

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

### **Artemis Real Estate Partners, LLC**

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This Brochure provides information about the qualifications and business practices of Artemis Real Estate Partners, LLC ("Artemis"). If you have any questions about the contents of this Brochure, please contact Diana C. Liu at (202)-370-7454 or by email at [diana.liu@artemisrep.com](mailto:diana.liu@artemisrep.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority, and references in this Brochure to Artemis as a "registered investment adviser" are not intended to imply a certain level of skill or training.

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

## **Item 2—Material Changes**

There are no material changes to Artemis' advisory business except as described below.

Artemis is in the process of raising capital for its second sponsored private investment fund, Artemis Real Estate Partners Fund II, L.P. This second fund completed its initial closing on January 3, 2014 and will pursue a similar investment strategy as Fund I.

Artemis' former Chairman, Penny Pritzker, is on sabbatical while she serves as the United States Secretary of Commerce. Ms. Pritzker resigned from her position as Chairman of Artemis as of June 27, 2014.

## **Item 3—Table of Contents**

<b>Item 2—Material Changes .....</b>	<b>ii</b>
<b>Item 3—Table of Contents _ .....</b>	<b>iii</b>
<b>Item 4—Advisory Business .....</b>	<b>1</b>
<b>Item 5—Fees and Compensation .....</b>	<b>3</b>
<b>Item 6—Performance – Based Fees and Side-By-Side Management.....</b>	<b>5</b>
<b>Item 7—Types of Clients.....</b>	<b>5</b>
<b>Item 8—Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>6</b>
<b>Item 9—Disciplinary Information.....</b>	<b>11</b>
<b>Item 10—Other Financial Industry Activities and Affiliations .....</b>	<b>11</b>
<b>Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>12</b>
<b>Item 12—Brokerage Practices.....</b>	<b>13</b>
<b>Item 13—Review of Accounts.....</b>	<b>14</b>
<b>Item 14—Client Referrals and Other Compensation .....</b>	<b>14</b>
<b>Item 15—Custody .....</b>	<b>14</b>
<b>Item 16—Investment Discretion .....</b>	<b>14</b>
<b>Item 17—Voting Client Securities .....</b>	<b>15</b>
<b>Item 18—Financial Information .....</b>	<b>15</b>

## Item 4—Advisory Business

Artemis Real Estate Partners, LLC (“Artemis” or “the Firm”), is a private equity real estate investment firm which offers real estate investment management services to one or more commingled, closed-end real estate funds sponsored by the Firm’s owners and to one or more separately managed accounts. Founded in September 2009 and based in Chevy Chase, Maryland, Artemis is a limited liability company solely focused on U.S. commercial real estate private equity investments. In serving investors, Artemis plans to manage institutional third party capital in a variety of real estate strategies.

Artemis was co-founded and is majority-owned and controlled by Ms. Deborah Harmon (through DLH, LLC) and Ms. Penny Pritzker (through AREP Investors, L.L.C.), each of whom has over 25 years of investing experience in the real estate business. Ms. Harmon serves as both the Manager and the Chief Executive Officer of the Firm. In the course of her over 25 years' experience in the real estate business before co-founding Artemis, Ms. Harmon has held a leadership role in raising and deploying the capital for four US-focused real estate funds and has overseen successful real estate investments across a wide variety of investment strategies, including significant investments in debt and distressed real estate assets. Her extensive experience with respect to distressed real estate assets included acquiring, working out and servicing non-performing loans and distressed real estate from the Resolution Trust Corporation (RTC) and the Federal Deposit Insurance Corporation (FDIC). Until June 26, 2013, Ms. Pritzker served as the Chairman of Artemis. Ms. Pritzker resigned as Chairman of Artemis on June 27, 2013 to assume her role as Secretary of the United States Department of Commerce. Until January 2012, she also served as the President and CEO of Pritzker Realty Group, L.P. where she oversaw the Pritzker family's non-hotel related real estate investments for over 20 years. In February 2011, Artemis brought in a President, Alex Gilbert, who owns a minority stake in the management company.

