

# ARTIENCE CAPITAL MANAGEMENT

## DISRUPTIVE INVESTMENT SOLUTIONS

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January 2013

This Brochure provides information about the qualifications and business practices of Artience Capital Management, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Adviser at the telephone numbers listed below. The information in this Brochure has not been approved by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Artience Capital Management, LLC is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information with which you can determine whether to hire or retain an adviser.

Additional information about the Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Toll Free 800-337-0353**

## Item 2 – Material Changes

The following material changes have occurred since April 2011, the date on which we last updated our Form ADV.

### Item 1. Cover Page

New rules that became effective last year (2011) under the *Dodd-Frank Wall Street Reform and Consumer Protection Act* raised the threshold of regulatory assets under management required for SEC registration to \$100 million for advisors to both private funds and separately managed accounts. Under the old rules, the SEC registration eligibility threshold was \$25 million, so we qualified and were SEC registered. Our present regulatory assets under management are approximately \$60,000,000. Thus, we do not meet the new rule's eligibility threshold. As required by the new rules, we are in the process of de-registering from the SEC and re-registering as an investment adviser under the rules of the State of California. We expect our application for registration with the State of California to become effective in June 2012.

### Item 6. Performance-based Fees

Under the Advisers Act of 1940 and applicable state law, an investment adviser can only charge a performance fee to persons that meet certain financial eligibility requirements. Under the rules in effect when the Partnership's present limited partners made their investments (i.e., the old rules) each limited partner had to be a "qualified client," as defined. To be a "qualified client," each limited partner had to represent on its Subscription Application that she/he had a net worth of \$1.5 million (or had at least \$750,000 invested with the adviser).

Under new rules that became effective late last year (2011), to be a "qualified client" you must meet one of the following higher net worth standards:

- You have a net worth (or together with your spouse have a net worth) of at least \$2.0 million (**excluding** the equity in your principal residence).
- You have at least \$1,000,000 invested with the adviser.

To minimize the disruption of existing contractual arrangements, the new rules contain a transition provision that allows us to maintain performance fee arrangements that were acceptable under the old rule, even if you do not meet the new rule's higher net

worth standard. Thus, the existing contractual relationships with our limited partners permit us to continue charging a performance fee even if you do not presently meet the higher standards under the new rule.

#### **Item 14 – Client Referrals and Other Compensation**

We have engaged the services of a marketing agent, Julie Anne Dumont, to assist us in developing new relationships with high net worth individuals and other investors seeking fee-based personal investment management services and/or financial planning services. We will compensate Ms. Dumont for bringing clients to our firm on terms that are customary in the investment advisory field. See Part 2B – Julie Anne Dumont.

#### **Item 19 – Requirements for State-Registered Advisers**

Ms. Nordmo was previously found liable the amount of \$900,000 in an arbitration claim involving her former employment with Merrill Lynch. The matter was settled in December 2012.

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In the future, this Item 2 will discuss only specific material changes that are made to this Brochure and provide you with a summary of the changes. We will also reference the date of our last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days after the close of our fiscal year.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jolie Bales at the telephone number on the cover page or [jolie.bales@artiencecapital.com](mailto:jolie.bales@artiencecapital.com).

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*Appendix 1 – Wrap Program Brochure*

**Brochure Supplement(s) on FORM ADV Part 2B**

Jolie Bales  
Julie Anne Dumont  
Kim Nordmo

## **Item 4 – Advisory Business**

### ***A. Description of the Company***

Artience Capital Management, LLC is a Delaware limited liability company. The firm was founded in 2009 by Jolie Bales and Kim Nordmo.

### ***B. Types of Investment and Advisory Services Offered***

In contrast to investment advisers whose services are limited to investment management, we merge investment management and financial planning/consulting services to achieve each client's individual financial goals and objectives.

We offer three programs through which we manage client assets:

- Portfolio Wealth Management – Wrap Account Program
- Portfolio Wealth Management – Non-Wrap Account
- Artience Fund I, LP

Each of the foregoing programs is described below.

<b>Portfolio Wealth Management – Wrap Account Program</b>
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This is our most comprehensive service. It encompasses portfolio management and financial planning/consulting. It is designed to assist clients in meeting their financial goals through the use of financial investments.

