ARTEMIS INTERNATIONAL SOLUTIONS CORP
Form PRER14A
June 06, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 3)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

ARTEMIS INTERNATIONAL SOLUTIONS CORPORATION
(Name of Registrant as Specified In Its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
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	(1)	Amount Previously Paid:
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[ ], 2006

Dear Fellow Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders (the Special Meeting) of Artemis International Solutions Corporation (Artemis or the Company), which will be held at the Company s corporate headquarters located at 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660, on [ ], 2006, at 10:00 a.m., local time. We look forward to greeting as many of our stockholders as possible.

On March 10, 2006, our board of directors, acting through its disinterested directors, approved a merger agreement providing for the acquisition of Artemis by Trilogy, Inc. (Trilogy). If we complete the merger, each outstanding share of Artemis common stock (Common Stock) will be converted into the right to receive $1.60 in cash (Merger Consideration), each outstanding share of Artemis Series A convertible preferred stock (Preferred Stock) will be converted into the right to receive $2.20 in cash (Liquidation Consideration), and each option to acquire our Common Stock that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into the right to receive in cash an amount by which $1.60 exceeds the exercise price for each share of Artemis Common Stock underlying such option.

At the Special Meeting, we will ask you to consider and vote on a proposal to approve and adopt the merger agreement and the merger. All of the members of our board of directors who have no material interest in the merger which differs from our stockholders have determined that the merger agreement and the merger, on the terms and subject to the conditions set forth in the merger agreement, are advisable and fair to, and in the best interests of, Artemis and our stockholders. ACCORDINGLY, THE DISINTERESTED MEMBERS OF OUR BOARD OF DIRECTORS, UNANIMOUSLY RECOMMEND THAT YOU VOTE **FOR** THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT AND THE MERGER. IN ADDITION, THE DISINTERESTED MEMBERS OF OUR BOARD OF DIRECTORS, UNANIMOUSLY RECOMMEND THAT YOU VOTE **FOR** THE PROPOSAL TO ADJOURN OR POSTPONE THE SPECIAL MEETING OF STOCKHOLDERS, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF SUCH MEETING TO APPROVE AND ADOPT THE MERGER AGREEMENT AND THE MERGER.

Your vote is very important. We cannot complete the merger unless and until the merger agreement and the merger is approved and adopted by holders of a majority of our outstanding shares of Common Stock and Preferred Stock (voting as separate classes and together on an as-converted basis). Whether or not you plan to be present at the Special Meeting, please complete, sign, date and return the enclosed proxy card to ensure that your shares are represented at the Special Meeting. Stockholders owning approximately 76% of our outstanding shares of Common Stock (including our outstanding shares of Preferred Stock on an as-converted basis) as of the record date have entered into stockholder voting agreements in which they have agreed to vote their shares in favor of the approval and adoption of the merger agreement and the merger and have granted proxies to certain employees of Trilogy to vote their shares unless the stockholder voting agreements are terminated. Therefore, subject to the right under certain circumstances of the parties to the stockholder voting agreements to terminate such agreements, the merger will be approved.

IF YOU DO NOT RETURN YOUR PROXY OR INSTRUCT YOUR BROKER TO VOTE YOUR SHARES FOR EITHER OF THE PROPOSALS DESCRIBED IN THE ATTACHED PROXY STATEMENT, OR IF YOU ABSTAIN FROM VOTING ON EITHER OF THE PROPOSALS, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST SUCH PROPOSAL.

The attached proxy statement provides detailed information about the proposed merger and related matters. We urge you to read the entire proxy statement carefully, including the annexes. You may also obtain more information about Artemis from documents that we have filed with the Securities and Exchange Commission.

Please do not send us any stock certificates at this time. If the merger is completed, we will send you detailed information as to how to return your stock certificates in order to receive your Merger Consideration and/or Liquidation Consideration for your Artemis shares.

On behalf of the board of directors and the employees of Artemis International Solutions Corporation, I would like to express my appreciation for your continued interest in the affairs of the Company.

Sincerely,

Patrick Ternier
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated June [   ], 2006 and is first being mailed to stockholders on or about June [   ], 2006.

ARTEMIS INTERNATIONAL SOLUTIONS CORPORATION
4041 MACARTHUR BOULEVARD
SUITE 401
NEWPORT BEACH, CALIFORNIA 92660

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON [ ], 2006

TO THE STOCKHOLDERS OF ARTEMIS INTERNATIONAL SOLUTIONS CORPORATION:

NOTICE IS HEREBY GIVEN that a Special Meeting of stockholders (the Special Meeting) of Artemis International Solutions Corporation (the Company or Artemis), a Delaware corporation, will be held at the Company s corporate headquarters located at 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660 on [ ], 2006, at 10:00 a.m. local time, to consider the following proposals described in the accompanying proxy statement:

1. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger, dated as of March 10, 2006 (the Merger Agreement), among Artemis, Trilogy, Inc. (Trilogy) and RCN Acquisition, Inc., a wholly owned subsidiary of Trilogy (RCN), and the merger contemplated thereby, pursuant to which each share of Artemis common stock (Common Stock) will be converted into the right to receive $1.60 in cash, without interest, and each share of Artemis Series A convertible preferred stock (Preferred Stock) will be converted into the right to receive $2.20 in cash, without interest, and each option to acquire our Common Stock that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into the right to receive in cash an amount by which $1.60 exceeds the exercise price for each share of Artemis Common Stock underlying such option.

2. To approve the adjournment or postponement of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of such meeting to approve and adopt the Merger Agreement and the merger.

The disinterested members of the Company s board of directors have unanimously approved, and recommends that you vote in favor of, both of the proposals described above.

A copy of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which contains the Company s consolidated financial statements, is included as *Annex E* to the proxy statement.

Our board of directors has fixed the close of business on [ ], 2006 as the record date for determining stockholders entitled to receive notice of and to vote at the Special Meeting and at any adjournment thereof. A list of such stockholders will be available for examination by any stockholder at the Special Meeting and, for any purpose germane to the Special Meeting, at the office of the Secretary of the Company, 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660, for a period of ten days prior to the Special Meeting. The officers and directors of the Company cordially invite you to attend the Special Meeting.

Under Delaware law, holders of Artemis shares have the right to seek appraisal and to receive payment of the fair cash value of their shares upon compliance with the requirements of the Delaware General Corporation Law and in lieu of receiving the consideration provided for in the Merger Agreement. This right is explained more fully under The Proposed Merger Appraisal Rights in the accompanying proxy statement. The appraisal right provisions of Delaware law are included in the proxy statement as *Annex D*.

If a quorum is not present at the Special Meeting, or if a quorum is present but we do not have sufficient votes to approve Proposal No. 1 described in this notice, the persons named as proxies may propose one or more adjournments of the Special Meeting to permit further solicitations of proxies. If a

quorum is present, any such adjournment will require that the votes cast in favor of the adjournment exceed the votes cast opposing the adjournment. If a quorum is not present, any such adjournment will require the affirmative vote of the holders of a majority of the shares of our (i) Preferred Stock and (ii) Common Stock combined with the shares of our Preferred Stock (the holders of Preferred Stock shall be casting their votes together with the owners of Common Stock, converting each share of Preferred Stock held into one vote for purposes of voting together with the owners of the Company s Common Stock) represented at the Special Meeting in person or by proxy. The persons named as proxies will vote those proxies that they are entitled to vote FOR the proposal described herein in favor of an adjournment of the Special Meeting and will vote those proxies that are required to be voted AGAINST the proposal described herein against such adjournment. If you sign and return your proxy card without indicating your vote, your shares will be voted FOR the approval and adoption of the Merger Agreement and the merger and FOR any proposal to adjourn or postpone the meeting, if necessary or appropriate to solicit additional proxies.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY MAIL YOUR PROXY IN THE ENVELOPE PROVIDED FOR YOUR CONVENIENCE. YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO THE SPECIAL MEETING AND, IF YOU ATTEND THE SPECIAL MEETING, YOU MAY VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors

/s/ CHARLES SAVONI
Charles Savoni,
Secretary

Newport Beach, California
Dated: [ ], 2006

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ANNEX A Agreement and Plan of Merger, dated as of March 10, 2006, by and among Artemis International Solutions Corporation, Trilogy, Inc. and RCN Acquisition, Inc.

ANNEX B Form of Stockholders Agreement, dated as of March 10, 2006, by and between RCN Acquisition, Inc. and certain stockholders of Artemis International Solutions Corporation

ANNEX C Fairness Opinion of Cowen & Co., LLC, dated March 10, 2006

ANNEX D Section 262 of the Delaware General Corporation Law

ANNEX E Artemis International Solutions Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed with the SEC on March 31, 2006

ANNEX F Artemis International Solutions Corporation Quarterly Report on Form 10-Q for the three month period ended March 31, 2006 filed with the SEC on May 15, 2006

ANNEX G Artemis International Solutions Corporation Form 8-K filed with the SEC on March 14, 2006 to report entering into the Merger Agreement (as defined herein) and certain related agreements

ANNEX H Artemis International Solutions Corporation Form 8-K filed with the SEC on March 15, 2006 announcing its results of operations for the fiscal quarter and year ended December 31, 2005

ARTEMIS INTERNATIONAL SOLUTIONS CORPORATION
4041 MACARTHUR BOULEVARD
SUITE 401
NEWPORT BEACH, CALIFORNIA 92660

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 2006

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Artemis International Solutions Corporation, a Delaware corporation (referred to throughout this proxy statement as Artemis, the Company, we, our or us), for use at the Company s Special Meeting of Stockholders to be held on [ ], 2006 at 10:00 a.m., local time (the Special Meeting), at the Company s corporate headquarters located at 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660 and at any adjournment thereof. This proxy statement and the accompanying proxy are being mailed to our stockholders on or about [ ], 2006.

SUMMARY TERM SHEET

The following summary highlights important information about the merger discussed in greater detail elsewhere in this proxy statement. Each item in this summary includes parenthetical references to the page(s) in other portions of this proxy statement containing a more detailed discussion of the topics presented in this summary. The following may not contain all of the information you should consider before voting on the merger. To more fully understand the merger, you should read carefully this entire proxy statement and all of its annexes, including the Agreement and Plan of Merger (the Merger Agreement), dated as of March 10, 2006, among Trilogy, Inc. (Trilogy), RCN Acquisition, Inc., a Delaware corporation and a wholly owned subsidiary of Trilogy (RCN), and Artemis, which is attached hereto as *Annex A*, before voting on whether to approve and adopt the Merger Agreement and the merger described in the Merger Agreement (the Merger).

The Parties to the Merger Agreement (Page 49)

- Artemis International Solutions Corporation
4041 MacArthur Blvd., Suite 401
Newport Beach, California 92660
(949) 660-6500

Artemis is headquartered in Newport Beach, California. The Company is one of the world s leading providers of planning and control solutions that help organizations execute strategy through effective portfolio and project management. Artemis has refined 30 years experience into a suite of solutions and packaged consulting services that address the specific needs of both private industry and the public sector including new product development, IT management, program management, fleet and asset management, outage management and detailed project management. With a global network covering 44 countries, Artemis is helping thousands of organizations to improve their business performance through better alignment of strategy, investment planning and project execution. Our Common Stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) under the symbol AMSI.

- Trilogy, Inc.
6011 West Courtyard Drive
Austin, TX 78730
(512) 874-3100

Trilogy, a Delaware corporation, is headquartered in Austin, Texas. Trilogy provides technology powered business services focused on the Automotive, Insurance and Consumer Electronics industries. A privately held company, Trilogy employs 500 business professionals worldwide, with offices in Bangalore, India and Hangzhou, China. Trilogy s Versata group, also headquartered in Austin, Texas, is a leading provider of business rules, configuration and pricing management systems. Versata provides solutions for automating and simplifying the building, maintenance and ongoing evolution of large, complex, data-intensive enterprise applications. The Versata solution effectively and efficiently replaces time-intensive hand-coding efforts with simple, intuitive business rules and graphical process flow specifications.

- RCN Acquisition, Inc.
c/o Trilogy, Inc.
6011 West Courtyard Drive
Austin, TX 78730
(512) 874-3100

RCN, a Delaware corporation, is a direct, wholly owned subsidiary of Trilogy, formed solely for the purpose of facilitating the Merger.

Effects of the Merger (Page 35)

We have entered into a Merger Agreement, dated as of March 10, 2006, with Trilogy and RCN pursuant to which RCN will merge with and into Artemis. Upon completion of the Merger, which is scheduled to transpire on the fifth business day following the Special Meeting, RCN will cease to exist as a separate entity and Artemis will become a wholly-owned subsidiary of Trilogy and part of Trilogy s recently announced Versata Group. Upon the completion of the Merger, (i) holders of our Common Stock will be entitled to receive $1.60 in cash for each share that they own (including shares of our restricted Common Stock), without interest, and (ii) holders of our Preferred Stock will be entitled to receive $2.20 in cash for each share that they own, without interest.

Interested Artemis Board Members

Joseph Liemandt serves on the board of directors of Artemis. Mr. Liemandt also is the Chairman of the board of directors, Chief Executive Officer (CEO) and President of Trilogy. Trilogy first presented an offer to purchase Artemis on February 8, 2006, at which time Mr. Liemandt became an interested Artemis board member by virtue of the positions he holds with Trilogy. Trilogy is acquiring Artemis as explained above and elsewhere in this proxy statement.

