIPLINARY INFORMATION

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a *management person* has been *involved* in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the *management person's* favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the “date” of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a *client's* or prospective *client's* evaluation.

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| Item 9.A | <p>A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a <i>management person</i></p> <ol style="list-style-type: none"> <li>1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any <i>felony</i>; (b) a <i>misdemeanor</i> that <i>involved</i> investments or an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;</li> <li>2. is the named subject of a pending criminal <i>proceeding</i> that involves an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;</li> <li>3. was <i>found</i> to have been <i>involved</i> in a violation of an <i>investment-related</i> statute or regulation; or</li> <li>4. was the subject of any <i>order</i>, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a <i>management person</i> from engaging in any <i>investment-related</i> activity, or from violating any <i>investment-related</i> statute, rule, or <i>order</i></li> </ol> <p>Not applicable.</p> |
| Item 9.B | An administrative <i>proceeding</i> before the SEC, any other federal regulatory agency, any state regulatory agency, or any <i>foreign financial regulatory</i>   |

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|          | <p><b><i>authority in which your firm or a management person</i></b></p> <ol style="list-style-type: none"> <li>1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or</li> <li>2. was <i>found</i> to have been <i>involved</i> in a violation of an <i>investment-related</i> statute or regulation and was the subject of an <i>order</i> by the agency or authority <ol style="list-style-type: none"> <li>(a) denying, suspending, or revoking the authorization of your firm or a <i>management person</i> to act in an <i>investment-related</i> business;</li> <li>(b) barring or suspending your firm's or a <i>management person's</i> association with an <i>investment-related</i> business;</li> <li>(c) otherwise significantly limiting your firm's or a <i>management person's investment-related</i> activities; or</li> <li>(d) imposing a civil money penalty of more than \$2,500 on your firm or a <i>management person</i>.</li> </ol> </li> </ol> <p>Not applicable.</p>   |
| Item 9.C | <p><b>A self-regulatory organization (SRO) proceeding in which your firm or a management person</b></p> <ol style="list-style-type: none"> <li>1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or</li> <li>2. was <i>found</i> to have been <i>involved</i> in a violation of the <i>SRO's</i> rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from <i>investment-related</i> activities; or (iii) fined more than \$2,500.</li> </ol> <p><b>Note:</b> You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a <i>management person</i> to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the <i>person involved</i> in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See SEC rule 204-2(a)(14)(iii).</p> <p>Not applicable.</p> |

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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| Item 10.A | <p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.</p> <p>Not applicable.</p>  |
| Item 10.B | <p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.</p> <p>Not applicable.</p>   |
| Item 10.C | <p>Describe any relationship or arrangement that is material to your advisory business or to your <i>clients</i> that you or any of your <i>management persons</i> have with any <i>related person</i> listed below. Identify the <i>related person</i> and if the relationship or arrangement creates a material conflict of interest with <i>clients</i>, describe the nature of the conflict and how you address it.</p> <ol style="list-style-type: none"> <li>1. broker-dealer, municipal securities dealer, or government securities dealer or broker</li> <li>2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)</li> <li>3. other investment adviser or financial planner</li> <li>4. futures commission merchant, commodity pool operator, or commodity trading advisor</li> <li>5. banking or thrift institution</li> <li>6. accountant or accounting firm</li> <li>7. lawyer or law firm</li> <li>8. insurance company or agency</li> <li>9. pension consultant</li> <li>10. real estate broker or dealer</li> <li>11. sponsor or syndicator of limited partnerships</li> </ol> <p><a href="#">Affiliated General Partner</a></p> <p>As described in Item 4.A, above, Philip Hempleman and an affiliate of Ardsley, Ardsley Partners I, a New York general partnership (together, the “General Partner”), serve as the General Partner of Ardsley Partners Fund II, LP, Ardsley Partners Renewable Energy Fund, LP, and Ardsley Partners Institutional Fund, LP. In addition, Philip Hempleman serves as General Partner of Ardsley New China Partnership, LP. In their roles as General Partner, Mr. Hempleman and Ardsley Partners I have absolute legal authority for such entities. The General Partner invests directly in the Funds, and employees of Ardsley and the General Partner may also invest directly in the Funds. It should be noted that investments made by such parties generally are not subject to the Incentive Allocation noted in</p> |

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|           | Item 5, above.   |
| Item 10.D | <p>If you recommend or select other investment advisers for your <i>clients</i> and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.</p> <p>Not applicable.</p> |

## ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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| Item 11.A | <p><b>If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any <i>client</i> or prospective <i>client</i> upon request.</b></p> <p>Ardsley has adopted a Code of Ethics (the “Code”) designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (“Advisers Act”). The Code sets forth a standard of business conduct that takes into account Ardsley’s status as a fiduciary and requires Access Persons to place the interests of Advisory Clients and Investors above their own interests. Each employee of Ardsley is deemed to be an Access Person.</p> <p>The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Ardsley’s Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.</p> <p>As required by Rule 204A-1 of the Advisers Act, and as further discussed in Item 11.C below, the Code also sets forth certain reporting, notification and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must pre-clear certain transactions in securities, specifically those involving initial public offerings or limited offerings. Same-day, post-trade notification is required for transactions in other securities for personal accounts that may also be purchased or sold by Advisory Clients. Access Persons must also provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1.</p> <p>In summary, the Code is designed to (i) prevent improper personal trading by Ardsley’s Access Persons; (ii) prevent improper use of material, non-public information about securities recommendations made by Ardsley or securities holdings of Ardsley’s Advisory Clients; (iii) identify conflicts of interest; and (iv) provide a means to resolve any actual or potential conflict in favor of Advisory Clients.</p> <p>Further, Ardsley’s Code of Ethics ensures the protection of nonpublic information about the activities of the Funds. Investors or prospective Investors may obtain a copy of Ardsley’s Code of Ethics by contacting the Chief Compliance Officer, Steven Napoli at 203-564-4230 or <a href="mailto:steve@ardsley.com">steve@ardsley.com</a>.</p> <p>Ardsley may rent surplus space, facilities and infrastructure to or from other investment advisers who are not Ardsley employees (referred to herein as “Tenants”). After review, Ardsley is of the view that Tenants and their employees do not meet the definition of “Access Persons” because Ardsley has taken steps to ensure that Tenants do not: (1) have nonpublic information regarding any Advisory Clients’ purchase or sale of securities, or nonpublic information</p> |
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|                  | <p>regarding the portfolio holdings of any Fund or account, or (2) make securities recommendations to Advisory Clients, or who has access to such recommendations that are nonpublic. That said, given the office space arrangement between Ardsley and its Tenants, Tenants will be provided on an annual basis with a copy of Ardsley's Code of Ethics. Tenants are required to attest that their employees have received and read the Code of Ethics, and understand that they are not Access Persons. Tenants will contact Ardsley's Chief Compliance Officer in the event that the Tenant or any of its employees (1) have nonpublic information regarding any Advisory Clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any Fund or account, or (2) make securities recommendations to Advisory Clients, or who has access to such recommendations that are nonpublic.</p>   |
| <b>Item 11.B</b> | <p><b>If you or a <i>related person</i> recommends to <i>clients</i>, or buys or sells for <i>client</i> accounts, securities in which you or a <i>related person</i> has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p> <p><b>Examples: (1) You or a <i>related person</i>, as principal, buys securities from (or sells securities to) your <i>clients</i>; (2) you or a <i>related person</i> acts as general partner in a partnership in which you solicit <i>client</i> investments; or (3) you or a <i>related person</i> acts as an investment adviser to an investment company that you recommend to <i>clients</i></b></p> <p>As described above, Ardsley serves as the investment manager of the Funds and its affiliate serves as the General Partner of the onshore funds. Ardsley and the General Partner recommend interests in the Funds to prospective Investors. As noted in Item 10 above, Ardsley does not charge an Incentive Allocation to Investors that are members, employees or affiliates of Ardsley or the General Partner.</p> <p>The fact that Ardsley, the General Partner and Access Persons may each have financial ownership interests in the Funds creates a potential conflict in that it could cause Ardsley to make different investment decisions than if such parties did not have such financial ownership interests.</p> <p>Ardsley addresses these potential conflicts through regular monitoring of the Funds' portfolios for consistency with the Funds' objectives, strategies, and target capacity. Further, Ardsley carefully considers the risks involved in any investments and provides extensive disclosure to Investors regarding the potential risks that come with an investment in the Funds. Ardsley's Code of Ethics requires Access Persons to place the interests of Advisory Clients and Investors over their own or those of Ardsley, and all Access Persons are required to acknowledge their receipt and understanding of the Code. Also, as noted in Item 11.A. and 11.C, Access Persons are subject to certain personal securities transaction including: pre-clearance for securities transactions in IPOs or other limited offerings, same-day notification for transactions in other securities available for purchase/sale by Ardsley's Advisory Clients, and initial, quarterly and annual reporting requirements to ensure all Access Persons place the interests of the Advisory Clients above their own.</p> <p>In addition, to manage potential conflicts related to shared space arrangements between Ardsley and the Tenants, Ardsley has contracted with an independent</p> |