Our Wrap Account Program is described in detail in a separate Wrap Account Program Disclosure Brochure. To obtain a free copy of this brochure, please contact us via telephone or email at the number or address on the cover page of this Brochure.

## **Portfolio Wealth Management – Non-Wrap Account Program**

Like our Wrap Account Program, our Non-Wrap Account Program also encompasses portfolio management and financial planning/consulting with the objective of assisting clients in meeting their financial goals through the use of financial investments.

At the outset of each client relationship, one of our professionals meets with each client and proposes a unique investment approach for investing the client's assets based upon the client's stated investment objectives, risk tolerance and financial circumstances. Based on the foregoing, we generally propose an investment plan consisting of exchange traded funds, mutual funds, individual stocks and bonds and/or other securities.

The principal difference between our Wrap Account Program, our non Non-Wrap Account Program is the fee arrangement. We manage our "wrap" accounts for a flat, all-inclusive, quarterly fee ("wrap fee") calculated as a percentage of portfolio assets. This fee covers all administrative, commission, and management expenses. Wrap Account Program clients do not pay commissions on portfolio purchases and/or sales.

## **Artience Fund I, LP**

Artience Capital Management, LLC is the general partner of a private investment limited partnership, Artience Fund I, LP (the "Fund"). The Fund is a global macro fund that seeks to achieve total investment returns by responding to changing market conditions and global economic trends both short and long term. The Fund primarily utilizes U.S. and foreign stocks and bonds, currencies, commodities, ETFs and closed or open ended mutual funds. Inverse and leveraged ETFs may be used in addition to options and option strategies such as potentially yield-enhancing covered call writing programs. The Fund intends to use a combination of instruments – especially those that may be expected to offer optimum liquidity. The Fund primarily will be long only.

Interests in the Fund are only suitable for "accredited investors" – generally, investors with a net worth of at least \$1,000,000, as that term is defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

An investment in the Fund is speculative and involves substantial risks, several of which are described in its Offering Memorandum. Prospective investors should satisfy themselves that an investment in the Fund is suitable for them and should carefully examine its Offering Memorandum before making an investment decision.

We manage the assets of the Fund in accordance with investment guidelines set forth in the offering memorandum under the powers conferred upon us by a subscription agreement and the partnership's constitutional documents. Each prospective subscriber in a partnership receives a complete set of offering materials prior to investing.

### ***C. Assets Under Management***

As of December 31, 2011, we had approximately \$60,000,000 in assets under management, most of which are discretionary assets.

## **Item 5 – Fees and Compensation**

### ***A. Types of Compensation***

#### Portfolio Wealth Management – Non-Wrap Account

Clients pay a management fee calculated as a percentage of their invested assets in the account. The management fee is calculated based on a percentage of assets as determined from the following schedule:

<u>Account Size</u>	<u>Annual Fee (%)</u>
All Accounts	1.00%

#### Portfolio Wealth Management – Wrap Account Program

<u>All Accounts</u>	1.50%
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#### Portfolio Wealth Management – Bond Account Program



Artience Fund I, LP

The Fund pays a management fee to Artience Capital Management of 0.5% per quarter (2.0% per annum) of the balance in each limited partner's capital account. In addition, we receive a performance fee equal to twenty percent (20%) of the net "new" profits allocated to the limited partners ("new" profits are those net profits exceed net losses previously allocated to the limited partner that have not been recovered).

The management fee is calculated and payable as to each limited partner in advance as of the beginning of each quarter based on the limited partner's capital account at the beginning of the quarter. Limited partners who contribute or withdraw capital on a date other than the first day of a quarter are charged a prorated management fee as to that contribution or withdrawal.

The performance fee is debited from the capital account of each limited partner as of the end of each fiscal year (or upon the date of a permitted or required withdrawal) and allocated to the capital account of the general partner in accordance with the terms of the partnership agreement.

***B. Method of billing – Portfolio Wealth Management Accounts***

Fees are calculated quarterly and paid quarterly in advance based on the market value of the account at the end of the previous quarter. Exceptions may be made to the published fee schedule under certain circumstances pursuant to a negotiated fee agreement with the client. If a client withdraws funds or terminates the account, any fees, commissions or other expenses associated with rebalancing or liquidating the account's holdings may be assessed to the account.