On January 6, 2012, Artemis had a final closing of its first sponsored private investment fund, Artemis Real Estate Partners Fund I, L.P. and its parallel fund, Artemis Real Estate Partners Fund I (NR), L.P. (collectively, “Fund I”), with an aggregate of \$436 million of investor commitments. Of this \$436 million of committed capital, \$405 million has been called and 43 investments have been made through December 31, 2013. Fund I seeks to identify and invests in distressed, mispriced, underperforming, undervalued or overlooked investment opportunities where assets or interests in such assets may be acquired below perceived market value and where Fund I is able to enhance value and mitigate risk through active asset management and investment structuring. Fund I has initially targeted distressed situations where real estate equity and debt assets can be purchased to generate attractive risk-adjusted returns. In pursuit of Fund I’s investment objective, Artemis utilizes a value-oriented combination of opportunistic acquisition philosophies with value enhancement programs.

Artemis is in the process of raising capital for its second sponsored private investment fund, namely, Artemis Real Estate Partners Fund II L.P. (“Fund II”). Fund II had its initial closing on January 3, 2014. Fund II is a successor fund to Fund I that will pursue a similar investment strategy as Fund I. Fund I and Fund II are sometimes referred to herein individually as a “Fund” and collectively as the “Funds”.

Artemis presently provides investment advice only to the Funds and to a \$304.5 million vehicle established in connection with a separate account real estate emerging manager program with a state pension fund (the "Separate Account"). While the Funds are commingled, pooled real estate funds that are non-discretionary to the individual limited partners in the Funds, each Fund's governing documents and side letters with certain investors in such Fund contain certain investment guidelines and restrictions to which Artemis will adhere. With respect to the Separate Account, the Investment Committee of the Separate Account has the authority to approve investment transactions with an emerging manager once that emerging manager has been approved by the state pension fund investor and such state pension fund investor retains a veto right over emerging managers, investments recommended by Artemis and any additional investment strategies recommended by Artemis. Additionally, the Funds have a completely different investment strategy from that of the Separate Account, with the Funds' investment strategy being value-add/opportunistic versus the Separate Account's investment strategy being core-plus and focused on joint ventures with emerging manager partners. As a result, an overlap or conflict in investment strategy between the Funds and the Separate Account is unlikely.

When deemed appropriate or desirable for a large or strategic investor (and subject to its agreements with current investors), Artemis may establish one or more new separately managed accounts, which may (i) tailor their investment objectives to the specific investor, and/or (ii) be subject to different terms and fees than those of the Funds. Such investment objectives, fee arrangements and terms will be individually negotiated, and it should be noted that any such separate account relationships would generally be subject to significant account minimums.

Artemis provides investment management services related to real estate-related investments exclusively to clients that are privately offered pooled investment vehicles such as the Funds and to separate account clients (each a "Client"). All of Artemis' revenues are expected to be related to real estate investment fund management and the management of the separate accounts, and the Firm does not intend to develop revenue sources that are not related to such real estate projects. Outside of such real estate-related investments, the Firm offers no other advisory services.

The Funds offer interests/shares only to certain qualified investors and admission to each of the Funds is only via a "private offering" (i.e. is not open to the general public). Limited partnership interests are sold only to qualified investors who are "accredited investors" under Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

Artemis has entered into side letter agreements with certain investors in each Fund that may have the effect of establishing rights under or altering or supplementing the terms of such Fund's agreement with respect to such investors than those applicable to other investors in such Fund. Such rights or terms in any such side letter may include, without limitation, (i) reporting obligations of the general partner, (ii) waiver of certain confidentiality obligations, (iii) consent of the general partner to

certain transfers by such investor, (iv) rights or terms necessary in light of particular legal or regulatory characteristics of an investor, and (v) certain fee arrangements with respect to such investor.

Artemis does not participate in wrap fee programs.

As of December 31, 2013, Artemis had \$460,414,327 in discretionary assets under management with respect to Fund I, and on a non-discretionary basis, the Separate Account had \$305,791,183 in assets under management.

## **Item 5—Fees and Compensation**

### **Funds**

Artemis will generally receive an annual management fee that is calculated as a percentage of the capital commitment of each investor in a Fund from the initial closing of such Fund through the end of such Fund's commitment period and, thereafter, that is calculated as a percentage of the net invested capital of each investor in such Fund. Artemis, in its discretion, may waive or reduce the management fee as to all or any of the investors in each Fund or agree with an investor to waive or alter the management fee as to that investor.

Artemis or its affiliates will generally also receive distributions of the profits from each Fund as its carried interest only after the investors in such Fund have achieved a 100% return on their aggregate capital contributions, plus a specified preferred return. Artemis, in its discretion, may waive or reduce the carried interest distribution as to all or any of the investors in such Fund or agree with an investor to waive or alter the carried interest distribution as to that investor.