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|           | <p>third party consultant for purposes of comparing the daily trading of Ardsley's clients and portfolios to the trading engaged in by the Tenants. Ardsley's Chief Compliance Officer receives regular reports from the consultant, reviews such reports and resolves issues (if any) in a manner that is in the best interests of Ardsley's clients.</p>   |
| Item 11.C | <p><b>If you or a <i>related person</i> invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a <i>related person</i> recommends to <i>clients</i>, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.</b></p> <p>Ardsley and its employees may effect transactions for their own accounts in the same securities purchased and sold for the accounts of Ardsley clients.</p> <p>This presents potential conflicts in that an employee could make improper use of information regarding an Advisory Client's holdings, future transactions or research paid for by the Advisory Clients. For example, an Access Person could take for himself or herself an investment opportunity available to an Advisory Client.</p> <p>Ardsley manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code, which contains strict guidelines for Access Persons on pre-clearance (for securities offered in IPOs or other limited offerings), same-day notification (for transactions in other securities available for purchase/sale by Advisory Clients), and initial, quarterly and annual reporting requirements. Specifically, Ardsley's Code of Ethics requires related persons of Ardsley to obtain prior written approval from Ardsley's Chief Compliance Officer before engaging in investments in initial public offerings or other limited offerings for personal accounts, and same-day, post-trade notification for other transactions in securities for personal accounts that may also be purchased or sold by Advisory Clients. The Chief Compliance Officer may only approve the transaction if he concludes that the transaction would comply with the provisions of the Code of Ethics and is not likely to have any adverse economic impact on the Advisory Clients. Ardsley will also maintain a "Restricted Securities" list, which will include securities that are under consideration for Advisory Clients, as well as certain securities owned by Advisory Clients. Generally, any security appearing on the Restricted Securities list will not be approved for personal trading.</p> <p>The Chief Compliance Officer and/or his designee reviews each Access Person's personal transaction reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code. Ardsley requires that employee trades be at the same or less favorable price than that received by Advisory Clients. The Chief Compliance Officer may, in his sole discretion, break any trades affected for the account of Ardsley's employees of which he has notice and believes to be in violation of the provisions of the Code.</p> |
| Item 11.D | <p><b>If you or a <i>related person</i> recommends securities to <i>clients</i>, or buys or sells securities for <i>client</i> accounts, at or about the same time that you or a <i>related person</i> buys or sells the same securities for your own (or the <i>related person's</i> own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p>   |

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|  | <p><b>Note:</b> The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not “reportable securities” under SEC rule 204A-1(e)(10) and similar state rules.</p> <p>Please refer to Items 11.A, 11.B, and 11.C.</p> |
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## ITEM 12 – BROKERAGE PRACTICES