Fees are automatically deducted from the account. We follow the following process for our clients' protection:

- Each client account is separately held by a "qualified custodian;"
- The custodian sends statements no less frequently than quarterly showing all disbursements from the account, including the amount of the advisory fee; and
- Each client provides written authorization for us to be directly paid on these terms.

Either the client or Artience Capital may terminate the investment advisory agreement at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five days of signing our investment advisory agreement. After five business days, clients will receive a pro-rata refund.

### ***C. Other Fees and Costs***

In addition to the management fee set forth above, portfolio wealth management clients may pay some or all of the following costs and expenses:

*Account Costs:* All fees charged by Artience Capital are separate and distinct from any fees and expenses charged by any mutual funds or exchange-traded funds to their shareholders. These fees and expenses are described in each such fund's prospectus.

*Custodial Fees:* All custody costs and expenses are charged by the custodian to the account.

*Trading Costs:* Non-Wrap Account clients pay transaction fees (ticket charges) which generally are charged by the custodian on a transaction-by-transaction basis.

*Transaction costs:* Non-Wrap Account clients pay all commissions, bid-ask spreads, mark-up's and similar transaction costs which may be incurred in connection with the purchase and sale of individual securities.

### ***D. Return of Unearned Management Fees***

When an investment advisory agreement commences or terminates between an account's regular valuation dates, a pro rata adjustment is made with respect to the management fee for the partial period. Upon termination of any account, any prepaid, unearned fees are promptly refunded, and any earned, unpaid fees are due and payable.

### ***E. Compensation From the Sale of Investment Products***

We do not accept compensation or commissions for the sale of securities or other investment products.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

Our Portfolio Wealth Management clients do not incur performance-based fees. As set forth above however, clients who invest in the Fund may pay an annual performance fee of twenty (20) percent of the Fund's new profits.

Item 5A discusses our performance-based fee in detail. Performance-based fees will only be charged in accordance with CCR Section 260.234. Generally speaking, under CCR Section 260.234, each new investor who is charged a performance fee must meet the definition of a "qualified client." Under new rules that became effective late last year (2011), to be a "qualified client" you must meet one of the following criteria:

- You have a net worth (or together with your spouse have a net worth) of at least \$2.0 million (**excluding** the equity in your principal residence).
- You have at least \$1,000,000 invested with us.

To minimize the disruption of existing contractual arrangements, the new rules contain a transition provision that allows us to maintain performance fee arrangements that were acceptable under the old rule, even if you do not meet the new rule's higher net worth standard. Thus, the existing contractual relationships with our limited partners permit us to continue charging a performance fee even if you do not presently meet the higher standards under the new rule.

Performance based fee arrangements may create an incentive for us to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We manage both types of accounts—the Partnership is charged a performance-based fee; the separately-managed accounts generally are not.

## **Item 7 – Types of Clients**

We provide investment services to individual and institutional investors including, for example, corporate pension and profit-sharing plans, charitable institutions, foundations and endowments.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

We primarily use fundamental analysis when choosing individual securities for investment in client accounts. However, we also may consider other factors and employ other methods of analysis—for example, fundamental analysis of stocks with cyclical characteristics.

Our approach to developing and managing investment portfolios is predicated on certain fundamental assumptions with regard to the factors that most influence investment success—chief among them being rigorous and thoughtful asset allocation among asset classes. The right mix of assets is important to long-term investment results. Diversification is part of our investment discipline. We invest in a broad spectrum of economic sectors, and in both U.S. and foreign markets. Each security added to the portfolio is intended to minimize the risk or expand the portfolio's opportunity for return.

It is important to note that the performance of any investment is subject to numerous factors which are neither within the control of, nor predictable by, Artience Capital or our portfolio managers. These factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or within specific industries or companies.

#### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events to report involving Artience Capital.

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

Artience Capital is a member of iShares Insight Circle, a professional group consisting of the top 1% of registered investment advisory firms in the U.S. that utilize exchange traded funds as a key element of their investment practice and philosophy. The group convenes annual educational sessions for its members at Harvard or Stanford Business Schools and holds regular gatherings linking the members together as well as leveraging iShares best people, resources and a range of offerings to support Insight Circle members' business practices.