The management fee generally will be paid by each Fund quarterly in advance as of the first day of each calendar quarter. Carried interest distributions from each Fund generally are paid out as a distribution of net cash proceeds after the relevant return hurdles have been achieved. In the event that a Fund's investment advisory agreement with Artemis terminates during a period covered by management fees paid in advance, Artemis would pro rate such management fee and reimburse such Fund the portion of such management fee covering the remainder of the period.

Subject to any expense limitation set forth in a Fund's offering documents, such Fund will bear all organizational and offering expenses (including legal, travel, accounting, tax, consulting, filing, printing and other expenses) incurred by it or on its behalf in connection with the formation of such Fund. Each Fund will also bear all necessary expenses of its operation and administration including, without limitation: (i) all costs and expenses incurred in identifying, evaluating, developing, negotiating and structuring investments, and acquisition and financing costs, hedging, disposing of or otherwise dealing with investments, including, without limitation, any investment banking, engineering, appraisal, subscription database, environmental, travel, legal and accounting expenses, any deposits and commitment fees and other fees and out-of-pocket costs related thereto, and the costs of rendering financial assistance to or arranging for financing for any assets or businesses constituting investments or

for working capital; (ii) all costs and expenses, incurred in monitoring investments, including, without limitation, any engineering, environmental, third-party payment processing, licensing, filing, travel, legal and accounting expenses and other fees and out-of-pocket costs related thereto; (iii) taxes; (iv) costs related to litigation, arbitration, or other regulatory or tax proceedings, investigations or audits; (v) expenses and fees associated with third-party accountants relating to the audit of the Fund's financial statements and operations, consultants, attorneys and tax advisors, including the preparation and auditing of financial reports and statements and other similar matters, and costs associated with meetings of Fund investors in such Fund; (vi) brokerage commissions; (vii) all expenses associated with obtaining and maintaining insurance; (viii) all indemnification expenses; (ix) fees incurred in connection with the maintenance of bank or custodian accounts; (x) all expenses incurred in connection with the registration of the securities of such Fund; and (xi) all other operating expenses. For additional information regarding brokerage commissions, see Item 12 below.

### **Separate Account(s)**

Artemis will generally receive an annual management fee that is calculated as a percentage of a separate account investor's capital commitment or net invested capital.

Artemis or its affiliates will generally also receive distributions of the profits from a separate account as its carried interest after the investors in the separate account have achieved the return hurdles applicable to such separate account.

The management fee generally will be paid by the Separate Account quarterly in advance as of the first business day of each calendar quarter. Carried interest distributions from the Separate Account generally are paid out as a distribution of net cash proceeds after the relevant return hurdles have been achieved. In the event that the Separate Account terminates during a period covered by management fees paid in advance, Artemis would pro rate such management fee and reimburse the Separate Account the portion of such management fee covering the remainder of the period.

Fees and performance-based fees paid to Artemis by future separate accounts are negotiable and vary. Fees will be set forth in the governing documents, and/or investment management agreement, with each separate account and determined based on the client's needs, the complexity of the client's investment objective and the number of portfolio restrictions.

In addition to the management fee and performance-based fee, a separate account client is responsible for any fees, expenses or charges incurred by or on behalf of the separate account related to (i) the acquisition, holding and disposition of investments for the separate account, including brokerage and execution charges, markups and commissions, and (ii) any other service provided for the separate account by any person other than Artemis. For additional information regarding brokerage and execution charges, see Item 12 below.

Neither Artemis nor its employees accept compensation for the sale of securities or other investment products to Clients.

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

Artemis may receive performance-based compensation from the Funds and the Separate Account in the form of carried interest distributions from the Funds and the Separate Account, as applicable. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Performance-based compensation may create an incentive for Artemis to cause the Funds or the Separate Account to make investments that are riskier than it would otherwise make.

In the event that some client accounts to which Artemis provides investment advisory services are charged a performance-based compensation but not others, a conflict may arise where Artemis has an incentive to treat some client accounts preferentially as compared to others because those client accounts pay a performance-based compensation or because Artemis or one of its portfolio managers or affiliates has an interest in the client account. Artemis has adopted a policy to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time.