Pekka Pere is the Chairman of the Artemis board of directors. He also serves as the CEO of Proha Plc (Proha), the majority shareholder of Artemis. Olof Odman is the Chairman of the board of directors of Proha. Messrs. Pere and Liemandt served as two of the three Artemis board members comprising a special committee created by the Artemis board in January 2005, which was charged with exploring strategic alternatives, including but not limited to raising additional capital or pursuing a sale, and which would identify possible financial advisors that could assist the Company in exploring such alternatives. That special committee ultimately recommended to the full Artemis board of directors in February 2005 to pursue an outright sale of the Company. In the first acquisition offer submitted by Trilogy to the Company on February 8, 2006, Proha was provided the right to actively solicit and shop for an alternate transaction for the Company in which Proha would be able to participate. By virtue of this offer, Mr. Liemandt became

an interested member of the board of directors of Artmeis and Messrs. Pere and Odman continued to be interested Artemis board members (a similar shop-right provision had been introduced into negotiations with the previous top bidder in mid-December 2005). Ultimately, the shop-right expired without Proha having identified any such alternate transaction.

Treatment of Stock Options (Page 56)

Upon the completion of the Merger, all options to acquire our Common Stock that are outstanding immediately prior to the effective time of the Merger, whether vested or unvested, will be cancelled and converted into the right to receive a cash payment, without interest and less applicable withholding taxes, in an amount equal to:

- the amount by which $1.60 exceeds the exercise price for each share of Artemis Common Stock underlying such stock options *multiplied by*
- the number of shares subject to such options.

All stock options, whether vested or unvested, with an exercise price per share of $1.60 or greater will be cancelled without any payment of consideration.

Payoff and Termination of Indebtedness Under the Credit Facility with Laurus Master Fund, Ltd.

Concurrent with the execution of the Merger Agreement, the Company has executed an agreement (the Laurus Agreement) that provides a final payout relating to, and thereby closing, the Company s current line of credit secured from Laurus Master Fund, Ltd. (Laurus). By the earlier of the close of the Merger or June 16, 2006 (the Payout Date), the Company has agreed to pay Laurus the following amounts: (i) all principal outstanding pertaining to the over-advance provided to the Company, which equals $3,000,000, plus accrued interest, (ii) all principal outstanding under the minimum borrowing note, which equals $865,237, plus accrued interest and (iii) $110,000 in exchange for the cancellation of all outstanding warrants held by Laurus (collectively, the Payments). The parties have agreed to execute a customary payoff letter releasing all guarantees and liens under the Laurus facility at the Payout Date and agree that notwithstanding anything to the contrary arising under the Laurus facility, the Payments constitute payment in full of all obligations now owed and hereafter arising under the Laurus facility by the Company, as of the Payout Date, whether in respect of principal, interest, or otherwise, and that all warrants to purchase any securities of the Company issued in connection with the Laurus facility shall be cancelled as of immediately prior to the Payout Date.

Voting Agreements and Treatment of Warrants Held by Our Series A Preferred Stockholders (Page [ ])

Concurrent with the execution of the Merger Agreement, Proha and certain holders of Preferred Stock have executed a stockholder voting agreement (the Voting Agreement) pursuant to which they have agreed to vote their shares in favor of the Merger, have granted certain Trilogy employees proxies to vote their shares and have agreed not to solicit, assist or vote for an alternative transaction, except that Proha had the right until March 31, 2006, to shop for an alternate transaction involving the Company. This shop-right expired without Proha having identified any such transaction. The Voting Agreement terminates (i) if the Merger Agreement is terminated or (ii) with respect to Proha, at Proha s discretion, if the Company receives a superior offer. These stockholders are able to transfer their shares of the Company s securities as long as the transferee agrees to be bound by the terms of the Voting Agreement. In addition, all of the holders of Preferred Stock with the exception of Trilogy Capital holdings Corporation (f/k/a Samuelson Investment Inc.), wholly owned by Trilogy which is a party to the Merger Agreement have agreed pursuant to the Voting Agreement to the cancellation of any outstanding warrants to purchase any securities of the Company issued in connection with their purchase of the Preferred Stock.

The stockholders that have entered into stockholder voting agreements in which they have agreed to vote their shares in favor of the approval and adoption of the merger agreement and the merger and have granted proxies to certain employees of Trilogy to vote their shares unless the stockholder voting agreements are terminated in accordance with their respective provisions own approximately 76.2% of our outstanding shares of Common Stock (including our outstanding shares of Preferred Stock on an as-converted basis) as of the record date. Therefore, subject to the right under certain circumstances of the parties to the stockholder voting agreements to terminate such agreements, the merger will be approved.

Conditions to the Merger (Page 60)

Under the terms of the Merger Agreement, before we can complete the Merger, a number of conditions must be satisfied or, if permissible, waived. These conditions include but are not limited to the following:

- our stockholders approving and adopting the Merger Agreement and the Merger at the Special Meeting. In this regard, we must obtain the affirmative vote of the outstanding holders as of the record date for the Special Meeting of a majority of each of (i) the shares of our Preferred Stock, voting as a class by itself; and (ii) the shares of our Common Stock combined with the shares of our Preferred Stock (the holders of Preferred Stock shall be casting their votes together with the owners of Common Stock, on an as-converted basis, having one vote for each share of Preferred Stock held);

- the absence of any order or restraint preventing the completion of the Merger or any law making the completion of the Merger illegal, or otherwise imposing material limitations on the ability of Trilogy effectively to acquire or hold the business of the Company;

- all consents, waivers and approvals required by contracts having been obtained;

- the representations and warranties of each party contained in the Merger Agreement (i) that are qualified or excepted by materiality or material adverse effect being true and correct in all respects on the closing date, except where the cumulative effect of all inaccuracies of such representations and warranties of a party could not reasonably be expected to have a material adverse effect on the counter-party and (ii) that are not qualified or excepted by materiality or material adverse effect being true and correct in all material respects on the closing date;

- the performance in all material respects by each party of its obligations under the Merger Agreement;

- the absence of actions or proceedings by governmental entities that reasonably would be expected to (i) restrain enjoin, prevent, prohibit or make illegal the consummation of the merger or (ii) impose limitations on the ability of Trilogy to acquire or hold the business of the Company; and

- the absence of any material adverse effect on Artemis.

Position of the Board of Directors and Officers of Artemis, RCN and the Affiliated Stockholders as to the Fairness of the Merger (Pages 28, 50 and 47)

Our board of directors and each executive officer of the Company believes the Merger is procedurally fair for the following reasons:

- the procedures and processes followed in conducting the transaction, including the following:

three of our six directors are independent (as defined above), are not employed by us, and have no direct or indirect interest in the Merger that is different from the interests of our

stockholders generally, except that Trilogy has agreed that we will continue certain director indemnification rights and related insurance coverage after the Merger;

during the period from February 8, 2006, through March 10, 2006, the date on which our board of directors, acting through its disinterested directors, approved the Merger Agreement, our board of directors met eight times to consider, evaluate and supervise the manner in which the negotiations leading to the Merger Agreement were being conducted, and our board of directors received advice from our legal and financial advisors throughout this process;

the terms of the Merger Agreement were determined through extensive negotiations between our board of directors, acting through its disinterested directors, management, our independent consultant and our legal and financial advisors, on the one hand, and Trilogy and its advisors, on the other hand; and

in satisfaction of a condition precedent to the effectiveness of the Merger Agreement, we received an opinion from Cowen, our independent financial advisor, that, as of the date our board of directors, acting through its disinterested directors, approved the Merger Agreement, the $1.60 per share of Common Stock in cash offered by Trilogy was fair, from a financial point of view, to our holders of Common Stock, other than affiliates of Artemis (see the section of this proxy statement entitled Special Factors Opinion of Our Financial Advisor Regarding the Transaction for a discussion of the Cowen opinion, including its assumptions, qualifications and limitations);

- an extensive process, lasting almost a year, of soliciting acquisition proposals from qualified parties and making available to those parties that made credible bids extensive due diligence information regarding Artemis and conducting a bidding process designed to allow numerous parties to be engaged in the bidding in order to promote a competitive process and elicit the most favorable bid for Artemis (see the section of this proxy statement entitled Special Factors Background of the Merger); and

- holders of our shares who do not vote in favor of the Merger will have the right to demand judicial appraisal of their shares under Delaware law.

The preceding discussion of the factors considered by our board of directors and executive officers is not intended to be exhaustive, but does set forth the material factors considered by our board of directors and executive officers.

Our board of directors and each executive officers of the Company believes that the Merger is substantively fair to the unaffiliated holders of Artemis shares based on the following factors:

- the executive officers understanding of Artemis business, assets, financial condition and results of operations, its competitive position, the nature of its business and the industry in which it competes;

- the efforts of Artemis board of directors, acting through its disinterested directors, to maximize stockholder value, which included our board of directors evaluation of a range of alternatives other than the sale of Artemis prior to the solicitation of written bids from those parties that showed interest;

- the fact that the Merger Consideration is all cash, which provides certainty of value to the holders of Artemis Common Stock;

- the fact that Artemis board of directors received a written opinion from Cowen dated March 10, 2006, stating that as of that date and subject to the assumptions, qualifications and limitations set forth in the opinion, the Merger price of $1.60 per share of Common Stock was fair, from a financial point of view, to holders of Artemis Common Stock, other than affiliates of Artemis;

- the terms of the Merger Agreement include the ability of Artemis board of directors, in the exercise of its fiduciary duties, to consider unsolicited bona fide alternative proposals which present a reasonable likelihood of resulting in a superior proposal; and

- the fact that the controlling stockholder had a limited right to solicit competing proposals, which could have resulted in the Company obtaining a higher price per share value (Common Stock), than the $1.60 per share value as offered by Trilogy under the terms of the Merger Agreement. At the time the Merger Agreement was executed by the parties, the controlling stockholder had determined that it had a significant opportunity to solicit such a superior proposal within the time period allowed by the shop-right provision.

In consideration of the fairness of the Merger to Artemis unaffiliated stockholders, the executive officers did not conduct an appraisal of the assets of Artemis to determine a liquidation value for the Company. The executive officers considered Artemis business to be a viable going concern, and did not consider the liquidation value as a relevant valuation methodology. In addition, the board of directors and executive officers did not consider the book value of Artemis (which is negative) to be material to their conclusion regarding the fairness of the Merger because it is their view that book value does not accurately reflect the value of Artemis in light of the nature of its business and its assets.

RCN and the Affiliated Stockholders believe that the Merger is procedurally fair to Artemis unaffiliated stockholders notwithstanding that it was not structured to require the approval of at least a majority of unaffiliated stockholders because the Artemis board of directors retained Cowen as an independent financial advisor, conducted an extensive process in soliciting interest in Artemis, negotiated on behalf of the unaffiliated stockholders and ultimately approved the Merger by the unanimous vote of the disinterested members of our board of directors.

RCN and the Affiliated Stockholders considered all of the foregoing factors, positive and negative, as a whole, in making their determination that the proposed Merger is fair to Artemis unaffiliated stockholders. Based on their beliefs regarding these factors and the reasonableness of the conclusions and analysis of the board of directors, RCN and the Affiliated Stockholders adopted the conclusions and analysis of the board of directors and believe that the Merger is fair to our unaffiliated stockholders. This belief, however, should not be construed as a recommendation to such stockholders as to how they should vote on the Merger.

Non-Solicitation (Page 58)

The Merger Agreement restricts our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Artemis. Notwithstanding these restrictions, under certain limited circumstances required for our board of directors to comply with its fiduciary duties, our directors may respond to an unsolicited written *bona fide* proposal for an alternative acquisition and terminate the Merger Agreement and enter into an agreement with respect to a superior proposal after providing Trilogy a five business-day period to match or exceed the superior proposal and paying a $750,000 termination fee and under certain circumstances paying up to $500,000 of Trilogy s expenses incurred in connection with the proposed Merger, provided that the aggregate amount paid by Artemis to Trilogy shall not exceed $750,000.

Termination of the Merger Agreement (Page 61)

The Merger Agreement may be terminated:

- at any time by mutual written consent duly authorized by the board of directors of the Company, Trilogy and RCN;

- by RCN or us if:

- the Merger is not consummated by September 6, 2006, subject to certain limitations;

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- both categories of our stockholders do not approve the proposal to approve and adopt the Merger Agreement and the Merger at the Special Meeting or any adjournment or postponement of the Special Meeting. One category is comprised of the Preferred Stockholders combined with the Common Stock holders, while the second category is only the Preferred Stockholders by themselves, voting as a separate class;

- a governmental entity has issued a final order preventing or materially altering the terms of the Merger; or

- the other party breaches any of its representations, warranties or covenants in the Merger Agreement such that it cannot timely satisfy its closing conditions;

- by RCN if:

- we or any of our representatives materially breach our non-solicitation obligations or our obligation to submit the Merger Agreement and the Merger for approval and adoption by our stockholders;

- any party (other than RCN) breaches any obligation under or terminates any Voting Agreement with respect to itself; or

- our board of directors changes its recommendation regarding the Merger in a manner adverse to RCN, or recommends another acquisition proposal;

- by us if:

- our board of directors authorizes us to enter into a written agreement in respect of a superior proposal, subject to the payment of a $750,000 termination fee to RCN and certain other limitations.