#### **Item 11 – Code of Ethics**

We have adopted a code of ethics (“Code of Ethics”) for all of our employees describing our high standard of business conduct and fiduciary duties to our clients. As a fiduciary, we have

a responsibility to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core principle for our Code of Ethics.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All of our employees must acknowledge the terms of the Code of Ethics annually, or as it is amended.

Our employees and persons associated with us are required to follow the Code of Ethics. Subject to satisfying the Code of Ethics and applicable laws, officers and employees of Artience Capital may trade for their own accounts in securities which are purchased for our clients. Among other things, our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in your best interest and (ii) implementing the decisions while, at the same time, allowing employees to invest for their own accounts. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit inadvertently from market activity by a client in a security held by an employee.

You may request a copy of our Code of Ethics by contacting us at the telephone number on the cover page.

## **Item 12 – Brokerage Practices**

### Directed Brokerage Arrangements

We recommend certain broker-dealers to clients—primarily Fidelity Investments (see below). However, each Non-Wrap Account Program client<sup>1</sup> may select a particular broker-dealer to which all of their brokerage business will be directed. In that case, the client will have the sole responsibility to negotiate terms and arrangements with the directed broker and we will not seek better execution services or prices from other broker-dealers or be able to “batch” transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, clients who elect to direct their brokerage to a particular broker-dealer may pay higher commissions or other transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

### “Best Execution” and “Soft Dollars”

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<sup>1</sup> Not available to Wrap Account Program clients.

Federal law requires us to deal fairly and honestly with clients. This means that, among many other things, we have a fiduciary obligation to seek “best execution” for transactions executed on behalf of our client accounts. When determining whether we have obtained best execution, we are guided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Safe Harbor”). Under certain circumstances, the Safe Harbor presumptively reduces or eliminates our liability to clients when we use client brokerage to pay for research and other services that we might otherwise have to pay for ourselves.

Many investment advisers have arrangements with brokerage firms that provide for the use of client brokerage to pay for research and other services. They are said to be “paying up.” In effect, they are agreeing to pay a broker or dealer more than the lowest available commission rate to compensate the broker for the broker’s research products and services. The difference between the “unbundled” commission rate (i.e., the lowest available commission that would be paid solely for basic execution services) and the “bundled” commission rate (i.e., the slightly higher commission rate paid by advisers that are also receiving research services) is referred to as a “soft dollar” credit. At present we have only one such arrangement with Fidelity Investments (see below). If we enter into additional soft dollar arrangements in the future, we would only enter into such arrangements after determining that the value of the research and brokerage services we obtain with soft dollars is reasonable in relation to its cost.

#### Use of Fidelity Brokerage Services, LLC

With each client’s consent, most of our client accounts utilize the services of Fidelity Brokerage Services, LLC (“Fidelity”), an affiliate of Fidelity Investments, an independent and unaffiliated FINRA-registered broker-dealer.

Under our arrangement with National Financial Services LLC and Fidelity, Fidelity provides us with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity’s institutional platform services that assist us in managing and administering clients’ accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients’ accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Fidelity also offers other services intended to help us manage and further develop our advisory practice. These services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions)

Our receipt of the foregoing economic benefits from Fidelity raises potential conflicts of interest. Fidelity most likely considers the amount and profitability to Fidelity of the assets in, and trades placed for, our client accounts. Fidelity has the right to terminate these services in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain these services from Fidelity, we may have an incentive to recommend to our clients that the assets under management by Artience Capital be held in custody with Fidelity and to place transactions for your account with Fidelity. Our receipt of these services does not diminish our duty to act in your best interest, including to seek best execution of trades.

The advice we offer you may involve investment in mutual funds and/or exchange traded funds (“ETFs”). All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders (described in each fund’s prospectus). Such fees will generally include management fees and other fund expenses. We advise you to review all fees charged by mutual funds, ETFs, Artience Capital and others to fully understand the total advisory fees you may be paying.

## **Item 13– Review of Accounts**

### Portfolio Wealth Management - Portfolio Reviews

*Portfolio Reviews and Rebalancing* of the client’s portfolio are undertaken: (1) periodically, (2) upon request, and (3) upon a substantial asset class decline, under the following adopted policies and procedures:

*Periodic Portfolio Reviews* are undertaken by our advisors to ascertain if the values in any asset class have strayed beyond their model account’s target minimums or maximums, and for purposes of meeting a client’s cash flow needs. Even if one of more asset classes fall outside their target minimums or maximums, we may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, etc.