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| Item 12.A.1 | <p>Describe the factors that you consider in selecting or recommending broker-dealers for <i>client</i> transactions and determining the reasonableness of their compensation (e.g., commissions).</p> <p><b>1. Research and Other Soft Dollar Benefits.</b> If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.</p> <p><b>Note:</b> Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.</p> <ol style="list-style-type: none"> <li>a. Explain that when you use <i>client</i> brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.</li> <li>b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your <i>clients’</i> interest in receiving most favorable execution.</li> <li>c. If you may cause <i>clients</i> to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.</li> <li>d. Disclose whether you use soft dollar benefits to service all of your <i>clients’</i> accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to <i>client</i> accounts proportionately to the soft dollar credits the accounts generate.</li> <li>e. Describe the types of products and services you or any of your <i>related persons</i> acquired with <i>client</i> brokerage commissions (or markups or markdowns) within your last fiscal year.</li> </ol> <p><b>Note:</b> This description must be specific enough for your clients to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not</p> |
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|  | <p><b>specific enough.</b></p> <p><b>f. Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for soft dollar benefits you received.</b></p> <p>Ardsley recognizes its duty to obtain “best execution” for its Advisory Clients. In selecting the broker-dealers to execute securities transactions, Ardsley will select brokers on the basis of best execution and in consideration of factors such as the broker’s trading expertise, reputation, facilities, willingness to commit capital and access to a particular trading market. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services.</p> <p>Ardsley may also direct brokerage transactions of a Fund to brokers that have entered into arrangements with Ardsley pursuant to which the brokers, in consideration of the commissions they receive on transactions for a Fund, provide or agree to pay all or a portion of expenses incurred by Ardsley in obtaining certain research and non-research related products and services used by Ardsley in servicing the Fund (including investors in the Fund).</p> <p>The use of commission or "soft" dollars (or dealer markups and markdowns arising in connection with riskless principal transactions) for research and research-related services will come within the safe harbor for the use of soft dollars provided under Section 28(e) of the Securities Exchange Act of 1934, as amended, but will not fall within that safe harbor to the extent commissions are used to obtain other products and services. Under Section 28(e), an investment adviser will not be deemed to have acted unlawfully or to have breached its fiduciary duty by causing a client to pay higher commissions to a broker because of "brokerage and research services" provided by the broker. Ardsley utilizes brokers that provide it solely with brokerage services, as well as brokers that provide research related services, including economic, political and social trend analyses, reports on the equity and credit markets, analyses of industries and individual companies, access to consultants, including those with expertise relating to domestic and global economics, research for model building and maintenance, specific companies, technologies or industries, and Ardsley’s computer and technology infrastructure; computer hardware as well as support and maintenance for the computer hardware, software and support and maintenance; telecommunications hardware, software and maintenance (including voicemail applications, data communications and direct lines, including remote lines, to brokers and market data vendors); quotation systems and the dedicated physical infrastructure to support all of the above (such as 24/7 air conditioning); and other products and services (including research related periodicals) that assist Ardsley in rendering investment management services to its Advisory Clients. With respect to brokers providing research related services, Ardsley may cause a Fund to pay a brokerage commission in excess of that which another broker may charge for effecting the same transaction, in recognition of the value of the services provided by the broker. Research related services rendered to Ardsley by brokers selected to execute transactions are utilized to benefit all Advisory Clients of Ardsley. Certain brokers that supply research services may suggest a level of brokerage commissions they would expect to receive in return for supplying the services. Ardsley monitors the level of commissions allocated to such brokers</p> |
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|             | <p>relative to the value of the research services it receives. Ardsley believes that the arrangements described above assist it in managing and servicing the Fund (and investors in the Fund) and are therefore beneficial to the Fund. Ardsley may direct the Fund's transactions to a particular broker to pay for products or services that are outside the safe harbor of Section 28(e). Accounts managed by Ardsley that cannot or do not agree to participate in these arrangements may nevertheless derive benefits from the products and services Ardsley obtains, notwithstanding the fact that brokerage commissions of other clients of Ardsley are used to pay for those products and services.</p> <p>Ardsley has established an approved list of brokers and dealers for the execution of Advisory Clients' securities transactions, and Ardsley's Trading Desk has been instructed to select brokers/dealers only from the appropriate approved list. Ardsley's traders, analysts, and Portfolio Managers are responsible for determining the approved broker-dealers. The list is reviewed by the traders, analysts, and Portfolio Managers on an as needed basis, no less than once a quarter. This information will be reviewed and overseen by the Chief Compliance Officer.</p>  |
| Item 12.A.2 | <p><b><u>Brokerage for Client Referrals.</u> If you consider, in selecting or recommending broker-dealers, whether you or a <i>related person</i> receives <i>client</i> referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.</b></p> <ul style="list-style-type: none"> <li><b>a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving <i>client</i> referrals, rather than on your <i>clients'</i> interest in receiving most favorable execution.</b></li> <li><b>b. Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for <i>client</i> referrals.</b></li> </ul> <p>Ardsley may place transactions with a broker or dealer that (i) provides Ardsley with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers Investors. Ardsley recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to Ardsley or refer Investors. Ardsley presently receives capital introduction services from its prime broker, Goldman, Sachs &amp; Co. ("Goldman Sachs"). Ardsley receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from Goldman Sachs' capital introduction services. Similarly, Ardsley receives performance-based compensation and accordingly could receive a larger performance-based fee in any given profit period as a result of an increase in assets under management that results from Goldman Sachs' capital introduction services.</p> <p>The potential for higher fees presents a potential conflict in that Ardsley has an incentive to favor Goldman Sachs even if Goldman Sachs rates unfavorably in other categories that are part of Ardsley's best execution analysis. Ardsley addresses this potential conflict through its thorough best execution review process (as described above), which requires that key Ardsley individuals look at a broker-dealer's performance in a wide variety of categories. Such reviews allow Ardsley to determine when broker-dealers that outperform in capital introduction</p> |