Fees and Expenses (Page 43)

We will be obligated to pay a termination fee of $750,000 to RCN for reasons that include, but are not limited to the following:

- if RCN terminates the Merger Agreement because our board of directors changes its recommendation regarding the Merger in a manner adverse to Trilogy or recommends another acquisition proposal;

- if we terminate the Merger Agreement because our board of directors has authorized us to enter into a written agreement concerning a superior acquisition proposal; and

- if RCN terminates the Merger Agreement because we materially breach our non-solicitation obligations or our obligation to submit the Merger Agreement and the Merger for approval and adoption by our stockholders, or any party (other than RCN) breaches any obligation under or terminates any Voting Agreement with respect to itself.

In addition, if the Merger Agreement is terminated by either RCN or us as a result of either of the voting categories of our stockholders failing to approve the proposal to approve and adopt the Merger Agreement and the Merger at the Special Meeting or an adjournment or postponement of the Special Meeting, or if the Merger Agreement is terminated by RCN as a result of Artemis breaching any of our representations, warranties or covenants in the Merger Agreement such that we cannot timely satisfy our closing conditions, we will be obligated to pay all documented costs and expenses incurred by Trilogy in connection with the Merger Agreement, not to exceed Five Hundred Thousand Dollars ($500,000). In no event, however, shall we be obligated to pay in the aggregate more than $750,000 to RCN with respect to termination fees, costs and expenses.

THE PROXY

The Company s board of directors has selected and named as proxyholders. Robert Stefanovich and Charles Savoni. Mr. Stefanovich and Mr. Savoni are both executive officers of the Company. Mr. Stefanovich is Executive Vice President and Chief Financial Officer. Mr. Savoni is Senior Vice President, General Counsel and Secretary.

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following discussion addresses briefly some questions that you may have regarding the Special Meeting of our stockholders and the proposed merger. These questions and answers do not, and are not intended to, address all questions that may be important to you as a stockholder of Artemis. Please refer to the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement. In this proxy statement, unless the context clearly indicates otherwise, the terms Artemis, Company we, our, ours and us refer Artemis International Solutions Corporation and its subsidiaries.

Q: Why am I receiving this Proxy Statement and Proxy?

A: As a stockholder of the Company, you are being asked to vote on the following proposals:

- To approve and adopt the Merger Agreement and the Merger, whereby on completion of the Merger, the holders of our Common Stock would receive $1.60 per share, holders of the Company s Preferred Stock would receive $2.20 per share and holders of options with an exercise price of less than $1.60 per share will receive $1.60 per share less the exercise price per share; and

- to approve the adjournment or postponement of the meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the meeting to approve and adopt the Merger Agreement and the Merger.

The Merger

Q: What is the proposed Merger?

A: The proposed transaction is the acquisition of Artemis by Trilogy pursuant to the Merger Agreement. In the proposed transaction, RCN will merge with and into Artemis. Upon completion of the Merger, RCN will cease to exist as a separate entity and Artemis will become a wholly-owned subsidiary of Trilogy and part of Trilogy s recently announced Versata Group. The Merger Agreement is attached to this proxy statement as *Annex A*. We encourage you to read it carefully.

Q: Why are you proposing the Merger?

A: Since the inception of Artemis in 2001 as a publicly traded company, we have incurred substantial operating and net losses, as well as (except for calendar years 2002 and 2005) negative operating cash flows. As a result, the independent auditor s reports accompanying our consolidated financial statements starting with our Annual Report on Form 10 K for the year ended December 31, 2001 have contained an explanation that our financial statements have been prepared assuming that we will continue as a going concern. That is, we have been at risk in our ability to continue operating as a going concern for some time, nearly always being subject to our ability to raise working capital, streamline our operations and increase revenues. For substantial periods of this time (prior to the public announcement of the proposed Merger with RCN), our shares have traded at price levels below the Merger Price of $1.60 per share, although we do recognize that there have been certain periods during which our shares have traded above that level. We are proposing the Merger for a variety of reasons and after considering a multitude of factors as described in greater detail below in the section of this proxy statement entitled Special Factors Recommendation of Our Board of Directors; Fairness of the Merger on page 2. As explained in that section, the market price of our

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Common Stock has been generally trending down since the second quarter of calendar year 2005, and to the extent that our going concern value is reflected in the public market price of our stock, the per share consideration to be received by holders of our Common Stock in the Merger represents a premium to our going concern value that, absent the Merger, the public marketplace is unlikely to sustain and/or fully reflect in the market price of our Common Stock in the foreseeable future.

Q: What will I receive in the Merger?

A: Upon completion of the Merger, for each share of Artemis common stock (Common Stock) that you own (including shares of our restricted Common Stock) immediately prior to the Merger, you will be entitled to receive $1.60 in cash (the Merger Consideration), without interest. For example, if you own 100 shares of our Common Stock, you will be entitled to receive $160.00 in cash in exchange for your Artemis shares. In addition, if you hold stock options that are outstanding immediately prior to the effective time of the Merger, whether vested or unvested, to acquire shares of Artemis Common Stock, upon completion of the Merger such options will be cancelled and converted into a right to receive a cash payment, without interest and less applicable withholding taxes, in an amount equal to (i) the amount by which the Merger Consideration exceeds the exercise price for each share of Artemis Common Stock underlying such options multiplied by (ii) the number of shares subject to such options, less applicable withholding taxes. Any stock options, whether vested or unvested, with a per share exercise price equal to or greater than the Merger Consideration will be cancelled without payment of any consideration. In addition, if you are a holder of Artemis Series A convertible preferred stock (Preferred Stock), for each share of Preferred Stock that you own, you will be entitled to receive $2.20 in cash (Liquidation Consideration), without interest.

Q: What are the U.S. federal income tax consequences of the Merger to me?

A: The receipt of cash for shares in the Merger will be a taxable event for U.S. federal income tax purposes. In general, as a result, you will recognize gain or loss equal to the difference, if any, between the amount of cash that you receive in exchange for your shares of our stock and your adjusted tax basis in those shares. Because the tax consequences of the Merger are complex and may vary depending on your particular circumstances, we recommend that you consult with your tax advisor concerning the federal (and any state, local or foreign) tax consequences to you of the Merger.

Q: Why is the vote required to complete the Merger?

A: In order to complete the proposed Merger, we must obtain the affirmative vote from the holders as of the record date for the Special Meeting which represent a majority of the outstanding shares of our (i) Preferred Stock and (ii) Common Stock combined with the shares of our Preferred Stock (the holders of Preferred Stock shall be casting their votes together with the owners of Common Stock, converting each share of Preferred Stock held into one vote for purposes of voting together with the owners of the Company s Common Stock). With respect to each vote, each share of our Common Stock and Preferred Stock, as applicable, is entitled to one vote.

In order to induce Trilogy to enter into the Merger Agreement, both Proha, Artemis majority stockholder, and certain holders of a majority of Artemis Preferred Stock, have executed Voting Agreements pursuant to which each of them has agreed to vote all shares of the Company s Common Stock and/or Preferred Stock that each of them owns respectively FOR the proposal to approve and adopt the Merger Agreement and the Merger and have given certain employees of Trilogy proxies to vote their shares in such manner. Therefore, subject to certain limited rights to terminate the Voting Agreements, the merger will be approved. As of the record date for the Special Meeting, these persons who executed Voting Agreements owned shares of our stock as follows: Proha, representing 53.3% of the outstanding shares of our Common and Preferred Stock combined; Emancipation Capital LP, representing 33.3% of our Preferred Stock and 10.3% of our Common and Preferred Stock combined; Porridge, LLC, representing 11.1% of our Preferred Stock and 3.4% of our Common

and Preferred Stock combined; Potomac Capital Partners, LP, representing 8.5% of our Preferred Stock and 2.6% of our Common and Preferred Stock combined; Potomac Capital International, LTD, representing 2.8% of our Preferred Stock and 0.9% of our Common and Preferred Stock combined; and Pleiades Investment Partners R, LP, representing 5.3% of our Preferred Stock and 1.7% of our Common and Preferred Stock combined. A form of the Voting Agreement entered into by such persons is attached as *Annex B* to this proxy statement.

Q: Is our board of directors recommending that I vote for the Merger Agreement?

A: Yes. Each of the disinterested members of our board of directors David Cairns, Mike Murphy and Bengt-Ake Älgevik has considered a number of factors and believes that the terms of the Merger Agreement are advisable, fair to and in the best interests of Artemis and all of its stockholders. These disinterested members of our board of directors unanimously recommend that you vote FOR the approval and adoption of the Merger Agreement and the Merger.

The other members of the Artemis board of directors, as identified below, may have an interest in the Merger and for that reason did not participate in the deliberations by our board of directors regarding, and do not now comment about, the terms of the Merger. Joe Liemandt is the Chairman of the board of directors, Chief Executive Officer (CEO) and President of Trilogy. Trilogy is acquiring Artemis as explained above and elsewhere in this proxy statement. Pekka Pere is the CEO of Proha, and Olof Odman is the Chairman of the board of directors of Proha. Proha was provided the right under the terms of the Merger Agreement to actively solicit and shop through March 31, 2006 for an alternate transaction for the Company in which Proha would participate. This right expired without Proha having identified any such transaction.

Q: Did our board of directors receive an opinion from an independent financial advisor in connection with the Merger?

A: Yes. On March 10, 2006, our financial advisor, Cowen & Co., LLC (Cowen), formerly known as SG Cowen & Co., rendered its written opinion that, as of March 10, 2006, based upon and subject to certain assumptions, qualifications and limitations described in the Cowen opinion, the Merger Consideration ($1.60 per share) was fair, from a financial point of view, to holders of our Common Stock, other than affiliates of the Company. Cowen s fairness opinion is attached as *Annex C* to this proxy statement and is described more fully under Special Factors Opinion of Cowen & Co., LLC Regarding The Transaction beginning on page [ ] of this proxy statement; we urge you to read that opinion carefully and in its entirety. Cowen s opinion was directed to our board of directors and addresses only the fairness from a financial point of view of the Merger Consideration as of the date of the written opinion. The Cowen opinion does not address any other aspect of the transaction and does not constitute a recommendation to any Artemis stockholder or any other person as to how to vote or act with respect to the Merger or any other matter. Artemis has agreed to pay a transaction fee of $750,000 to Cowen, $550,000 of which is contingent upon the completion of the transaction, each of which is subject to a deduction of $100,000 to the extent that the Company concurrently pays an independent financial advisor on the transaction.

Q: Do our directors and executive officers have any special interests in the Merger?

A: Yes. A number of our directors have interests in the Merger, as explained in the answer to the earlier question as to whether our board of directors is recommending that you vote for the Merger Agreement. Again, we note that all of the disinterested members of the Company s board of directors are recommending you vote for the Merger Agreement.

With respect to our executive officers, you should be aware that they may have interests that are different from, or in addition to, yours. Those interests include, among others, the potential receipt of severance payments and the accelerated vesting of outstanding stock options. In addition, with respect to the executive officers and all of the Company s directors, you should be aware that such individuals

will be privy to the continuing indemnification of, and provision of directors and officers insurance coverage to, current and former directors and executive officers of Artemis after the Merger. Please see the sections of this proxy statement entitled Special Factors Interests of Our Directors and Executive Officers In The Proposed Merger and The Merger Agreement Directors and Officers Insurance and Indemnification on pages 33 and 59 for a further description of the special interests of our directors and executive officers in the Merger.

Q: Am I entitled to appraisal rights in connection with the Merger?

A: Yes. Stockholders who provide a written demand for appraisal of their shares to Artemis prior to the vote at the Special Meeting, and who do not vote their shares in favor of the Merger, are entitled to exercise appraisal rights under Section 262 of the Delaware General Corporation Law. The conditions and requirements for properly exercising appraisal rights are further explained in the section of this proxy statement entitled The Proposed Merger Appraisal Rights on page [ ]. In addition, Section 262 of the Delaware General Corporation Law is included in this proxy statement as *Annex D*. If you wish to exercise appraisal rights, you are urged to read *Annex D* in its entirety.

Q: Should I send in my stock certificates now?

A: No. Shortly after the Merger is completed, if you are a holder of the Company s Common Stock or Preferred Stock, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent in order to receive payment. DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.

Q: What will I need to do in order to receive the consideration I will be entitled to with respect to my stock options?

A: All outstanding stock options under the Company s option plans with an exercise price below the Merger Consideration shall be converted into the right to receive the value between the exercise price and the Merger Consideration, whether vested or unvested. Outstanding options with an exercise price equal to or greater than the Merger Consideration will receive no payment and shall be cancelled, whether vested or unvested.

The terms of each of the Company s option plans have been amended to provide that the Company assumes you agree to the cashless exercise of all of your in-the-money options (both terms, as identified below), upon completion of the Merger, unless you provide the Company timely written notice that you either do not elect to exercise your outstanding, in-the-money options at all or that you do not elect to exercise your outstanding, in-the-money options using a cashless exercise. (The form of such written notice will be provided to you and explained further in a separate letter that the Company will be sending to you prior to the Special Meeting.) If you elect to provide such written notice, you will need to provide the Company a check for the total amount of the exercise. Cashless exercise means the exercise and automatic sale of a portion of the option shares held to pay for the exercise of the remainder of the option, and any withholdings applicable thereto. In-the-money-option means an option with a grant-date exercise price below the Merger Consideration.

If the Company does not receive the written notice (as explained above) from you, the Company will (i) assume that you have elected to perform a cashless exercise of your in-the-money stock options; (ii) effect such cashless exercise upon the completion of the Merger; and (iii) exchange the stock acquired through option exercise for the Merger Consideration. The Company will also assume that you authorize all necessary withholdings. On or as soon as practicable following the completion of the Merger, you will receive a check in an amount determined using the following calculation number of shares realized on exercise multiplied by the Merger Consideration and reduced by the exercise price and any applicable tax or other withholding.