## **Item 7—Types of Clients**

Artemis provides investment advisory services to pooled investment vehicles operating as private investment funds, such as the Funds, and to separate accounts, such as the Separate Account. The investors in the Funds and the Separate Account investor include private and public pension funds, fund of funds, high net worth individuals/family foundations and other investment funds and other types of institutional investors.

The only investment advisory services provided by Artemis and its affiliates presently are through the Funds and the Separate Account. Investment advice is provided directly to the Funds and the Separate Account, as applicable, and not individually to the limited partners or investors of such entities. The Funds and the Separate Account are not registered under the Investment Company Act in reliance on Section 3(c)(7) of the Investment Company Act. Pursuant to this exemption, investors in the Funds and the Separate Account must be “qualified investors,” typically institutional investors and individuals who meet the qualified purchaser standard as defined under Section 2(a)(51)(A) of the Investment Company Act or the knowledgeable employee standard pursuant to Rule 3c-5 of the Investment Company Act.

Each Fund may enter into a side letter or other similar agreement with a particular investor in such Fund without any further act, approval or vote of any other investors, which may have the effect of establishing rights under or altering or supplementing the terms of such Fund’s partnership agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors.

When deemed appropriate for a large or strategic investor, Artemis may in the future establish a managed account, which could be subject to different terms and fees than the Funds. Such managed



account fee arrangements and terms will be individually negotiated. However due to the nature of the investments that Artemis manages, such Clients would most likely be sophisticated investors who are either institutional investors or qualified Clients and would likely be subject to significant account minimums.

Artemis generally requires investors in each Fund to make a minimum initial investment of at least \$10,000,000. Investors generally must be “accredited investors” under Regulation D of the Securities Act, who are also “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act. Artemis generally requires investors in each Fund to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in such Fund. The minimum contribution and investor requirements may be waived by Artemis in its sole discretion. Artemis does not require investors in the Separate Account to make a minimum initial investment.

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

### Investment Strategies

Artemis’ investment strategies include direct and indirect investments in real estate and real estate-related assets in addition to investments in any debt or equity interests in real estate companies. The Firm reviews various industry, market and employment trends using a wide variety of private and public sources. In formulating its investment recommendations, the Firm’s acquisitions team reviews factors which generally include: demographic trends and outlook, historical and prospective employment growth, sector/industry breakdown of key employers, outlook for key local employers, real estate sales transaction history and current market inventory, local industry contacts, cost of living indicators, quality of life indicators, housing price trends, construction activity, replacement cost and building cost trends, local financial conditions, and the fiscal health of relevant local and state governments. Additionally, the Firm will utilize industry research (e.g., industry periodicals and newsletters) and meet with local industry experts (e.g., brokers, asset managers, regional banks and other professionals) as part of its due diligence process. The results of its analysis are incorporated into underwriting assumptions for transaction structuring, leasing activity, rental rate assumptions, exit strategies and disposition valuation.

The valuation process involves a thorough review of a number of different valuation metrics. In general, Artemis will construct a financial model and perform a Discounted Cash Flow (“DCF”) analysis for all prospective investments. This entails building a detailed financial model that quantifies management’s expectations as it relates to rental growth, financing terms and exit values among other factors. This model will take into account the historical operating performance of the potential investment to verify underwriting assumptions. Artemis will underwrite such prospective investments based on real estate fundamentals and not solely on financing or exit assumptions.

In considering potential investment opportunities in the corporate private equity setting, a number of analytical methods are utilized in an effort to achieve a thorough and in-depth assessment of

the potential investment. Different elements of a transaction's cash flow may be discounted with separate discount rates appropriate to the risk of each cash flow stream; however, Artemis will also require that the aggregate transactions meet its Clients' overall IRR hurdle. In addition to the DCF approach, Artemis will also examine the following other indicators of value:

- (i) Market Comps – Artemis will review current and past sales in the market as a proxy for pricing and liquidity;
- (ii) Replacement Cost– Artemis will review current construction costs and other barriers to entry when valuing investments; and
- (iii) Relative Value – Artemis will compare the risk-adjusted returns of a potential investment to the risk-adjusted returns of comparable real estate investment opportunities.

Each Fund's offering documents provide a more detailed disclosure of the potential risk factors associated with investing in such Fund.