*Additional Portfolio Reviews* are undertaken upon request by the client, such as when additional cash or securities are added to the investment portfolio.

#### Portfolio Reports Provided to Clients

We provide quarterly reports to each client which include a performance report and a consolidated inventory of the investments upon which we exercise investment discretion. Monthly or quarterly statements from the account custodian(s) are sent to each client directly from the corresponding brokers, banks, mutual funds, partnership sponsors etc., which hold the client's investments. These statements disclose the assets in the custodian's custody.

**We strongly encourage you to review the monthly or quarterly account statements you receive from custodians.**

### **Item 14 – Client Referrals and Other Compensation**

#### Client Referrals

We have engaged the services of a marketing agent, Julie Anne Dumont, to assist us in developing new relationships with high net worth individuals and other investors seeking fee-based personal investment management services and/or financial planning services. We will compensate Ms. Dumont for bringing clients to our firm on terms that are customary in the investment advisory field.

We may engage the services of independent solicitors in the future. If you are referred to us by a solicitor, this practice will be disclosed to you in writing by the solicitor. In these cases, we would pay the solicitor out of our own funds—specifically, we would generally pay the solicitor a portion of the fees we earn for managing the capital of the client or investor that was referred.

#### Other Compensation

As disclosed under Item 12 above, Artience Capital participates in Fidelity Brokerage's "Institutional Platform Services" program. We generally recommend Fidelity Brokerage to clients for custody and brokerage services. There is no direct link between our participation in the "Institutional Platform Services" program and the investment advice we give to our clients.

We receive some benefits from Fidelity through our participation in the program that are typically not available to Fidelity Brokerage's retail clients. These benefits may



include some or all of the following products or services (*provided without cost or at a discount*): receipt of duplicate client statements and confirmations, research-related products and tools, consulting services, access to a trading desk serving program participants, access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), the ability to have advisory fees deducted directly from client accounts, access to an electronic communications network for client order entry and account information, access to mutual funds with no transaction fees and to certain institutional money managers, and discounts on compliance, marketing, research, technology, and practice management products or services provided to Artience Capital by third-party vendors. Some of the products and services made available by Fidelity Brokerage through the Institutional Platform Services program may benefit Artience Capital but may not benefit our client accounts. These products or services may assist us in managing and further developing our business enterprise. The benefits received by Artience Capital or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Fidelity Brokerage. As part of its fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by Artience Capital in and of itself creates a potential conflict of interest and may indirectly influence our choice of Fidelity Brokerage for custody and brokerage services.

## **Item 15 – Custody**

Custody means holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them. The SEC and the State of California have rules and regulations which are designed to safeguard client assets. We follow the rules of the SEC, which require us to follow the following procedures:

### *Custody: Portfolio Wealth Management Accounts*

*Maintain Accounts with Qualified Custodians:* We have all client funds and securities, except shares of mutual funds, maintained by a “qualified custodian” (i.e., a bank, registered broker-dealer) in separate accounts for each client. Although we may recommend a custodian, and generally do, the client may choose its own. Shares of mutual funds and exchange traded funds are held by the fund’s transfer agent.

*Periodic Account Statements:* We require each custodian to furnish account statements to our clients no less frequently than quarterly. We also require that this statement, at a minimum, identifies the amount of funds and of each security in the account at the end of the quarter and all transactions in the account during the quarter.

### *Custody: Artience Fund I, LP*

As the general partner of the Partnership, we are deemed to have custody of its assets. The State of California has rules and regulations which are designed to safeguard Partnership assets. These rules require us to follow the following procedures:

The Partnership must have a custody disbursements agreement with one or more qualified independent banks or brokerage firms.

We cannot handle money or other client assets. Funds received from subscribers for investment must be sent *by you* directly to the custodian.

An independent representative must review all fees, expenses and distributions before they are withdrawn from the Partnership.

Each time we make a payment or withdrawal request, we must simultaneously send to the independent representative and the custodian a statement showing how the fee or withdrawal was calculated, and certain other specific information. This information will be sufficient to permit the independent representative to determine that the payments comply with the Partnership's constitutional documents.