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The Special Meeting and Other Information

Q: What are the date, time and place of the Special Meeting?

A: The Special Meeting will be held at the Company s corporate headquarters located at 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660, on [ ], 2006, at 10:00 a.m., local time.

Q: What matters will I be voting on at the Special Meeting?

A: You will vote on the following proposals:

- To approve and adopt the Merger Agreement and the Merger, whereby on completion of the Merger, holders of our Common Stock would receive the Merger Consideration ($1.60 per share), holders of the Company s Preferred Stock would receive the Liquidation Consideration ($2.20 per share) and holders of options with an exercise price of less than $1.60 per share will receive $1.60 per share less the exercise price per share; and

- to approve the adjournment or postponement of the meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the meeting to approve and adopt the Merger Agreement and the Merger.

Q: How does Artemis board of directors recommend that I vote on the proposals?

A: As follows:

- **FOR** the proposal to approve and adopt the Merger Agreement and the Merger, whereby on completion of the Merger, holders of our Common Stock would receive the Merger Consideration ($1.60 per share), holders of the Company s Preferred Stock would receive the Liquidation Consideration ($2.20 per share) and holders of options with an exercise price of less than $1.60 per share will receive $1.60 per share less the exercise price per share; and

- **FOR** the proposal to adjourn or postpone the meeting, if necessary or appropriate to solicit additional proxies.

Q: Who is entitled to vote at the Special Meeting?

A: Two different categories of voters are entitled to vote at the Special Meeting.

- All holders of Common Stock of record as of the close of business on [ ], 2006, which we refer to as the record date, as well as all holders of Preferred Stock as of the record date, will be entitled to notice of, and to vote at, the Special Meeting. These two categories of voters will be combined into one group in voting on the two ballot measure proposals. The holders of Preferred Stock will be treated as if they converted each share of Preferred Stock into one share of Common Stock with one vote per share for purposes of voting together with the owners of Common Stock. On the record date, approximately 10,877,087 shares of Common Stock, held by approximately 700 stockholders of record (excluding beneficial owners and any shares held in street name or by nominees), together with 4,090,908 shares of Preferred Stock, held by seven stockholders of record, were outstanding and entitled to vote on the two ballot measure proposals.

- All holders of the Preferred Stock as of the record date will be voting a second time as a group by itself, separate and apart from the holders of Common Stock on the first ballot measure proposal, in approving and adopting the Merger Agreement and the Merger. On the record date, 4,090,908 shares of Preferred Stock, held by seven stockholders of record, were outstanding and entitled to vote a second time on the first ballot measure proposal, in

approving and adopting the Merger Agreement and the Merger.

No matter which type of stockholder you are, you may vote all shares of Artemis stock that you owned as of the record date. You are entitled to one vote per share of Common Stock and Preferred Stock that you hold.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, consider how the Merger would affect you as a stockholder and then vote or provide voting instructions as described below.

Q: How do I vote?

A: If you hold a stock certificate in your name for Artemis stock, you are the owner of record of the shares evidenced by that certificate. If you are a stockholder of record, you may attend the Special Meeting and vote in person. Alternatively, you may vote by proxy via mail, by marking, signing, dating and mailing each proxy card and returning it in the envelope provided.

Q: If my broker holds my Common Stock shares in street name, will my broker vote my shares for me?

A: If you hold shares of Common Stock in the name of a broker or financial institution, you are a beneficial owner, and the broker or financial institution holding your shares is the record holder of your shares. This is often referred to as holding stock in street name. If your shares of Common Stock are held in street name, you must follow the voting directions given by the broker or financial institution regarding how to instruct the broker or financial institution to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the Merger. If your shares are held in street name and you wish to attend and vote at the Special Meeting in person, you must bring an executed power of attorney or proxy in your name that has been signed by the record holder of your Artemis shares. Please contact your broker or financial institution for this information.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of proxy materials, including multiple copies of this proxy statement and multiple proxy or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of Common Stock. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a holder of both Preferred Stock and Common Stock, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: What if I want to change my vote after I have voted?

A: You may revoke your proxy or change your vote at any time before the final vote at the Special Meeting or any adjournment or postponement of the Special Meeting. If you are the owner of record, you may do this by:

- Giving written notice of revocation to the Corporate Secretary, Artemis International Solutions Corporation, 4041 MacArthur Boulevard, Suite 401, Newport Beach, California 92660;
- Signing another valid proxy bearing a later date; or
- Voting in person at the Special Meeting.

If you hold stock in street name, you must contact your broker or financial institution for information on how to revoke your proxy or change your vote.

Q: What happens if I do not send in my proxy, if I do not instruct my broker to vote my shares or if I abstain from voting?

A: If you do not send in your proxy, if you do not instruct your broker to vote your shares, or if you abstain from voting, it will have the same effect as a vote against the approval and adoption of the Merger Agreement and the Merger.

Q: How are votes counted?

A: For the proposal relating to the approval and adoption of the Merger Agreement and the Merger, as well as for the proposal to adjourn or postpone the meeting if necessary or appropriate to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN.

If you sign and return your proxy card without indicating your vote, your shares will be voted FOR the approval and adoption of the Merger Agreement and the Merger and FOR any proposal to adjourn or postpone the meeting, if necessary or appropriate to solicit additional proxies.

A broker non-vote generally occurs when a broker, bank or other nominee holding Common Stock shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes and abstentions will not count as votes cast on a proposal, but will count for the purpose of determining whether a quorum is present at the meeting. As a result, because approval and adoption of the Merger Agreement and the Merger requires the affirmative vote of a majority of the outstanding shares of our Common Stock combined with the outstanding shares of our Preferred Stock, broker non-votes and abstentions will have the same effect as a vote AGAINST the approval and adoption of the Merger Agreement and the Merger. Broker non-votes and abstentions will not count as votes cast on the proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies. Accordingly, broker non-votes and abstentions have no effect on any proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies if a quorum is present at the Special Meeting. However, because adjournment of a stockholder meeting in the absence of a quorum requires the affirming vote of a majority of shares present in person or by proxy, a broker non-vote or an abstention in the absence of a quorum will have the same effect as a vote AGAINST any proposal to adjourn or postpone the meeting.

Q: Who will bear the cost of this solicitation?

A: We will pay the cost of this solicitation, which will be made by mail. We will, on request, reimburse stockholders who are brokers, banks or other nominees for their reasonable expenses in forwarding proxy materials to the beneficial owners of the shares they hold of record.

Q: Where can I find more information?

A: We file periodic reports and other information with the Securities and Exchange Commission (the SEC). You may read and copy this information at the SEC s public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available on the Internet site maintained by the SEC at http://www.sec.gov. For a more detailed description of the information available about Artemis, see the section of this proxy statement entitled Where You Can Find More Information on page 90.

Q: Whom should I call if I have questions or want additional copies of documents?

A: If you have any questions about the proposed Merger or this proxy statement, or if you would like additional copies of this proxy statement or the proxy card, you should call (949) 660-6500.

CAUTIONARY/SAFE HARBOR STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on certain estimates and assumptions. Forward-looking statements include information concerning the expected completion and timing of the Merger and other information relating to the Merger. There are forward-looking statements throughout this proxy statement, including under the headings Summary Term Sheet, The Proposed Merger, Special Factors Opinion of Cowen & Co., LLC Regarding the Transaction and in statements containing the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. You should be aware that forward-looking statements involve various known and unknown risks and uncertainties. Although we

believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of Artemis. These forward-looking statements speak only as of the date on which the statements were made and, except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise.

In addition to other factors and matters contained or incorporated by reference in this document, we believe the following uncertainties and risk factors could cause actual results and/or the anticipated timing of the Merger to differ materially from those discussed in the forward-looking statements:

- the satisfaction of the conditions to consummate the Merger, including the receipt of the required stockholder or regulatory approvals;

- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;

- the failure of the Merger to close for any other reason;

- the amount of the costs, fees, expenses and charges related to the Merger;

- the occurrence of a material adverse effect on the business, operations, assets, liabilities or results of operations of Artemis, taken as a whole, including as a result of one or a combination of any of the following:

- our reliance on significant relationships with a small number of customers, and the loss of any of those customers or significant reductions in their purchases of our products;

- changes in our relationships with vendors and other sources of materials, parts and supplies, including adverse changes in their financial viability;

- delays in our receipt of materials, parts and supplies due to work stoppages or other causes of delay in connection with either the manufacture or shipment of such items;

- our ability to successfully develop and market our products in a volatile, competitive industry characterized by rapidly changing prices, technologies and customer demand;

- relationships with companies in the electronic, computing and communications industry;

- price erosion due to competition;

- risks associated with having significant operations located in foreign countries;

- risks associated with the sale of our products in foreign countries;

- changes in key management personnel;

- changes in government or regulatory requirements;

- litigation that may have an adverse effect on our financial results or reputation;

- intellectual property infringement claims that might be costly to resolve;

- the protection of our intellectual property and the costs of such protection;
- current political and general economic conditions or changes in such conditions;
- terrorist activities in the U.S. or abroad; and
- political, social, economic or other events resulting in the short- or long-term disruption in business at our facilities or offices; and
- the risks, uncertainties and other factors set forth in our reports and documents filed with the SEC (which should be read in conjunction with this proxy statement; see Where You Can Find More Information on page 90).

COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION

Our Common Stock is quoted on the OTCBB administered by NASDAQ. From April 4, 2000 until June 28, 2001, our Common Stock was listed on the NASDAQ National Market under the symbol OPUS. Since June 29, 2001, our Common Stock has been quoted on the OTCBB, whereby effective November 25, 2001, the trading symbol was changed to AISC. Subsequent to the Company s one for twenty-five reverse stock split on February 7, 2003, the trading symbol was changed to AMSI. All information regarding our Common Stock, stock options, warrants and related per share amounts has been restated within this proxy statement to reflect the February 7, 2003 reverse stock split.

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) (commonly referred to as the penny stock rules), impose sales practice and disclosure requirements on certain broker-dealers who engage in certain transactions involving a penny stock. Subject to certain exceptions, a penny stock generally includes any non-NASDAQ equity security that has a market price of less than $5.00 per share. The closing market price of our Common Stock on the OTCBB during the sixteen months ended April 30, 2006 has ranged between a high of $3.87 and a low of $0.90 per share, and our Common Stock is thus deemed to be penny stock for purposes of the Exchange Act. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage them from effecting transactions in our Common Stock, which could severely impair the liquidity of our stock in the secondary market.

At March 17, 2006, the number of stockholders of record was approximately 700 (excluding beneficial owners and any shares held in street name or by nominees). The following table sets forth the quarterly high and low sales prices based on bid quotations per share, as retroactively adjusted for the aforementioned reverse stock split.

	Artemis International Solutions Corp	
	High	**Low**
YEAR ENDED DECEMBER 31, 2006		
First Quarter	$ 1.55	$ 1.00
YEAR ENDED DECEMBER 31, 2005		
First Quarter	3.10	2.55
Second Quarter	3.25	2.40
Third Quarter	3.00	1.80
Fourth Quarter	2.10	0.83
YEAR ENDED DECEMBER 31, 2004		
First Quarter	2.00	1.35
Second Quarter	3.15	1.35
Third Quarter	2.50	1.90
Fourth Quarter	3.20	1.90

The closing price for our Common Stock was:

- $1.35 on March 9, 2006, the last trading day prior to the date we entered into the Merger Agreement; and
- $. on May , 2006, the last trading day before the date of this proxy statement.

The above over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Dividend Policy

We do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and the expansion of our business. Any determination to pay

cash dividends in the future will be at the discretion of our board of directors and will be dependent upon our financial condition, operating results, capital requirements, general business conditions, restrictions imposed by financing arrangements, legal and regulatory restrictions on the payment of dividends and any other factors that our board of directors deems relevant.

In August, 2003, the Company obtained a revolving credit facility with Laurus. Under the Security Agreement executed in connection with the revolving credit facility, the Company may not directly or indirectly declare, pay or make any dividend or distribution on any class of its stock, except for indebtedness subordinated to Laurus.

On June 16, 2004, the Company completed a private placement of $9.0 million of convertible Preferred Stock. So long as at least 30% of the Preferred Stock is outstanding, the Company cannot, directly or indirectly, redeem, declare or pay any cash dividend or other distribution on the Common Stock without the prior express written consent of the holders of at least a majority of the Preferred Stock.

FINANCIAL FORECASTS

Our Financial Forecasts

As a matter of policy, we do not publicize forecasts or projections of future performance or results of operations. However, management prepared the financial forecasts for the years ending December 31, 2006 and 2007 (which we refer to in this section as Financial Forecasts) set forth below in good faith and in the ordinary course of our business for use by us in our business. The Financial Forecasts were not prepared with a view towards public disclosure or compliance with any published rules/regulations of the SEC, the guidelines established by the American Institute of Certified Public Accountants for Prospective Financial Information or accounting principles generally accepted in the United States of America (GAAP). Our independent registered public accounting firm has not examined or compiled the Financial Forecasts or expressed any form of assurance with respect to the Financial Forecasts and, accordingly, assume no responsibility for them. The Financial Forecasts are included below solely for the purpose of giving our stockholders access to the same non-public information that was provided to our special committee, our board of directors, Cowen, Trilogy and all other bidders.