#### GENERAL RISKS

***Investing in securities involves risk of loss that investors must be prepared to bear.*** In general, among other investments and risks described more fully in the respective clients' governing documents, the client account investments entail the following risks:

*No Assurance of Investment Return:* The operating results of client accounts, such as the Funds and the Separate Account (collectively, "Portfolios") are dependent upon the availability of, as well as the ability of the adviser to identify, structure, consummate, leverage, manage and realize returns on investment opportunities. The availability of investment opportunities will be affected by conditions in the financial markets, the level and volatility of interest rates, the supply of capital for investment opportunities and the impact of legislation changing tax and accounting rules historically favorable to investments in real estate. There is no assurance that the Portfolios will be successful in identifying and consummating investments which satisfy its rate of return objectives or that such investments, once consummated, will perform as anticipated.

*The Portfolios have limited operating history:* The Portfolios are recently formed entities and have limited operating history upon which an investor can base an investment decision. Although the Firm's management team has significant experience in the real estate business, their respective track records cannot be relied upon to predict future events. The past performance of the members of the management team is not a predictor of future results of the Portfolios.

*Business Risk:* The Portfolios focus their investments solely in direct and indirect real estate investments. The real estate investment business is highly competitive with the Portfolios' success dependent on their ability to compete with other providers of capital for real estate investments (including other Portfolios and real estate investment trusts). There can be no assurance that the Portfolios will be able to identify and consummate investments that meet the Portfolios' return objective or that the Portfolios will be able to fully invest its available capital.

*Risk of Strategic Partnerships:* The Portfolios may make investments in partnerships, joint ventures and other entities, which subject the Portfolios to particular risks not present in direct investments. These include the possibility that a co-investor or partner of the Portfolios might suffer financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent or contrary with those of the respective Portfolios.

*Economic Risk:* The Portfolios real estate investments may be exposed to weakness in the U.S. real estate markets and the overall state of the economy. The effects of ongoing credit market challenges, combined with the ongoing correction in real estate market prices, could result in further price reductions in real estate values, potentially adversely affecting the value of the Portfolios' investments. In addition, declining economic conditions may have an adverse impact on tenants' and potential tenants' businesses and their operating incomes, which in turn could impair such tenants' abilities to make their rental payments and meet other obligations with respect to their leases, resulting in increased vacancies, decreased demand for rental space and declining rental values with respect to such space.

*General Real Estate Risk:* Real estate investments are generally illiquid and some are highly illiquid. Such illiquidity may limit the Portfolios' ability to vary its portfolio of investments in response to changes in economic and other conditions, including the ability to dispose of investments in a timely manner or for a profit. Changes in the real estate market may adversely affect the value of the real estate which underlies mortgage loans or other investments in real estate and thereby lower the value to be derived from liquidation.

*Due Diligence Processes:* There can be no assurance that the Portfolios' due diligence processes will uncover all relevant facts that would be material to an investment decision. In making the assessment and otherwise conducting customary due diligence, Artemis will rely on the resources available to them and, in some cases, investigations by third parties.

*Lack of Diversification:* While the Portfolios' investment strategies are intended to be diversified by asset type, number of assets and geographic location, the investments made by the Portfolios could potentially be concentrated in one investment type or in relatively few investment types. As a result, the aggregate return on the Portfolios' investments may be adversely affected by the geographic concentration of the Portfolios' investments or the unfavorable performance of a particular investment type and will be at a greater risk to overall changes in the economy or interest rates than if the Portfolios were less concentrated in a particular investment type or location.

*Borrowing:* The Portfolios' failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms as determined by Artemis, could have a material adverse effect on the Portfolios and their targeted rates of return.

*Use of Leverage:* The use of leverage will subject the Portfolios to risks normally associated with debt financing, including the risk that the Portfolios' cash flows will be insufficient to meet required payments of principal and interest, the risk that a decline in market value of an investment would increase the effective amount of leverage and trigger the violation of certain financial covenants

resulting in a default under the loan, the risk that indebtedness on the investments will not be able to be refinanced or the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness. Moreover, if the Portfolios are unable to meet their debt obligations in general, there is a risk of loss of some or all of the Portfolios' investments through foreclosure or a financial loss if the Portfolios are required to liquidate assets, especially if liquidation is at a commercially inopportune time.

The Portfolios may incur indebtedness in which recourse is not limited to specific assets of the Portfolios and indebtedness which is collateralized by more than one of the Portfolios' assets, creating a situation where the Portfolios' investment in performing assets could be adversely impacted when those performing assets have been cross-collateralized with assets that become nonperforming.

