

MARY ANN SMITH
Deputy Commissioner
SEAN M. ROONEY
Assistant Chief Counsel
CHARLES CARRIERE (State Bar No. 285837)
Counsel
Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, California 94104
Telephone: (415) 972-8570
Facsimile: (415) 972-8550
Attorneys for Complainant

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	CRD NO. 168686
)	
THE COMMISSIONER OF BUSINESS)	
OVERSIGHT,)	
)	
Complainant,)	STATEMENT OF ISSUES IN SUPPORT OF
)	ORDER DENYING INVESTMENT ADVISER
v.)	CERTIFICATE PURSUANT TO
)	CORPORATIONS CODE SECTION 25232
ARTIS VENTURES MANAGEMENT, L.P.,)	
)	
Respondent.)	
)	

The Commissioner of Business Oversight (“Commissioner”) alleges and charges as follows:

I.
INTRODUCTION

1. The Commissioner brings this action to deny an investment adviser certificate to Respondent Artis Ventures Management, L.P., pursuant to Corporations Code section 25232, subdivision (d)(3).

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II.
STATEMENT OF FACTS

2. On or about October 28, 2016, Artis Ventures Management filed a Form ADV seeking registration as a California state-registered investment adviser.

3. Artis Ventures Management, L.P., is registered as an investment adviser with the Securities and Exchange Commission (SEC) effective February 24, 2014.

4. Artis Capital Management, L.P., was registered as an investment adviser with the SEC until April 27, 2016.

5. Artis Capital Management and Artis Ventures Management have common ownership and control. Facts supporting this conclusion include, but are not limited to:

- a. Robert Reimer is the Chief Compliance Officer of both firms;
- b. Stuart Leonardo Peterson ultimately owns and controls both firms;
- c. Both firms share the same principal office, place of business, and phone number;
- d. Peterson is the president of both firms;
- e. In correspondence with the Department, Artis Ventures Management stated that it had been “operationally integrated” with Artis Capital Management before Artis Capital Management wound down its operations in 2016.

6. Effective October 13, 2016, the SEC issued an administrative order (“SEC Order”) imposing remedial sanctions against Artis Capital Management and an Artis Capital Management employee, Michael W. Harden (“Harden”), for failure to reasonably supervise an employee, Matthew Teeple (“Teeple”).

7. The SEC Order found that:

- a. “In 2007, Artis hired Teeple as a research analyst to evaluate potential investments in software, semiconductor, networking, and other technology companies...
- b. “Unlike a typical research analyst at a hedge fund advisory firm, Teeple did not construct analytical models regarding the financial performance of

the companies he covered, did not provide written reports supporting his recommendations to buy or sell the securities of such companies, and did not maintain research files available for review by his supervisor, Harden, or others at Artis.

- c. “On at least two occasions in 2008, Teeple obtained material nonpublic information about the publicly traded company Foundry Networks, Inc. (“Foundry”) from an employee of Foundry. On both occasions, Teeple provided information regarding Foundry to Artis, which executed timely and profitable trades in advance of public announcements by Foundry.
- d. “On both occasions, Teeple shared information with Harden that should have caused a reasonable supervisor to question whether Teeple had improperly obtained material nonpublic information from a corporate insider. Notwithstanding the information provided by Teeple, Harden did not question Teeple about the source of his information or ask the Chief Compliance Officer (“CCO”) or any other colleagues at Artis to look into the matter.”

8. The SEC Order found that Artis Capital Management and Harden had “failed to reasonably supervise Teeple, within the meaning of Section 203(e)(6) of the Advisers Act, with a view to preventing and detecting violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Teeple.”

9. As part of the SEC Order, Artis Capital Management agreed to pay disgorgement of \$5,165,862, plus prejudgment interest of \$1,129,222, and a civil monetary penalty of \$2,582,991. In addition, Harden was suspended from the securities industry for twelve months and ordered to pay a civil money penalty of \$130,000.

10. On January 19, 2018, Artis Ventures Management’s counsel stated that Harden became an employee of Artis Ventures Management on January 8, 2018. Harden is listed on Artis Ventures Management’s website as one of the firm’s two “General Partners.”

III.
APPLICABLE LAW

11. Corporations Code section 25232 provides, in relevant part:

The commissioner may, after appropriate notice and opportunity for hearing, by order... deny a certificate to...an investment adviser, if the commissioner finds that the censure, denial, suspension, or revocation is in the public interest and that the investment adviser, whether prior or subsequent to becoming such, or any partner, officer or director thereof or any person performing similar functions or any person directly or indirectly controlling the investment adviser, whether prior or subsequent to becoming such, or any employee of the investment adviser while so employed has done any of the following:

...

(d) Is or has been subject to... (3) any other order of the [Securities and Exchange] commission or any administrator, association, or exchange referred to in this subdivision which is or has been necessary for the protection of any investor.

IV.
ANALYSIS

12. The Commissioner should deny Artis Ventures Management's application because Artis Ventures Management employs Harden as a partner, and Harden was the subject of an SEC order necessary for the protection of investors. As discussed above, Artis Ventures Management informed the Department that it employs Harden, and lists Harden as a "General Partner" on its website. Further, Harden was subject to the SEC Order discussed above, which was necessary for the protection of investors, because insider trading harms investors who are not privy to the information available to insiders.

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V.
CONCLUSION

Based upon the foregoing, it is in the public interest to deny an investment adviser certificate to Artis Ventures Management, L.P., pursuant to Corporations Code section 25232, subdivision (d)(3).

WHEREFORE, IT IS PRAYED that Respondent Artis Ventures Management, L.P., be denied an investment adviser certificate pursuant to Corporations Code section 25232, subdivision (d)(3).

Dated: August 20, 2018
San Francisco, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Charles Carriere
Counsel
Enforcement Division