The custodian can only transfer funds from the Partnership's account to our account with the written authorization of the independent party, and only if the custodian receives a written request from us.

#### **Item 16 – Investment Discretion**

We manage client assets on a discretionary basis and generally do not allow for any limitations to be placed on our investment authority unless they are contained in the signed investment advisory agreement.

#### **Item 17 – Voting Client Securities**

Where we are given authority to vote proxies, we decide whether to vote proxies on our clients' behalf after considering whether the proposal will have a material effect on the client(s). This analysis may lead us to determine not to vote proxies on your behalf. In making that determination, we consider a number of factors, including the economic effect the proposal would have on shareholder value, the threat the proposal poses to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect of the proposal on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

You can obtain a copy of our proxy voting policy and a record of votes cast by us on behalf of clients by contacting us at the address on the cover page.

## **Item 18 – Financial Information**

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

Artience has two managing members, Jolie Bales and Kim Nordmo

### **Jolie Bales**

Additional information regarding Ms. Bales' education and business background is provided on Part 2B.

Ms. Bales is not actively engaged in any other business other than giving investment advice.

Ms. Bales has never been found liable in an arbitration claim alleging damages in excess of \$2,500 involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Ms. Bales has never been found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Ms. Bales filed a bankruptcy petition on July 16, 1999. The petition was discharged on October 19, 1999.

Ms. Bales has no relationship(s) or arrangement(s) with any issuer of securities that is not disclosed herein.

Kim Nordmo

Additional information regarding Ms. Nordmo's education and business background is provided on Part 2B.

Ms. Nordmo is not actively engaged in any other business other than giving investment advice.

Ms. Nordmo was previously found liable the amount of \$900,000 in an arbitration claim involving her former employment with Merrill Lynch. The matter was settled. For further disclosure, see Form ADV Part 2B.

Ms. Nordmo has never been found liable in an arbitration claim alleging damages in excess of \$2,500 involving any of the following:

- (a) fraud, false statements or omissions;
- (b) theft, embezzlement or other wrongful taking of property;
- (c) bribery, forgery, counterfeiting, or extortion; or
- (d) dishonest, unfair, or unethical practices.

Ms. Nordmo has never been found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Ms. Nordmo has no relationship(s) or arrangement(s) with any issuer of securities that is not disclosed herein.

Item 1 – Cover Page

Jolie Bales  
Co-Founder

ARTIENCE CAPITAL MANAGEMENT  
DISRUPTIVE INVESTMENT SOLUTIONS

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San Francisco, CA 94105

(800) 337-0353

[www.artiencecapital.com](http://www.artiencecapital.com)

January 2013

This Brochure Supplement provides information about Jolie Bales that supplements the Artience Capital Management LLC Brochure. You should have received a copy of that Brochure. Please contact us at the above telephone number or [jolie.bales@artiencecapital.com](mailto:jolie.bales@artiencecapital.com) if you did not receive our Disclosure Brochure or if you have any questions about the content of this supplement.

Additional information about Ms. Bales is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Educational Background and Business Experience

Ms. Bales was born in 1955.

### Educational Background

<u>School Name</u>	<u>Degree</u>	<u>Year</u>	<u>Major(s)</u>
Pomona College	B.A.	1978	Political theory and international relations
Boalt Hall School of Law, University of California (Berkeley)	J.D.	1983	Law

### Business Experience

Employment Dates: 2009 - Present  
Employer Name: Artience Capital Management, LLC  
Type of Business: Investment advisory firm  
Job Title and Duties: Co-founder – Portfolio management, client service, day to day management and supervision

Employment Dates: 2007-2009  
Employer Name: Merrill Lynch, Pierce, Fenner & Smith, Inc.  
Type of Business: Financial services  
Job Title and Duties: Senior Vice President – Portfolio management, client service and development

Employment Dates: 2005-2007  
Employer Name: United States Trust Company  
Type of Business: Financial services  
Job Title and Duties: Managing Director – Portfolio management, client service and development

Employment Dates: 2004-2005  
Employer Name: Bank of America  
Type of Business: Financial services and banking  
Job Title and Duties: Managing Director – Portfolio management, client service and development

### **Item 3 – Disciplinary Information**

Registered investment advisers are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. Ms. Bales has no information of this type to report.