The use of leverage by the Portfolios may create UBTI for tax-exempt investors.

*Hedging Risk:* The investments made by the Portfolios may be subject to fluctuations in interest rates which may not be adequately protected or protected at all, by the Portfolios' hedging strategies. The Portfolios may employ various hedging strategies to limit the effects of changes in interest rates, including engaging in interest rate swaps, caps, floors and other interest rate derivative products. No strategy can completely insulate the Portfolios from the risks associated with interest rate changes.

*Regulatory Risks:* The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation, changes in existing laws, or new interpretations of existing laws can have a significant impact on the methods of doing business, costs of doing business and amounts of reimbursement from governmental agencies. The Portfolios rely on various exemptions from federal and state statutes and rules, such as the Investment Company Act and the Securities Act, to operate without having to register under such statutes and rules. Loss of any such exemption, or a change in these statutes and rules or certain others, could impact the Portfolios' ability to continue to operate as it currently does. The Portfolios' exemption from certain investor protection laws means that the Portfolios' investors do not have the benefit of protections afforded by such laws, including the Investment Company Act and the Securities Act.

*Tax Considerations:* An investment in the Portfolios may involve complex U.S. federal income tax considerations that will differ for each investor. The investors will be required to take into account their allocable share of the Portfolios' items of income, gain, loss, deduction and credit, without regard to whether they have received or will receive any distributions from the Portfolios. Thus, an investor may be taxed on its distributive share of the taxable income of the Portfolios regardless of whether such investor receives any actual cash distributions from the Portfolios, and an investor's tax liability for any taxable year attributable to its investment in the Portfolios may exceed the cash distributed to such investor during the taxable year.

*ERISA Considerations:* Investors subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") should consult their own advisors as to the application of ERISA to an investment in the Portfolios.

*Environmental Risk:* Real estate is subject to certain environmental risks associated with environmental claims, environmental regulations and occupational safety issues and concerns.

*Conflicts of Interest:* Portfolios' investments are subject to various potential conflicts of interest.

In addition to the risks described under "General Risks," the material risks associated with the Portfolios include:

*Distressed Debt:* The Portfolios may invest in non-performing assets and non-performing loans that are subject to a higher degree of financial risk, and there can be no assurance that the Portfolios' investment objectives will be realized or that there will be any return of capital to the Portfolios' investors. Investing in distressed assets and distressed debt may subject the Portfolios to becoming involved in litigation with third parties, including litigation where the Portfolios could be subject to allegations of lender liability, and to risks associated with bankruptcy. Investments in properties operating in workout modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of an investor's original investment. Under certain circumstances, payments to the Portfolios and distributions by the Portfolios to its investors may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Many of the events within a bankruptcy case are often beyond the control of the creditors. While creditors are generally afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the Portfolios. Furthermore, there are instances in which the Portfolios, as a creditor, could potentially lose its priority if it was found to have exercised "domination and control" of a debtor to the detriment of the debtor's business or the other creditors and equity holders. The potential for lengthy delays in bankruptcy cases could adversely impact the Portfolios' return on investment.

*Debt Investments in General:* The commercial mortgage and mezzanine loans the Portfolios may acquire are subject to delinquency, foreclosure and loss which could result in losses to the Portfolios. Subordinated loans such as junior participations in mortgages and mezzanine loans have a risk of credit loss that is significantly enhanced due to the subordinate nature of such investments. The value of the Portfolios' commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. In turn, the rate of delinquencies and defaults and the severity of loss are subject to risk factors that include national, regional and local economic and real estate market conditions; the level and volatility of interest rates; the availability of capital and the appetite of lenders for refinancing; the term and structure of the mortgage loans; and the imposition of any limits to a lender's ability to enforce its remedies or its avenues to legal and financial recourse against the borrower and/or any guarantors by applicable laws or by the terms of the loan documents. In certain circumstances, the creditor may also incur environmental liability for conditions existing at the underlying property.

*Senior Housing Facilities:* The Portfolios may, subject to certain limitations, invest in senior housing or nursing home facilities which subject the Portfolios to particular risks. These risks include

significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. The operations of nursing homes are subject to Medicare and Medicaid, licensing and certification requirements of federal, state and local authorities (and periodic audits related thereto), fraud and abuse laws and regulations, and other legislative and regulatory developments (including as to reimbursement). In addition, transfers of operations of nursing homes and other healthcare-related facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate-related assets. In addition, the operators of healthcare industry facilities are competing with numerous other companies providing similar healthcare services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers.