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|             | and Investor referrals (as applicable) under perform in other areas. In such situations, Ardsley may provide heightened scrutiny to a relationship with a broker-dealer.   |
| Item 12.A.3 | <p><b><u>Directed Brokerage.</u></b></p> <p>a. If you routinely <u>recommend</u>, <u>request</u> or <u>require</u> that a <i>client</i> direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their <i>clients</i> to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of <i>client</i> transactions, and that this practice may cost <i>clients</i> more money.</p> <p>b. If you <u>permit</u> a <i>client</i> to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of <i>client</i> transactions. Explain that directing brokerage may cost <i>clients</i> more money. For example, in a directed brokerage account, the <i>client</i> may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the <i>client</i> may receive less favorable prices.</p> <p>Note: If your clients only have directed brokerage arrangements subject to most favorable execution of client transactions, you do not need to respond to the last sentence of Item 12.A.3.a. or to the second or third sentences of Item 12.A.3.b.</p> <p>Not applicable.</p> |
| Item 12.B   | <p>Discuss whether and under what conditions you aggregate the purchase or sale of securities for various <i>client</i> accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to <i>clients</i> of not aggregating.</p> <p>Where Ardsley purchases or sells particular securities for two or more Advisory Clients (or for Advisory Clients and one or more accounts affiliated with Ardsley or its controlling person), Ardsley will generally seek to aggregate orders for execution as a single transaction. It is noted that multiple orders for a single security broker combination will generally be aggregated into a single transaction at the average price and allocated at the end of the day. Each Advisory Client participating in an aggregate transaction will participate at the average share price obtained in transactions for Ardsley's Advisory Clients in the security on that business day. Securities that are bought and sold in aggregated transactions are normally allocated pro-rata to the participating Advisory Client accounts in proportion to the size of the orders placed for each account to the extent practicable.</p>  |

## ITEM 13 – REVIEW OF ACCOUNTS

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| Item 13.A | <p><b>Indicate whether you periodically review <i>client</i> accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.</b></p> <p>Client accounts are under continuous review and performance is analyzed on a daily basis.</p> <p>Ardley's Chief Compliance Officer, the Portfolio Managers and the General Partners (who may also rely on outside counsel) are responsible for ensuring the accuracy of trade confirmations and related documents. Trades are maintained via a portfolio system which tracks positions holdings and monthly profit and loss by position. Daily position reports are created and distributed to the Funds' Portfolio Managers, Philip Hempleman and Spencer Hempleman. The Portfolio Managers review the reports for internal portfolio management and risk management purposes.</p> <p>Further, the Chief Compliance Officer, the Portfolio Managers and the General Partners periodically review the firm's trading and current practices to ensure consistency with applicable law and regulations.</p> |
| Item 13.B | <p><b>If you review <i>client</i> accounts on other than a periodic basis, describe the factors that trigger a review</b></p> <p>Please see Item 13.A, above.</p>   |
| Item 13.C | <p><b>Describe the content and indicate the frequency of regular reports you provide to <i>clients</i> regarding their accounts. State whether these reports are written.</b></p> <p>On a monthly basis Investors receive a capital balance email and transparency indicating performance. On a quarterly basis, Investors receive unaudited financial and capital statements. Investors also periodically receive an investor letter from the portfolio manager. On an annual basis Investors will receive audited financial and capital statements. Investors in onshore funds will also receive Form K-1.</p>  |

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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| Item 14.A | <p>If someone who is not a <i>client</i> provides an economic benefit to you for providing investment advice or other advisory services to your <i>clients</i>, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.</p> <p>Not applicable.</p>   |
| Item 14.B | <p>If you or a <i>related person</i> directly or indirectly compensates any <i>person</i> who is not your <i>supervised person</i> for <i>client</i> referrals, describe the arrangement and the compensation.</p> <p>Note: If you compensate any person for client referrals, you should consider whether SEC rule 206(4)-3 or similar state rules regarding solicitation arrangements and/or state rules requiring registration of investment adviser representatives apply.</p> <p>There are presently no such solicitation or referral relationships in place.</p> |

## ITEM 15 – CUSTODY

**If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.**

Ardasley and the General Partner are deemed to have custody of Fund assets by virtue of their respective status as investment manager and general partner. Ardsley and the General Partner maintain the assets of Advisory Clients in accounts with “qualified custodians” pursuant to Rule 206(4)-2 under the Advisers Act and will notify Investors in writing of the qualified custodian’s name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. The qualified custodian presently utilized by Ardsley as prime broker and custodian for the Funds is Goldman, Sachs & Co. (“Goldman Sachs”), 200 West Street, 3<sup>rd</sup> Floor; New York, New York 10282.