The Financial Forecasts with respect to fiscal years 2006 and 2007 are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those statements and should be read with caution. The Financial Forecasts are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and recent developments. While presented with numerical specificity, the Financial Forecasts are based upon a variety of estimates and hypothetical assumptions made by our management. Some or all of the assumptions may not be realized, and they are inherently subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. Accordingly, there can be no assurance that the assumptions made in preparing the Financial Forecasts will prove accurate, and actual results may materially differ. In addition, the Financial Forecasts do not take into account any of the transactions contemplated by the Merger Agreement, including the Merger and Merger-related expenses and fees, which may also cause actual results to materially differ.

Because of the reasons described above, the inclusion of the Financial Forecasts in this proxy statement should not be regarded as an indication that the Financial Forecasts represent an accurate prediction of future events, and they should not be relied on as such. No one has made, or makes, any representation to any stockholder regarding the information contained in the Financial Forecasts and, except as required by applicable securities laws, we do not intend to update or otherwise revise the Financial Forecasts to reflect circumstances existing after the date prepared or to reflect the occurrence of future events even if any or all of the assumptions are shown to be in error.

ARTEMIS INTERNATIONAL SOLUTIONS CORPORATION
Consolidated Financial Highlights

	Historical Financial Data Years Ended December 31,					Financial Forecasts Years Ending December 31,	
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Statement of Operations Data:							
Revenue:							
Software	$ 15,105	$ 15,070	$ 13,286	$ 13,055	$ 11,487	$ 14,650	$ 17,900
Support	15,512	15,690	16,568	17,186	17,248	16,415	16,876
Services	37,029	37,904	27,437	22,204	18,630	18,716	19,182
	67,646	68,664	57,291	52,445	47,365	49,781	53,958
Cost of revenue	33,097	32,710	26,029	23,490	20,410	19,801	19,667
% Margin	48.9 %	47.6 %	45.4 %	44.8 %	43.1 %	39.8 %	36.4 %
Gross margin	34,549	35,954	31,262	28,955	26,955	29,980	34,290
% Margin	51.1 %	52.4 %	54.6 %	55.2 %	56.9 %	60.2 %	63.6 %
Operating expenses	101,032	39,700	39,354	38,508	31,603	25,866	25,216
% Margin	149.4 %	57.8 %	68.7 %	73.4 %	66.7 %	52.0 %	46.7 %
Operating income (loss)	(66,483)	(3,746)	(8,092)	(9,553)	$ (4,648)	$ 4,115	$ 9,074
% Margin	-98.3%	-5.5%	-14.1%	-18.2%	-9.8%	8.3 %	16.8 %

SPECIAL FACTORS

Purpose and Structure of the Merger

We entered into the Merger Agreement, which contemplates the acquisition of us by Trilogy, to permit our stockholders to realize a significant premium over historical market prices for our shares. The transaction has been structured as a Merger to facilitate completion of the transaction in an efficient manner as part of a single-step acquisition. Structuring the transaction as a Merger provides our stockholders the opportunity to vote on the transaction, and the Merger will be completed only if holders of a majority of our outstanding shares, where the holders of our Common Stock are voting together with holders of our Preferred Stock as a combined class of voters, while holders of our Preferred Stock are voting as a separate class, vote to adopt the Merger Agreement. Holders of a majority of the Common Stock and Preferred Stock have executed the Voting Agreements pursuant to which they have agreed to vote their shares in favor of the merger and have granted certain Trilogy employees proxies to vote their shares, subject to termination of the Voting Agreements.

As the above chart reflects, software revenue and total revenue have trended downward since 2003. Although our gross margin as a percentage of total revenue improved during that period, our cost structure was not sufficiently reduced to improve net income before accounting for amortization and restructuring expenses. As a result, our accumulated deficit increased from $75.1 million as of December 31, 2002, to $96.7 million, as of December 31, 2005. We view the Merger as a means by which to improve the Company s financial performance, by providing funding from a strategic partner with solid financial wherewithal.

Background of the Merger

Since the inception of Artemis in 2001 as a publicly traded company, we have incurred substantial operating and net losses, as well as (except for calendar 2002 and 2005) negative operating cash flows. As a result, the independent auditor s reports accompanying our consolidated financial statements starting with our Annual Report on Form 10-K for the year ended December 31, 2001 have contained an explanation that our financial statements have been prepared assuming that we will continue as a going concern. That is, we have been at risk in our ability to continue operating as a going concern for some time, nearly always being subject to our ability to raise working capital, streamline our operations and increase revenues. For

substantial periods of this time (prior to the public announcement of the proposed Merger with RCN), our shares have traded at price levels below the Merger price of $1.60 per share, although we do recognize that there have been certain periods during which our shares have traded above that level.

Prior to late 2004, our board of directors was hopeful that we could significantly increase our market value, and thus the return to our investors, through our operating results. Our board, while recognizing that the sale of Artemis at the right time and under the right conditions could be beneficial to our stockholders, had deferred pursuing a sale because of the inherent uncertainty as to the outcome of the process of soliciting bidders as well as the potential disruption that process could cause and its potential for diverting the time and attention of senior management. By late 2004, however, our board became increasingly concerned with the continued going concern risk, the Company s cash position, and the continuing need to raise operating capital. Our board recognized that pursuing certain options in raising capital could significantly dilute the ownership of our current stockholders, including those holding our Common Stock and our Preferred Stock.

On January 7, 2005, our board of directors unanimously approved the creation of a special committee, consisting of Artemis board members David Cairns, Joe Liemandt and Pekka Pere, which was charged with exploring strategic alternatives including but not limited to raising additional capital or pursuing a sale, and which would identify possible financial advisors that could assist the Company in exploring such alternatives. The Artemis board did not place any specific limitations on this special committee, but the board did retain the right to consider and approve any recommendation that the committee might ultimately submit. The Artemis board members comprising this special committee did not receive any compensation for serving on said committee.

On January 17, 2005, the special committee convened and established its operating procedures. The special committee and management considered four investment banks that would assist us in exploring the various alternatives. Over the course of the next approximate four weeks, the special committee conferred with these banks separately, and reviewed each respective bank s recommendation regarding possible strategic alternatives. One bank recommended that we raise capital via a private investment in public entity (PIPE). A second bank recommended that we raise capital via a public, secondary offering. A third bank recommended that we hold off on taking any strategic path for the time being. Ultimately, the special committee selected a fourth bank, SG Cowen & Co., the name of which later in our sale process changed to Cowen & Co., LLC (Cowen), which recommended that we engage in a process of an outright sale. Other than considering taking no strategic action, the special committee only considered the three alternatives as noted above: (i) raising capital via a PIPE; (ii) raising capital via a secondary offering; and (iii) selling the company outright.

The special committee recommended to our full board of directors on February 17, 2005, that the Company engage in a process for the outright sale, and hire Cowen to run the process. The special committee was concerned that raising capital now, either through a PIPE or a secondary offering, and waiting to sell the Company outright at a later date, was too risky. The special committee cautioned that such a delay would leave little room for operational under-performance, and also questioned the Company s ability to raise sufficient levels of financing without significantly diluting the then current holders of our stock. In addition, the committee expressed concern that the market in which the company operates would become increasingly competitive and/or that the multiples on valuations for outright sales, which recently were being achieved, would begin to deteriorate. The special committee also recognized that the new Sarbanes-Oxley requirements that had become effective for all public companies on July 30, 2002, and the significant amount of new SEC regulation being adopted under that statute, were likely to require significant increases in our ongoing expenses (including legal and accounting fees) in remaining a publicly-traded company. One consideration for example related to certain SEC rules and forms, and amendments thereto, implementing Section 404 of Sarbanes-Oxley. Section 404 requires companies such as ours to include in their annual reports a report of management on the company s internal control over

financial reporting and an accompanying auditor s report, and to evaluate, as of the end of each fiscal quarter, any change in the company s internal control over financial reporting that occurred during the period that has materially affected, or is reasonably likely to materially affect, the company s internal control over financial reporting. At the time the special committee made its recommendation to our board of directors on February 17, 2005 for the Company to engage in the process to explore an outright sale, the Section 404 compliance date was pegged to our fiscal year ending on December 31, 2005. We estimated that the initiatives that would be involved in complying with Section 404 would cost us between $500,000 and $750,000. When we factored those costs into the other costs of operating as a publicly traded company, we estimated the total costs of operating as a publicly traded company to be between $1.5 and $2 million.

On February 17, 2005, our board of directors concluded in light of the recommendation submitted by the board s special committee and after consultation with by Cowen, as well as the board s own familiarity with the Company s situation and the input received from the other investment bankers that the alternatives the board had been evaluating, other than the outright sale of Artemis, were not likely to meaningfully enhance long-term stockholder value. The other alternatives that had been explored simply presented too much risk in achieving increased institutional interest in our stock, improved analyst coverage and/or increased trading volume and price of our stock, long-term. Accordingly, our board of directors considered the recommendation of the special committee, and unanimously concluded on February 17, 2005, that the interests of all of our stockholders would best be served by the Company focusing on the possibility of an outright sale as the strategy most likely to address our circumstances and to increase stockholder value. Our board instructed management to engage Cowen to act as our financial advisor in connection with a possible sale of Artemis. Cowen was directed to identify and contact potential strategic and financial acquirors of Artemis, with an initial emphasis on the former, and to report back on the level of interest in such a transaction. Cowen was selected by our board of directors to act as our financial advisor (and to render an opinion if requested) because, in addition to being a nationally recognized investment-banking firm, Cowen committed to provide a team for the Artemis transaction that was very experienced in high technology industry, small to mid-capitalization, merger and acquisition transactions.

As discussed below, Cowen started running the sale process in earnest starting in April 2005, coinciding with our second quarter of 2005. The market price of our Common Stock has been trading down generally since the second quarter of 2005, albeit in each of the first three quarters of 2005 the low market price for the stock in each respective quarter was greater than the Merger price of $1.60 per share. A similar downward trend ocurred once the sale process was underway, whereby the acquisition price declined on purchase offers until that point in time that Trilogy submitted its first offer in February 2006 (thereby increasing the acquisition price), as also discussed below. The other strategic alternatives of raising capital through either a PIPE or a secondary offering were reconsidered by the Company from time-to-time during the sales process and as market price and purchase offers were declining. However, the Company s operational performance on a quarter-to-quarter basis began experiencing difficulties starting in the first quarter of 2005, and a consensus was drawn that raising capital via either a PIPE or secondary offering would result in a price discounted to market, as well as significant dilution to the current stockholders.

During April 2005, Cowen began contacting potential acquirors on behalf of the Company. Through July 2005, thirty-five strategic parties and thirteen financial sponsors were contacted on behalf of the Company. Of the thirty-five strategic parties initially contacted, three expressed interest in Artemis and executed confidentiality agreements, nine other parties were still reviewing the acquisition opportunity and had not yet responded as to whether they were interested, and 23 companies had expressed no interest in acquiring Artemis. Of the thirteen financial sponsers initially contacted, six parties were still reviewing the acquisition opportunity and had not yet responded as to whether they were interested, four parties were still reviewing the opportunity but had executed confidentiality agreements, and three parties had expressed no interest in acquiring Artemis.

Our board met again on August 2, 2005 to deliberate further with respect to strategic alternatives, and the board agreed that the Company should continue to explore an outright sale of the Company. A virtual data room was created by which interested parties could gain access via the Internet on a strictly confidential basis, in order to begin their respective due diligence reviews of the Company. This data room was accessible by late August, 2005. In August, management conducted a series of conference calls with interested parties. At the same time, Cowen continued to contact parties that were determined might be interested in pursuing the transaction.

As of September 7, 2005, thirty-six strategic parties and thirty-three financial sponsors were contacted on behalf of the company. Three of the potential strategic partners that had participated in conference calls with our management were contacted, but none of the strategic partners contacted submitted an indication of interest. Of the thirty-three financial sponsors, sixteen of them had participated in conference calls with our management, and eleven of the financial sponsors submitted an indication of interest, all of which had executed confidentiality agreements.

Our management then worked with Cowen in identifying four of the eleven financial sponsors that had submitted an indication of interest in early September to remain as potential acquirors of Artemis as part of the sale process. The top four sponsors indicating the highest ranges of enterprise value for Artemis were identified, with the following ranges of implied price per share of our Common Stock: (i) $3.32-$3.88; (ii) $3.04-$3.60; (iii) $2.46-$2.75; and (iv) $2.16-$2.75. (In each indication of interest, any price per share to be paid to holders of our Common Stock at a value of $2.21 or higher would also apply to holders of our Preferred Stock under the rights they hold.) These four sponsors were invited to conduct additional due diligence and meet with our management.

During the week of September 19, 2005, representatives of each of these four financial sponsors spent one full day respectively in person with Patrick Ternier, our President and Chief Executive Officer, and Robert Stefanovich, our Executive Vice President and Chief Financial Officer, as well as with a representative of Cowen, for the purpose of engaging in additional diligence, as part of the sale process.

Mr. Ternier reported the progress of the sale process to our board in a meeting of our board of directors on September 27, 2005. The board instructed management to request the four remaining financial sponsors to submit revised bids for the Company as soon as practicable, given the needs of the sponsors in conducting additional diligence. The financial sponsors were contacted and October 12, 2005 was set as the deadline to submit revised bids to acquire the Company. During the week of October 12, 2005, management conducted conference calls with all four financial sponsors to provide them with an overview of the third quarter results, which were materially worse than results previously presented by management.