**Valuation:** The process of evaluating private equity investments can be highly subjective. Due to the nature of private equity investments, many of the portfolio companies invested in will not have Level I (unadjusted quoted prices) or Level II (direct or indirect observable inputs other than quoted prices, i.e. direct correlation) inputs available for valuation. As such Level III inputs will be used most often. Level III inputs are unobservable valuation data, allowing for situations in which there is little, if any, market activity for the asset at the measurement date. The Firm's valuation procedures are based on industry accounting and other industry standards. When market values are not available at the measurement date, the Firm must use a fair-value methodology when measuring assets under management and cannot simply rely on cost basis. Artemis values securities and instruments at their fair value in accordance with the Financial Accounting Standard Board's Accounting Standards Codification ("ASC") Topic 820-10, "Fair Value Measurements."

Securities based via fair value methodology are valued based on Artemis' judgment and estimation in accordance with the valuation policies and procedures of Artemis. Valuation methods, inputs and the pricing of events (such as impairment, a sale, a recapitalization, or a public offering) that produce a realized or unrealized gain or loss that may be recognized are inherently subjective.

## **Item 9—Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of Artemis or the integrity of its management.

Artemis has no information applicable to this Item.

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

We are not, nor do we have an application pending to register as, a broker-dealer.

We are not, nor do we 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.

Artemis does not recommend or select other advisors for its Clients.

Artemis does not provide property management services and does not have any property management affiliates.

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

Artemis has adopted a Compliance Manual that addresses its particular business and compliance obligations under the Advisers Act. The Compliance Manual includes a Code of Ethics which generally sets the standard of ethical and professional business conduct that Artemis requires of its employees, requires employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by employees. Additionally, the Code of Ethics sets forth Artemis' policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Artemis and each of its employees owes to each advisory client. Clients or prospective Clients may obtain a copy of Artemis' Code of Ethics by contacting the Chief Compliance Officer, Diana C. Liu at (202)-370-7454 or at [diana.liu@artemisrep.com](mailto:diana.liu@artemisrep.com).

Artemis or its related persons may engage in securities transactions with certain Fund or Separate Account investors or Separate Account clients or may recommend investments in portfolio companies in which Artemis or a related person has a beneficial or financial interest. Such transactions may include co-investment opportunities in portfolio companies which are offered to some but not all Fund investors, Separate Account clients and/or Artemis' advisory personnel or employees. Artemis will disclose these potential conflicts of interest to clients in the offering documents of the applicable Fund and agreements with the applicable Fund or Separate Account clients.

Artemis and its related persons and entities may not purchase or sell any securities that they know will be, or currently are being, purchased or sold for the account of any advisory Client of Artemis, until after such time as all of Artemis's advisory Clients have completed such purchases or sales. In order to manage this conflict of interest, Artemis's Code of Ethics requires employees to obtain prior written approval from Artemis' Chief Compliance Officer (CCO) before engaging in any transactions in his/her personal account that involve the direct or indirect purchase or sale of any security that may be purchased or sold for a Fund or a Separate Account client. Such employee transactions will be reviewed in the best interests of the applicable Fund and will be denied by the CCO if there is risk of potential adverse consequences to any Client.

The Firm's personnel may work on other projects, including outside business affiliations, which could give rise to potential conflicts of interest with respect to time allocated to the Funds or allocation

of investment opportunities. For example, Ms. Harmon serves on the Board of Directors of Forest City Enterprises, Inc.. Additionally, the Firm may provide investment management services to separate accounts. The Firm's Compliance Manual and the Portfolios' governing documents contain guidelines for monitoring and addressing any potential conflict of interest that may arise as a result of such outside business activities and also contain key person provisions. Depending on the facts and circumstances of a particular investment, the respective governing documents of the Funds may set forth restrictions of particular conflicts.

Artemis or its affiliates will generally also receive distributions of the profits from each Fund as its carried interest only after the investors in such Fund have achieved a 100% return on their aggregate capital contributions, plus a specified preferred return. The existence of the carried interest presents a potential conflict of interest in that it may create an incentive for Artemis or its affiliates to make more speculative investments on behalf of such Fund than such Fund would otherwise make in the absence of the carried interest. However, this risk should be substantially mitigated because Artemis and its affiliates are making substantial investments of their own capital in each Fund, without loans, along with the other investors and distributions of carried interest to the general partner is "back-ended."