### **Item 4 – Other Business Activities**

Artience Capital is a member of iShares Insight Circle, a professional group consisting of the top 1% of registered investment advisory firms in the U.S. that utilize exchange traded funds as a key element of their investment practice and philosophy. The group convenes annual educational sessions for its members at Harvard or Stanford Business Schools and holds regular gatherings linking the members together as well as leveraging iShares best people, resources and a range of offerings to support Insight Circle members' business practices.

### **Item 5 – Additional Compensation**

Ms. Bales does not receive any economic benefit from any non-client for providing advisory services.

### **Item 6 – Supervision**

Ms. Bales is a co-founder and senior officer of Artience Capital and is self-supervised.

### **Item 7 – Requirements for State-Registered Advisers**

Ms. Bales has never been found liable in arbitration an arbitration claim alleging damages in excess of \$2,500 involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Ms. Bales has never been found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following:

- (a) an investment or investment-related business or business activity;

- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Ms. Bales filed a bankruptcy petition on July 16, 1999. The petition was discharged on October 19, 1999.



Item 1 – Cover Page

Kim Nordmo  
Co-Founder

ARTIENCE CAPITAL MANAGEMENT  
DISRUPTIVE INVESTMENT SOLUTIONS

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January 2013

This Brochure Supplement provides information about Kim Nordmo that supplements the Artience Capital Management LLC Brochure. You should have received a copy of that Brochure. Please contact us at the above telephone number or [kim.nordmo@artiencecapital.com](mailto:kim.nordmo@artiencecapital.com) if you did not receive our Disclosure Brochure or if you have any questions about the content of this supplement.

Additional information about Ms. Nordmo is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Educational Background and Business Experience

Ms. Nordmo was born in 1966.

### Educational Background

<u>School Name</u>	<u>Degree</u>	<u>Year</u>	<u>Major(s)</u>
University of California, Los Angeles	B.A.	1993	Political science
New York University	M.B.A.	1996	Finance

### Business Experience

Employment Dates: 2009 - Present  
Employer Name: Artience Capital Management, LLC  
Type of Business: Investment advisory firm  
Job Title and Duties: Co-founder – Portfolio management, client service, day to day management and supervision

Employment Dates: 2008-2009  
Employer Name: Merrill Lynch, Pierce, Fenner & Smith, Inc.  
Type of Business: Financial services  
Job Title and Duties: First Vice President – Portfolio management, client service and development

Employment Dates: 1999-2008  
Employer Name: Credit Suisse First Boston LLC  
Type of Business: Financial services  
Job Title and Duties: Director – Portfolio management, client service and development

## Item 3 – Disciplinary Information

Registered investment advisers are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. Ms. Nordmo has no information of this type to report.

#### **Item 4 – Other Business Activities**

Artience Capital is a member of iShares Insight Circle, a professional group consisting of the top 1% of registered investment advisory firms in the U.S. that utilize exchange traded funds as a key element of their investment practice and philosophy. The group convenes annual educational sessions for its members at Harvard or Stanford Business Schools and holds regular gatherings linking the members together as well as leveraging iShares best people, resources and a range of offerings to support Insight Circle members' business practices.

#### **Item 5 – Additional Compensation**

Ms. Nordmo does not receive any economic benefit from any non-client for providing advisory services.

#### **Item 6 – Supervision**

Ms. Nordmo is a co-founder and senior officer of Artience Capital and is self-supervised.

#### **Item 7 – Requirements for State-Registered Advisers**

Ms. Nordmo was found liable in an arbitration claim involving her former employer, Merrill Lynch. Merrill Lynch alleged damages in the amount of approximately \$900,000 arising from a compensation dispute. This matter was settled in December 2012.

Ms. Nordmo has never been found liable alleging damages in excess of \$2,500 involving any of the following:

- (a) fraud, false statements or omissions;
- (b) theft, embezzlement or other wrongful taking of property;
- (c) bribery, forgery, counterfeiting, or extortion; or
- (d) dishonest, unfair, or unethical practices.

Ms. Nordmo has never been found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or

(e) dishonest, unfair, or unethical practices.