On October 17, 2005, our board of directors met to consider the revised proposals submitted by the four remaining financial sponsors. The two sponsors which had submitted the lowest ranges in early September elected not to submit a revised proposal. The other two remaining financial sponsors submitted substantially reduced bids. The previous top bidder submitted an at market offer, a price per share (Common Stock) of $2.00. The number two bidder from early September now had submitted the highest offer, with an implied price per share (Common Stock) of $2.54. The withdrawal of the two lowest bidders and the reduced bids of the other two were due to the revenue shortfall for the third quarter of 2005, as compared to projected revenue.

In light of the two sponsors dropping out of the process, the board determined that two other financial sponsors that had previously submitted lower indications of interest in early September would now be considered potential alternate bidders: both financial sponsors had indicated they could move quickly in submitting a revised bid should circumstances change. The board directed the Company s chairman of the board of directors, Pekka Pere, to meet with the remaining financial sponsors, and to oversee and participate in further negotiations in an attempt to secure a higher bid.

Mr. Pere proceeded to meet in person later during the week of October 17, 2005, with the two top remaining financial sponsors, as well as with one of the alternate financial sponsors. The alternate financial sponsor informed Mr. Pere that it would not submit a new bid. Neither of the two remaining financial sponsors was willing to increase its reduced bid, due to the Company s revenue shortfall for the third quarter of 2005.

Our board of directors held a meeting on October 24, 2005, during which Mr. Pere advised the board of his discussions with the financial sponsors. After deliberation regarding the situation, the board instructed management and Cowen to negotiate on behalf of the Company with the top bidder of the remaining two financial sponsors to obtain the best possible deal.

Our management and a representative of Cowen negotiated with the top bidder, in an effort to obtain an increased purchase price in selling Artemis. On November 1 and 2, 2005, Messrs. Ternier and Stefanovich met in person with representatives of the top bidding financial sponsor, including a representative of the sponsor s bank. Messrs. Ternier and Stefanovich reviewed in detail with the representatives of the sponsor multiple financial scenarios that we would be facing in the upcoming months. The sponsor integrated those possible performance outcomes into its various modeling scenarios. In this regard, the financial sponsor was informed of the risks associated in acquiring Artemis. Mr. Ternier then engaged in a number of telephonic meetings with the financial sponsor the following week (week of November 7, 2005). During this time, the top bidder had retained outside counsel that began to negotiate with Artemis regarding the legal documents that would encompass the sales transaction. In addition, the top finalist continued its due diligence process.

At the meeting of our board of directors on December 5, 2005, Cowen reported that during the week of November 21, 2005, the top financial sponsor communicated it was lowering its bid to $1.50 per share of Common Stock. The financial sponsor had concluded that in order to maximize the valuation of Artemis, the sponsor would need to pair the Company with another operating company, meaning the sponsor would have to incur the expense of acquiring a second operating company. The bid also included an offer to buy all the shares of our Preferred Stock at a price of $2.20 per share, equal to the liquidation preference of the Preferred Stock. The liquidation preference of the Preferred Stock is a right of the holders of Preferred Stock (as set forth in Section 7 of the certificate of designations dated as of June 16, 2004 (the Certificate of Designations), executed as part of the Company s PIPE financing with its holders of Preferred Stock) to receive at least $2.20 per share in the event of a change in control of the Company regardless if the amount paid per share of Common Stock is less than that amount. All subsequent bids under $2.20 per share for the Common Stock included purchasing the Preferred Stock at $2.20 per share.

At the meeting of our board of directors on December 5, 2005, our board received an update regarding the sale process from management and Cowen. During the meeting of our board of directors, our outside legal counsel, Kirkpatrick & Lockhart Nicholson Graham, LLP (which we refer to in this proxy statement as Kirkpatrick & Lockhart), discussed the board s fiduciary duties with respect to a potential sale of the Company. The board directed our management and Cowen to continue the sale process and attempt to obtain a higher price in selling the Company.

On December 14, 2005, our board of directors held a meeting to discuss and deliberate regarding any further developments in the sale process. The board received an update regarding the sale process from management and Cowen. No new bids had been submitted by any parties, despite continuing contact with financial sponsors from the original contact list. During this time, the previously identified current top bidder continued its due diligence process. Mr. Pere asked whether the then current top bidder would be willing to allow our majority stockholder, Proha, to participate in a merger transaction (sale) as far as retaining an ownership interest in Artemis. Cowen further explained it had approached the then current top bidder a number of days prior to the board meeting to explore whether the financial sponsor would be amenable to Proha retaining an ownership interest in Artemis. The sponsor had responded in the affirmative, Cowen reported, noting that the sponsor would be comfortable allowing Proha to participate

at a certain level of ownership in Artemis as part of the merger. Our Kirkpatrick & Lockhart attorneys explained to our board members that if Proha was indeed interested in participating in any such merger, the Artemis board members who are associated with Proha Mr. Pere, who serves as the CEO of Proha, and Olof Odman, who serves as Proha s Chairman of its board of directors would have to recuse themselves from any Artemis board deliberations pertaining to an offer involving Proha s participation. Messrs. Pere and Odman excused themselves from the meeting and the disinterested members of the Artemis board of directors discussed the proposal. The disinterested members of the board directed our management and Cowen to continue to pursue the sale process, including the potential participation of Proha.

From December 14 through December 23, 2005, the current high bidder had several discussions with management of the Company and representatives of Cowen. The bidder agreed to change the terms of the merger agreement to allow Proha to retain a percentage of ownership in Artemis. On December 23, 2005, the bidder orally indicated that it might be able to increase its bid to $1.58 per share (Common Stock). However, the sponsor had communicated that it would not be in a position to finalize the merger documents until some time in January due to vacation schedules coupled with the year end holidays.

Our board of directors held its next meeting on December 29, 2005. After a brief update from management and Cowen, Messrs. Pere and Odman exited the Artemis board meeting, as advised by our Kirkpatrick & Lockhart attorneys. The disinterested members of the Artemis board continued with the meeting. They deliberated on the question of whether Artemis should continue negotiating with the current high bidder. The disinterested board members unanimously concluded that proceeding with the sale process at that valuation with the then current top bidder was the best available option for Artemis at that point, considering the risks associated with the continued operation as a publicly traded company (with exposure to receiving another audit report which included a paragraph expressing substantial doubt about our ability to continue as a going concern).

On January 11, 2006, the high bidder communicated a new offer of $1.30 per share of Common Stock, as a result of its continued due diligence and valuation of the Company. During this same time period, Artemis and the financial sponsor continued to negotiate the terms and conditions of the merger agreement form, as well as other related legal documents. The financial sponsor also was engaged with our majority stockholder, Proha, in negotiating a voting agreement relating to the merger agreement. One of the terms at issue in both the voting agreement and the merger agreement pertained to whether Proha would be permitted to solicit and negotiate other proposals after the execution of a definitive merger agreement. The offer as currently structured did not permit such solicitation or negotiations. In the meantime, management of Artemis and representatives of Cowen continued informal discussions with the alternate financial sponsor that had completed its due diligence in late December. Management of Artemis and representatives of Cowen were also engaged in discussions with two other financial sponsors from the group originally contacted. However, neither had submitted or indicated that they would submit a formal bid.

Our board of directors held a meeting on January 17, 2006, which was adjourned and continued on January 18, 2006. The chairman of the board presented preliminary terms for an alternative transaction. Messrs. Pere and Odman then excused themselves from the Artemis board meeting. The disinterested members of the Artemis board continued with the meeting. The board considered the $1.30 price per share offer from the top financial sponsor, as well as the informal suggestions of a much lower price from the other financial sponsor that had completed its due diligence. The disinterested members of the Artemis board discussed and weighed the possibility that the then current top financial sponsor, with the bid price of $1.30 per share, might withdraw its offer if the Company failed to accept it within a matter of days. The disinterested members of the board concluded that management and Cowen should keep working to obtain a higher purchase bid, as well as the ability for our majority stockholder to continue shopping for a superior proposal after the execution of a definitive merger agreement.

On January 24, 2006, the then current high bidder submitted a revised offer letter. The financial sponsor presented two alternative options as part of the revised bid: (i) an increase in the purchase price per share (Common Stock) to $1.39; or (ii) retaining the purchase price per share at the $1.30 value, but allowing Proha, as our majority stockholder, to shop for a superior transaction after the signing of a definitive merger agreement. The financial sponsor indicated in the formal offer letter that the sponsor was prepared to execute a definitive merger agreement on or prior to January 27, 2006.

On January 26, 2006, the then current high bidder again submitted a revised offer letter, nearly identical to the previous letter, but this time noting that the financial sponsor was prepared to execute the legal documents encompassing the merger (sale) on or prior to January 30, 2006. Our board of directors convened a meeting on January 27, 2006. The board of directors was informed that the financial sponsor had communicated that the Proha shop provision applying to the pricing alternative of $1.30 per share would be good for a twenty-one day period after acceptance of the offer. Our disinterested board members asked Cowen to continue negotiating on behalf of the Company with the financial sponsor to expand the shopping period and reduce the $925,000 termination fee.

One of the original top eleven financial sponsors from early September that had recently re-entered the sale process then joined the Artemis board meeting to discuss that sponsor s renewed interest in Artemis. That sponsor indicated an apparent interest at the $1.50 per share (Common Stock) level, but had not yet formally submitted such an offer. That sponsor proceeded to present its viewpoints on the Company, and the parties engaged in a thorough discourse as to a possible merger, including the possible requirements, both financially and timing-wise, that would be involved in order to close a transaction within a 21 day period and topping the then current high bid. The parties discovered that the indicated interest at the $1.50 per share level had not factored in the termination fee of $925,000 that would apply once and if the documentation concerning the current high bid were to be agreed upon and finalized in the very near term, and had also underestimated other fees and expenses. The sponsor communicated it was still interested in pursuing a transaction, and committed to submitting a formal bid quickly, and finalizing its due diligence process, within a three-week period; however, no formal bid/term sheet offer was subsequently submitted to the Company by the sponsor. As such, the Artemis board could not consider that sponsor s apparent interest as a viable, competing offer.

Cowen then reported to the board that it had just completed a number of telephonic communications (during the board meeting) with the then current high bidder. The top bidding financial sponsor had agreed to increase the 21-day shop provision to approximately five weeks from the date the definitive merger documents are signed. However, the termination fee would remain at $925,000. The board adjourned, but continued its meeting on January 29, 2006. After a brief update, Messrs. Pere and Odman exited the Artemis board meeting.

The disinterested members of the Artemis board continued with the meeting. They deliberated on the question of whether Artemis should accept either or both of the pricing alternatives offered by the top financial sponsor, especially in light of the potential competing offer. The disinterested members determined to continue to pursue both pricing alternatives, given that Proha as the majority stockholder would have to approve one of the two alternatives, and the Artemis board did not know which alternative, if either, the Proha board would accept. In addition, the board determined to continue pursuing the potential competing offer, understanding that with an open solicitation/negotiation period, even executing a definitive merger agreement would not necessarily preclude the competing offer. The disinterested members directed management and Cowen to continue its discussions with these two financial sponsors.

On January 31, 2006, Proha informed the Company that its board had agreed to support the pricing alternative of $1.30 per share (Common Stock), where Proha would have the right to shop for a superior proposal for a period of about five weeks once the definitive merger documents were signed. Artemis promptly informed the top financial sponsor of the Proha board s support in that regard, and management, the Kirkpatrick & Lockhart lawyers and Cowen attempted to finalize the definitive merger agreement.

The top financial sponsor and Artemis immediately began to conclude negotiations of and finalize the legal documents encompassing the merger. After a number of days, the primary issue that remained open was the language that would govern Proha s ability to shop the deal for the five-week period. Proha and the financial sponsor had difficulty reaching agreement on that issue, which effectively precluded those parties from reaching final agreement that would otherwise be necessary for Artemis and the financial sponsor to finalize negotiations and execute definitive documents.

On February 7, 2006, our board of directors convened a meeting and received an update from management, Cowen and our Kirkpatrick & Lockhart attorneys as to the progress of the negotiations. By the end of the meeting, our board and advisors had identified a potential compromise on the primary open issue. Our board then directed management and Cowen to broach the compromise with the financial sponsor in an effort to finalize the negotiations.

On February 8, 2006, Trilogy submitted an offer regarding an acquisition. Trilogy offered to buy all shares of Common Stock at $1.50 per share and all shares of Preferred Stock at $2.20 per share, and would provide Proha with a right to shop for a superior proposal for a thirty-five day period after definitive documents were signed. Trilogy expressed confidence that it could complete its due diligence process within one week. On February 9, 2006, our board of directors convened to discuss the offer. Our Kirkpatrick & Lockhart attorneys advised that Joe Liemandt should exit the meeting, prior to the Artemis board deliberating on the Trilogy offer. Mr. Liemandt serves as a director of the Artemis board, and also serves as the Chairman of the board of directors, CEO and President of Trilogy, which wholly owns Trilogy Capital Holdings Corporation (f/k/a Samuelson Investment Inc.), a holder of Preferred Stock of Artemis. Our board s disinterested directors that is, those directors on the Artemis board whom are not associated with either Trilogy or Proha David Cairns, Mike Murphy and Bengt-Ake Algevik, then asked fellow Artemis board members Pekka Pere and Olof Odman, in their respective roles as Proha representatives (Mr. Pere is CEO and President of Proha, while Mr. Odman serves as chairman of the Proha board of directors) whether Proha would be inclined to support the Trilogy offer. Messrs. Pere and Odman responded that in general, they would be receptive to the offer, with one exception: the termination fee of $925,000 appeared excessive to them. The Proha representatives and Mr. Liemandt then exited the meeting prior to any deliberations by the disinterested members of the Artemis board on the Trilogy offer.