## **Item 12—Brokerage Practices**

Artemis principally invests in private securities. However, the Firm may from time to time purchase or sell publicly-traded securities through a broker and will, in those circumstances, seek "best execution" in light of the circumstances involved in transactions. In selecting a broker for any transactions, Artemis may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Artemis will not obligate itself to obtain the lowest commission or best net price for its Clients on any particular transaction.

The Firm, as a matter of policy, does not effect soft dollar transactions and does not enter into soft dollar arrangements in respect of transactions for any of its Clients. If the Firm determines to use soft dollars in the future, such transactions will be made in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Firm does not take Client referrals for broker-dealers or participate in directed brokerage arrangement with Clients.

As Artemis deals primarily with private securities purchased directly from the issuer, Artemis will generally not be able to aggregate securities transactions for Clients. However, where available and appropriate, Artemis may aggregate purchases or sales of any security effected for a Client's account with purchases or sales of the same security effected on the same day for other Client accounts. When transactions are aggregated, the actual prices applicable to the aggregated transaction will be averaged, and all participating accounts will be deemed to have purchased or sold its share of the security, instrument or obligation involved at such average price. Further, all transaction costs incurred in effecting the aggregated transaction will be shared on a pro rata basis among all participating accounts,



except to the extent that certain broker-dealers that also furnish custody services may impose minimum transaction charges applicable to some of the participating accounts.

### **Item 13—Review of Accounts**

The portfolio investments of each of the Funds and the Separate Account are regularly reviewed by a team of investment professionals. The team generally includes principal executive officers of Artemis and other investment professionals. These professionals monitor operations, overall performance, financial performance, and strategic direction of each portfolio company owned by each of the Funds and the Separate Account.

The specific parameters relating to the oversight and monitoring of the portfolio investments of the Funds for which there is shared oversight is set forth in the related offering document.

Generally, investors in the Funds and the Separate Account will receive written quarterly unaudited reports of performance and account balances from the Firm and annual audited financial statements. Artemis, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Funds and the Separate Account.

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

While Artemis does not currently maintain any agreements for referrals of investors for the Funds, in the future Artemis may enter into written arrangements with third parties to act as solicitors for Artemis' investment management business. As applicable, all such compensation will be fully disclosed to each Client consistent with applicable law. All such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act, as well as relevant SEC guidance.

### **Item 15—Custody**

Artemis or its affiliates will not maintain physical possession of the funds or securities of the Funds or the Separate Account. Custody of the assets of the Funds and the Separate Account will be maintained with a qualified custodian selected by Artemis in its exclusive discretion, which selection may change from time to time without the consent of investors in each of the Funds or the Separate Account.

### **Item 16—Investment Discretion**

Subject to any investment restrictions set forth in the Portfolios' governing documents, Artemis has discretionary authority to make the investment determinations without obtaining the consent of any investor of the applicable Fund before the transactions are effected.

Artemis's discretionary authority is derived from its authority as the investment manager of each of the Funds and its authority pursuant to an investment management agreement entered into by Artemis and each of the Funds.

### **Item 17—Voting Client Securities**

In limited situations, Artemis may receive a proxy or corporate action from one of the Portfolios' investments. In such instances (except to the extent that a client otherwise instructs in writing), it will vote such proxy or move on such corporate action. Artemis has developed a written policy and procedures governing its activities in this area. In general, Artemis' proxy voting policy requires it to vote each Portfolio's proxies in the interest of maximizing investor value. To that end, Artemis will vote in a way that it believes is consistent with the best interests of each of the Portfolios. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. If Artemis determines that it is facing a material conflict of interest in voting a Portfolio's proxy, Artemis will engage an independent third party to provide an independent recommendation on the direction in which Artemis should vote. The determination by the independent third party will be binding on Artemis. Artemis maintains a record of all proxy votes cast on behalf of each Portfolio. Investors in each Client may contact Artemis to obtain, free of charge, a copy of the proxy voting policy and/or information with respect to specific proxy votes. To receive such information contact the Firm's Chief Compliance Officer, Diana C. Liu at (202)-370-7454 or at [diana.liu@artemisrep.com](mailto:diana.liu@artemisrep.com).

### **Item 18—Financial Information**

Artemis is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.