Ardasley reasonably believes that all Investors in the Ardsley Partners Fund II, LP, Ardsley Offshore Fund, Ltd., Ardsley Partners Renewable Energy Fund, LP, and Ardsley Renewable Energy Offshore Fund, Ltd. will be provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of each Fund’s fiscal year. Investors should carefully review the audited financial statements upon receipt.

Ardasley employees are the sole Investors in the Ardsley Partners Institutional Fund, LP and Ardsley New China Partnership, LP. As such, Ardsley will use an independent public accountant to verify the funds and securities for Investors in these funds by an annual surprise examination pursuant to Rule 206(4)-2 under the Advisers Act.

Ardasley is of the view that it does not have custody of managed accounts.

## ITEM 16 – INVESTMENT DISCRETION

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

Ardsley has discretionary authority to manage securities accounts on behalf of its Advisory Clients. Ardsley is authorized to make purchase and sale decisions for Advisory Clients. As explained in Item 4.C above, individual Investors in the Funds do not have the ability to impose limitations on Ardsley's discretionary authority. Prospective Investors in the Funds are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all supplements and other relevant offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Investors to the Funds must execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Prospective Investors in the onshore funds must also execute a limited partnership agreement. The subscription agreement and limited partnership agreement each constitute a legal, valid and binding obligation of the Investor, enforceable in accordance with its terms. Investors in a Managed Account must sign a Trading Manager Agreement.

## ITEM 17 – VOTING CLIENT SECURITIES

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| <p><b>Item 17.A</b></p> | <p><b>If you have, or will accept, authority to vote <i>client</i> securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your <i>clients</i> can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your <i>clients</i> with respect to voting their securities. Describe how <i>clients</i> may obtain information from you about how you voted their securities. Explain to <i>clients</i> that they may obtain a copy of your proxy voting policies and procedures upon request.</b></p> <p>Ardsley understands and appreciates the importance of proxy voting. To the extent that Ardsley has discretion to vote proxies on behalf of Advisory Clients, Ardsley will vote any such proxies in the best interests of the Advisory Clients and Investors (as applicable) and in accordance with set compliance procedures.</p> <p>All proxies sent to Funds will be provided to the Chief Compliance Officer. Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the security in question. In the absence of a conflict of interest, Ardsley will generally vote “for” routine proposals, such as the election of directors, approval of auditors and amendments or revisions to corporate documents to eliminate outdated or unnecessary provisions. Unusual or disputed proposals will be reviewed and voted on a case-by-case basis. In any such unusual cases or if a conflict is identified, Ardsley will identify the conflicts and make a determination of the best course of action. In the event of a conflict of interest, Ardsley may determine that the individual who has a conflict of interest is to be recused from the deliberations as to how to vote a proxy on a case-by-case basis.</p> <p>Generally, the Chief Compliance Officer is responsible for ensuring that the proxy is voted on and submitted in a timely manner. Ardsley keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions (such as the proxy voting worksheet) and each client request for proxy voting records and Ardsley’s response.</p> <p>If you have any questions about Ardsley’s proxy policy, its proxy record-keeping procedures or if you would like any detailed information about how proxies are actually voted, please contact Steven Napoli at 203-564-4230 or <a href="mailto:steve@ardsley.com">steve@ardsley.com</a>.</p> |
| <p><b>Item 17.B</b></p> | <p><b>If you do not have authority to vote <i>client</i> securities, disclose this fact. Explain whether <i>clients</i> will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) <i>clients</i> can contact you with questions about a particular solicitation.</b></p> <p>Not applicable.</p>  |

## ITEM 18 – FINANCIAL INFORMATION

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| Item 18.A | <p>If you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, include a balance sheet for your most recent fiscal year.</p> <ol style="list-style-type: none"> <li>1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.</li> <li>2. Show parenthetically the market or fair value of securities included at cost.</li> <li>3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.</li> </ol> <p>Note: If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.</p> <p>Note: If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your brochure.</p> <p>Exception: You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules; or (ii) an insurance company.</p> <p>Not applicable.</p> |
| Item 18.B | <p>If you have <i>discretionary authority</i> or <i>custody</i> of <i>client</i> funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to <i>clients</i>.</p> <p>Note: With respect to Items 18.A and 18.B, if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance</p> <p>Ardsley is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.</p>  |
| Item 18.C | <p>If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.</p> <p>Not applicable.</p>   |