The disinterested members of the Artemis board then directed management and Cowen to (i) go back to Trilogy in an effort to obtain a lower termination fee and finalize negotiations and (ii) go back to the previous high bidder the top financial sponsor to discern if the sponsor would increase its previous offer, and top the offer from Trilogy. Cowen reported to the board that the two financial sponsors that had recently re-entered the sale process were still interested in the Company. The board directed management and Cowen to continue in its discussions with those two sponsors, in an effort to obtain a formal bid higher than the then current bid from Trilogy.

During the next week, Trilogy completed nearly all of its due diligence on the Company. In addition, Trilogy and Artemis negotiated terms pertaining to the legal documents that would encompass the Merger. On February 17, 2006, the Company retained Fredrick M. Joseph as an independent consultant. Mr. Joseph is a former employee of Cowen who was extensively involved in the sale process as a representative of Cowen, including the proposed Merger with Trilogy. Mr. Joseph was retained by us to provide continuity, but Cowen would continue to oversee the sale process.

On February 17, 2006, Trilogy submitted a new offer, including: (i) an increase in the per share (Common Stock) value, from $1.50 to $1.60; (ii) a reduction in the termination fee, from $925,000 to $500,000; (iii) the elimination of the Proha shop-right provision; and (iv) an expiration time of later that evening, midnight Eastern time.

Also on February 17, 2006, the Company received a letter of intent by which one of the two financial sponsors that had re-entered the sale process submitted an indication of interest at the level of $1.50 per share (Common Stock), with a proposed structure that would allow Proha to retain its ownership interest in Artemis. That letter also included a provision by which the sponsor was demanding to be reimbursed for certain due diligence costs, and indicated that the period required to complete due diligence would be thirty days.

On February 17, 2006, our board convened a meeting. The disinterested Artemis board members agreed that the Artemis board should pursue the latest Trilogy offer. The disinterested members then asked Mr. Joseph to (i) approach the Proha board representatives in an effort to have Proha disclose the specific terms by which it would be amenable to an offer from Trilogy; and (ii) concurrently approach Trilogy in an effort to have Trilogy agree to extending the time frame by which its current offer was to expire.

On February 19, 2006, the board received a revised letter of intent from the financial sponsor that had submitted a letter of intent on February 17, 2006 at the $1.50 per share value (Common Stock). This revised letter increased the value from $1.50 to $1.60. The revised letter retained the terms by which the sponsor was demanding to be reimbursed for certain due diligence costs, and indicated that the period required to complete due diligence would be thirty days. The letter also specified that the offer would expire as of 5:00 p.m. Pacific time on February 20, 2006.

On February 20, 2006, Trilogy revised its offer, increasing the per share value to $1.70 (Common Stock). The other core terms remained the same: (i) a termination fee of $500,000; and (ii) no Proha shop-right provision. The new Trilogy offer would remain open through February 22, 2006, expiring at 6:00 p.m. Eastern time.

The board commenced a meeting on February 20, 2006, with Mr. Liemandt not participating. The disinterested Artemis board members asked the Proha representatives present on the Artemis Board Messrs. Pere and Odman whether the Proha board would be supportive of the new offer in from Trilogy. Mr. Pere, acting in his role of CEO of Proha, commented that the Proha board would be concerned with the short deadline on the latest Trilogy offer by which to deliberate. He commented that one additional week would be a more reasonable time period from the Proha board s perspective, as a number of its members would not be available to convene sooner. Both Mr. Pere and Mr. Odman then exited the meeting. The disinterested Artemis board members then determined to continue to pursue the latest Trilogy offer of $1.70 per share (Common Stock). The disinterested board members also asked Mr. Joseph and Cowen to approach the financial sponsor with a current bid of $1.60 per share, in an attempt to obtain a purchase price that would top Trilogy s then current offer of $1.70, and to determine whether that sponsor would be willing to commit to completing its due diligence in a shorter time period. Later that day, the financial sponsor communicated that it was not interested in increasing its offer of $1.60, nor was it willing to shorten the period of time it had indicated would be required to complete its diligence process.

On February 22, 2006, Trilogy submitted a new offer, by which two alternative values to buy out our holders of Common Stock were presented as options to us as part of the revised bid: (i) maintaining the purchase price per share of $1.70; or (ii) offering a purchase price per share of $1.60, but allowing Proha to shop for a superior proposal, with such right to expire on March 17, 2006. The offer at the $1.70 per share value included a termination fee of $500,000, while the alternative at the $1.60 per share value with the shop-right provision included a termination fee of $750,000. This dual offer would remain open through the end of the day on February 23, 2006.

Our board convened next on February 23, 2006. Messrs. Pere and Liemandt did not attend the meeting. The disinterested Artemis board members were interested in pursuing both of Trilogy s pricing alternatives, and they so informed Mr. Odman in his role as the chairman of the Proha board of directors. Our disinterested directors asked Mr. Odman to convene a meeting of the Proha board of directors as soon as possible, in order to communicate back to Artemis on whether Proha was interested in Trilogy s latest offer. The disinterested members of the Artemis board asked Mr. Joseph and Cowen to confer with Trilogy in an attempt both to extend the expiration date of its then current offer until such time that the Proha board could convene, and decide how it wished to proceed.

The next day, February 24, 2006, Trilogy communicated back through Mr. Joseph that it was extending its latest offer through the close of business on February 27, 2006. On February 27, 2006, Mr. Pere, acting in his role as a Proha representative, informed the Artemis Board of directors that the Proha board members were indicating that the Proha board would not be accepting of Trilogy s then current offer, at either of the two pricing alternatives. Mr. Pere explained that the Proha board would be more receptive to offers that included allowing Proha to retain its ownership of Artemis as part of a sale transaction, and/or allowing Proha to purchase Artemis Finland and play a role as an Artemis distributor in the Scandinavian region.

On March 2, 2006, the disinterested members of the Artemis board met to discuss the status of the sale process. Mr. Joseph and Cowen informed the disinterested members that Trilogy was willing to re-submit an offer that would move towards addressing Proha s stated preference allowing Proha to retain ownership interest in Artemis as part of a sale transaction. In this regard, Mr. Joseph explained to Artemis disinterested board members that Trology was now willing to offer a purchase price at the $1.60 per share value (Common Stock), which would include a Proha shop-right provision, extending the shop right from March 17, 2006 to March 31, 2006. The disinterested board members discussed the possibility of such a new offer from Trilogy, noting that Proha had already communicated to the Artemis board that Proha would not be accepting of a price point at the $1.70 per share value since that price point would not allow Proha to retain any ownership of Artemis as part of the sale transaction. The disinterested Artemis board members also identified that one possible result flowing from the structure of the contemplated offer from Trilogy at the $1.60 per share value would be a strike price even higher than $1.70 per share, if Proha would be successful in securing an alternative superior proposal by the March 31st date. The disinterested directors drew a unanimous consensus, asking Mr. Joseph and Cowen to convey a request to Trilogy to re-submit the described offer at the $1.60 per share value, but in a manner that would allow sufficient time for the Proha board to convene and consider any such new offer.

On March 3, 2006, Trilogy submitted the offer: (i) retaining the purchase price per share at the $1.60 value (Common Stock), (ii) allowing Proha, as our majority stockholder, to shop for a superior proposal, with such right to extend through March 31, 2006; and (iii) retaining the termination fee at the $750,000 level. This offer was to remain open until the close of business on March 7, 2006.

Our board convened on March 7, 2006. Mr. Liemandt did not attend the meeting. The Proha board communicated to the Artemis board that Proha would accept Trilogy s most recent offer. The Artemis board scheduled its next meeting for March 9, 2006.

During the course of the next two days, Trilogy and the Company attempted to finalize the few remaining issues regarding the legal documents encompassing the Merger. Trilogy was insisting on the Company extending the payout date in closing the Laurus credit line, as the payout date at that point had been set as April 30, 2006. Artemis would have to secure Laurus agreement to extend that payout date before an agreement in principle could be finalized. In addition, Proha and Trilogy worked on the voting agreement that would need to be executed contemporaneously with the Merger Agreement, specifically as between those two parties. Similarly, the largest holder of Preferred Stock, Emancipation Capital LP, took the lead in negotiating with Trilogy on the voting agreement that would need to be executed

contemporaneous with the Merger Agreement, specifically as between the holders of Preferred Stock and Trilogy. Emancipation Capital worked with the other holders of Preferred Stock in effectuating agreement on the pertinent voting agreement with Trilogy.

Our board convened a meeting on March 9, 2006. Messrs. Pere and Liemandt were not in attendance; Mr. Odman was attending, as were our board s disinterested members. Our Kirkpatrick & Lockhart attorneys presented a presentation to the board addressing various issues pertaining to the proposed Merger. Our board adjourned the meeting that day without deliberating on any issues in order for management and the Company s advisors to continue to work toward completing all of the necessary steps to finalize the merger agreement, and scheduled to continue the board meeting the following day, March 10, 2006. After the meeting closed on March 9, 2006, and before the board continued its meeting on March 10, 2006, Laurus agreed to extend the payout date as described above, with Trilogy accepting the extended date of June 16, 2006. In addition, the holders of Preferred Stock had signed off on the required voting agreements. All of the remaining legal issues had been resolved upon commencement of the Artemis board meeting of March 10, 2006.

On March 10, 2006, the Company s board continued its meeting from the previous day. Mr. Liemandt was not in attendance, but all of our other board members were attending. Members of management reviewed the proposed transaction, including the reasons why management supported the transaction. Representatives of Cowen then presented a summary of its financial analyses related to the consideration to be received by the holders of Common Stock. Cowen then delivered its oral opinion, subsequently confirmed in writing that, as of March 10, 2006, based upon and subject to certain assumptions, qualifications, limitations and factors described in the Cowen opinion, the $1.60 in cash per share to be received by holders of our Common Stock pursuant to the Merger Agreement was fair, from a financial point of view, to the holders of our Common Stock, other than affiliates of the Company. (Cowen s fairness opinion is attached as *Annex C* to this proxy statement and is described more fully under Special Factors Opinion of Cowen & Co., LLC Regarding The Transaction beginning on page 32 of this proxy statement. As noted in that discussion describing Cowen s opinion, Cowen is entitled to certain fees from the Company, including but not limited to a transaction fee of up to $750,000, of which up to $550,000 is contingent upon the Merger being consummated.) Upon conclusion of the Cowen presentation, our board engaged management and the Cowen representatives in a thorough discourse, asking a number of questions. After thorough discussion and deliberation, our board s disinterested members unanimously approved the Merger Agreement with Trilogy. The Merger Agreement was then duly executed by the parties on March 10, 2006.

Recommendation of Our Board of Directors; Fairness of the Merger

Three of our six directors are fully independent as defined in NASDAQ Marketplace Rule 4350. They are not employed by Artemis and have no direct or indirect interest in the Merger that is different from the interests of our stockholders generally, except for certain director indemnification rights and related insurance coverage after the Merger. Joseph Liemandt, Pekka Pere and Olof Odman are non-independent directors. Mr. Pere, CEO and President of Proha, and Mr. Odman, Chairman of the board of directors of Proha, held no direct or indirect interest in the Merger that was different from the interests of our stockholders generally, other than by virtue of unique go-shop and voting rights held by Proha under the terms of the Merger Agreement, (except for certain director indemnification rights and related insurance coverage after the Merger). (Note, the unique shop rights first held by Proha under the terms of the Merger Agreement expired as of March 31, 2006.) Mr. Pere took part in the due diligence conducted by Trilogy/RCN as well as by various other bidders that expressed interest in Artemis, but neither Mr. Pere nor Mr. Odman participated in any negotiations with Trilogy regarding any of the terms contained in the Merger Agreement (Proha s counsel did negotiate limited matters involving Proha with Trilogy during the preliminary negotiations). Because Mr. Pere and Mr. Odman were not independent Artemis directors and

had the possibility of an ongoing interest by virtue of Proha s unique shop rights that differed from those held by other stockholders of the Company, neither Mr. Pere nor Mr. Odman participated in the vote of our board of directors on the Merger Agreement. Mr. Liemandt, Chairman of the board of directors, CEO and President of Trilogy, did not take part in the due diligence conducted by Trilogy/RCN and did not participate in any negotiations with Trilogy regarding any of the terms contained in the Merger Agreement (he did communicate with the Trilogy management involved in the negotiations). Mr. Liemandt did not take part in any negotiations involving, or any of the due diligence conducted by, various other bidders that expressed interest in buying Artemis prior to Trilogy making its offers. However, because Mr. Liemandt was not an independent director of Artemis by virtue of the positions he holds with Trilogy, and as he anticipates having an ongoing equity interest in the post-Merger entity as well as employment with such entity, he did not participate in the vote of our board of directors on the Merger Agreement.

At a meeting of our board of directors held on March 10, 2006, our board of directors, acting through its independent directors:

- determined that the Merger Agreement and the Merger are advisable, fair to, and in the best interests of, the unaffiliated stockholders;

- approved the Merger Agreement; and

- resolved to recommend that our stockholders vote to adopt the Merger Agreement.

In making the determinations and recommendation set forth above on March 10th, and throughout the entire sales process, our board of directors looked to the historical and current fiscal year operating performance of the Company as a reference point for deliberations. Operational cash continues to present significant challenges. That is, since the inception of Artemis as a publicly traded company in 2001, we have been at risk in our ability to continue operating as a going concern, nearly always being subject to our ability to raise working capital, streamline our operations and increase revenues. Our board is aware that the great majority of our competitors are not publicly traded, and that our Company would enjoy substantial savings and benefits by going private and being backed by either a strategic partner or a financial sponsor with financial wherewithal. After a solid fourth quarter in 2004, our operational performance started to decline in 2005 shortly after our board s decision to pursue an outright sale. Once the operational performance started to trend downward, it became clear that the PIPE/secondary offering, which the board had considered as a strategic alternative to an outright sale, could now only be effectuated by a price per share (Common Stock) value discounted to market, which at the same time would significantly dilute the ownership interest of our current stockholders, given our cash needs. The price per share value offered via the Trilogy Merger is at or near the market price for our Common Stock, and we need an infusion of operating capital. It is within this context that our board of directors, acting through its independent directors, considered the following material positive factors during its deliberations of the March 10th meeting:

- our board of directors knowledge of our business, assets, financial condition and results of operations, our competitive position, the nature of our business and the industry in which we compete;

- our efforts to maximize stockholder value, which included our board of directors evaluation of a range of alternatives other than the sale of Artemis prior to the solicitation of written bids from those parties that showed interest (see the section of this proxy statement entitled Special Factors Background of the Merger);

- the fact that the Merger Consideration is all cash, which provides certainty of value to our stockholders;

- the financial presentation of Cowen, including its opinion dated March 10, 2006, to our board of directors that, as of that date and subject to the assumptions, qualifications and limitations set forth in its written opinion that was concurrently delivered to us, the Merger price of $1.60 per share of Common Stock was fair, from a financial point of view, to our holders of Common Stock, other than affiliates of Artemis (see the section of this proxy statement entitled Special Factors Opinion of Cowen & Co., LLC Regarding the Transaction, as well as the full text of the Cowen opinion contained in *Annex C*, for the assumptions, qualifications and limitations set forth therein, as well as the presentation made by Cowen to our board of directors in connection with Cowen s opinion As noted in the Special Factors section herein referenced, Cowen is entitled to certain fees from the Company, including but not limited to a transaction fee of up to $750,000, of which up to $550,000 is contingent upon the Merger being consummated);

- the fact that, under the terms of the Merger Agreement, our board of directors would be entitled, when required by its fiduciary duties, to consider unsolicited bona fide alternative proposals that present a reasonable likelihood of resulting in a superior proposal, and would be entitled to terminate the Merger Agreement in order to accept a proposal that our board of directors found to be superior, as well as the termination fee provisions of the Merger Agreement, which Trilogy required as an inducement to enter into the Merger Agreement and which our board concluded would not preclude a third party from making a superior proposal;

- the fact that approval by holders of a majority of our outstanding shares, both with respect to holders of our Common Stock combined with holders of our Preferred Stock, as well as our Preferred Stockholders voting as a separate class, is a requirement for the consummation of the Merger; and

- the fact that our controlling stockholder has a limited right to solicit competing proposals, which could have resulted in the Company obtaining a higher price per share value (Common Stock), than the $1.60 per share value as offered by Trilogy under the terms of the Merger Agreement. At the time the Merger Agreement was executed by the parties, the controlling stockholder had determined that it had a significant opportunity to solicit such a superior proposal within the time period allowed by the shop-right provision.

Our board of directors, acting through its independent directors, also considered potentially negative factors in its deliberations concerning the Merger, including:

- we would cease to be a public company, and our current stockholders would no longer participate in any potential future growth;

- we would be unable to solicit competing proposals under the terms of the Merger Agreement and would be required to pay RCN a termination fee if the Merger Agreement would be terminated under certain circumstances, including if we would terminate the Merger Agreement to accept a superior proposal;

- gains from all cash transactions would be generally taxable to our stockholders for federal income tax purposes; and

- the possibility of disruption to our operations following the announcement of the Merger, and the resulting effect on us if the Merger did not close.

Our board of directors, acting through its independent directors, concluded that the potentially negative factors associated with the Merger were substantially outweighed by the potential benefits of the Merger.

Our board of directors does not believe that our net book value (which is negative) liquidation value or going concern value are relevant considerations in determining the fairness of the Merger to the unaffiliated stockholders. Our board of directors believes that:

- our net book value, which is an accounting concept, has no correlation to the fair value of our shares in the context of a sale of Artemis and is not material to their conclusion regarding the fairness of the Merger because it is their view that, since our net book value is negative, it does not accurately reflect the value of Artemis in light of the nature of its business and its assets;

- selling our business as an ongoing operation to Trilogy as part of the Merger will realize greater value for the unaffiliated stockholders that is more certain and more immediate than the value, if any, that would be realized in an orderly liquidation of our business, after the satisfaction of our outstanding liabilities; and

- to the extent that our going concern value is reflected in the public market price of our stock, the per share consideration to be received by holders of our Common Stock in the Merger represents a premium (see the table on page 32 of this proxy statement) to our going concern value that, absent the Merger, the public marketplace is unlikely to sustain and/or fully reflect in the market price of our Common Stock in the foreseeable future. As indicated by the tables on pages 14 and 32 of this proxy statement, the market price of our Common Stock had been generally trending down since the second quarter of calendar 2005. For the two months ended February 29, 2006, the closing market price of our Common Stock exceeded $1.50 per share only once. To the extent that our going concern value is measurable by any other criteria, our board of directors believes that the most meaningful criteria for Artemis is the value placed on the ongoing operation of our business by a willing buyer in a transaction such as the Merger, which our board of directors believes is evidenced by the $1.60 per share (Common Stock) Merger price negotiated with Trilogy.

Our board of directors was fully aware of and considered possible conflicts of interest of the executive officers. See the section of this proxy statement entitled Special Factors Interest of Our Directors and Executive Officers in the Proposed Merger. The fact that three of our six directors are fully independent, with no interest in the completion of a sale transaction that is different from the interests of our public stockholders generally, and that, other than Proha s unique go-shop and voting rights, Mr. Pere and Mr. Odman are in the same position and have the same interests as our public stockholders, permitted our board, acting through its disinterested directors, to represent effectively the interests of the unaffiliated stockholders.

Our board of directors believes the Merger is procedurally fair for the following reasons:

- the procedures and processes followed in conducting the transaction, including the following:

three of our six directors are independent (as defined above), are not employed by us, and have no direct or indirect interest in the Merger that is different from the interests of our stockholders generally, except that Trilogy has agreed that we will continue certain director indemnification rights and related insurance coverage after the Merger;

during the period from February 8, 2006, through March 10, 2006, the date on which our board of directors, acting through its disinterested directors, approved the Merger Agreement, our board of directors met eight times to consider, evaluate and supervise the manner in which the negotiations leading to the Merger Agreement were being conducted, and our board of directors received advice from our legal and financial advisors throughout this process;

the terms of the Merger Agreement were determined through extensive negotiations between our board of directors, acting through its disinterested directors, management, our

independent consultant and our legal and financial advisors, on the one hand, and Trilogy and its advisors, on the other hand; and

in satisfaction of a condition precedent to the effectiveness of the Merger Agreement, we received an opinion from Cowen, our independent financial advisor, that, as of the date our board of directors, acting through its disinterested directors, approved the Merger Agreement, the $1.60 per share of Common Stock in cash offered by Trilogy was fair, from a financial point of view, to our holders of Common Stock, other than affiliates of Artemis (see the section of this proxy statement entitled Special Factors Opinion of Cowen & Co., LLC Regarding the Transaction for a discussion of the Cowen opinion, including its assumptions, qualifications and limitations, and note that as described therein, Cowen is entitled to certain fees from the Company, including but not limited to a transaction fee of up to $750,000, of which up to $550,000 is contingent upon the Merger being consummated);

- an extensive process, lasting almost a year, of soliciting acquisition proposals from qualified parties and making available to those parties that made credible bids extensive due diligence information regarding Artemis and conducting a bidding process designed to allow numerous parties to be engaged in the bidding in order to promote a competitive process and elicit the most favorable bid for Artemis (see the section of this proxy statement entitled Special Factors Background of the Merger); and

- holders of our shares who do not vote in favor of the Merger will have the right to demand judicial appraisal of their shares under Delaware law.

Our board of directors believes that the Merger Agreement and the Merger are procedurally fair to Artemis unaffiliated stockholders notwithstanding that it was not structured to require the approval of at least a majority of unaffiliated stockholders because our board of directors retained Cowen as an independent financial advisor, conducted an extensive process in soliciting interest in Artemis, negotiated on behalf of the unaffiliated stockholders and ultimately approved the Merger by the unanimous vote of the disinterested members of our board of directors.

The preceding discussion of the factors considered by our board of directors is not intended to be exhaustive, but does set forth the material factors considered by our board of directors. Our board of directors reached its collective conclusion to approve the Merger Agreement and the Merger in light of the various factors described above and other factors that our board of directors believed to be appropriate. In view of the wide variety of factors considered in connection with the evaluation of the Merger and the complexity of these matters, our board of directors found it impracticable, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered or determine that any one factor was of particular importance in reaching its determination that the Merger Agreement and the Merger are advisable, fair to, and in the best interests of, all our stockholders. Rather, our board of directors viewed its recommendations as being based upon its judgment, in light of the totality of the information presented and considered. In considering the factors discussed above, individual directors may have given different weights to different factors. Our board of directors expressly adopt Cowen s conclusions and analysis, set forth below, concerning the going concern value of Artemis as of March 10, 2006, the date the Merger Agreement was signed.

Our board of directors believes that the Merger Agreement and the Merger are advisable, fair to, and in the best interests of, all our stockholders. By the unanimous vote of our independent directors, our board of directors recommends that you vote FOR the adoption of the Merger Agreement. Our board of directors also recommends that you vote FOR the approval of any adjournment of the Special Meeting, if necessary, to solicit additional proxies in favor of the Merger proposal or otherwise to satisfy the conditions contained in the Merger Agreement to complete the Merger.

Opinion of Cowen & Co., LLC Regarding the Transaction

Pursuant to an engagement letter dated March 23, 2005, as amended on December 22, 2005, and February 23, 2006, Artemis retained Cowen to act as financial advisor in connection with a proposed transaction involving a possible sale of the Company (Cowen Engagement Letter).

On March 10, 2006, Cowen rendered its oral opinion to the Artemis board, subsequently confirmed in writing as of the same date, to the effect that and subject to the various assumptions, qualifications and limitations set forth therein, as of March 10, 2006, the consideration provided for in the Merger Agreement was fair, from a financial point of view, to the unaffiliated holders of outstanding shares of Artemis Common Stock.

The full text of the written opinion of Cowen, dated March 10, 2006, is attached as *Annex C* and is incorporated into this proxy statement by reference. Holders of Artemis Common Stock are urged to read the opinion in its entirety for the assumptions made, procedures followed, other matters considered and limits of the review by Cowen. Cowen s opinion was prepared for and addressed to the Artemis board and is directed only to the fairness, from a financial point of view, of the Merger Consideration provided for in the Merger Agreement, and does not constitute an opinion as to the merits of the transaction or a recommendation to any stockholder as to how to vote on the proposed transaction. The consideration to be received in the transaction was determined through negotiations between Artemis and Trilogy and not pursuant to recommendations of Cowen.

In arriving at its opinion, Cowen reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

- a draft of the Merger Agreement dated March 10, 2006;
- certain publicly available financial and other information for Artemis and certain other relevant financial and operating data furnished to Cowen by Artemis management, including an analysis of the Company s future cash flows, which demonstrated a pending liquidity problem in the second quarter of 2006;
- discussions Cowen had with certain members of the management of Artemis concerning the historical and current business operations, financial condition and prospects of the Company and such other matters Cowen deemed relevant;
- certain operating results and the reported price and trading histories of the shares of Artemis Common Stock as compared to operating results and the reported price and trading histories of certain publicly traded companies Cowen deemed relevant;
- certain financial terms of the transaction as compared to the financial terms of certain selected business combinations Cowen deemed relevant; and
- such other information and such other factors that Cowen deemed relevant for the purposes of its opinion.

In addition, Cowen considered the prospects of Artemis in the absence of the transaction, including, but not limited to, the amount owed on the over-advance of Artemis revolving line of credit with Laurus and the need for additional financing. Cowen also considered the duration, extent and results of the process undertaken by Artemis in pursuit of a possible sale transaction.

In conducting its review and arriving at its opinion, Cowen, with our consent, assumed and relied upon, without independent investigation, the accuracy and completeness of all financial and other information provided to it by Artemis or which was publicly available. Cowen did not undertake any responsibility for the accuracy, completeness or reasonableness of, or independently to verify, this information. In addition, Cowen did not conduct any physical inspection of the properties or facilities of

Artemis. Cowen further relied upon the assurance of management of Artemis that they were unaware of any facts that would make the information provided to Cowen incomplete or misleading in any respect.

Cowen did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities (contingent or otherwise) of Artemis, nor was Cowen furnished with these materials. With respect to all legal matters relating to Artemis, Cowen relied on the advice of legal counsel to Artemis. Cowen expressed no opinion with respect to any legal matters. Cowen s services to Artemis in connection with the transaction were comprised of rendering an opinion, from a financial point of view, of the Merger Consideration provided for in the Merger Agreement. Cowen s opinion was necessarily based upon economic and market conditions and other circumstances as they existed and could be evaluated by Cowen on the date of its opinion. Although subsequent developments may affect the Merger, Cowen does not have any obligation to update, revise or reaffirm its opinion and Cowen expressly disclaims any responsibility to do so. Cowen, however, reserves the right to withdraw, revise or modify its opinion based upon additional information which may be provided to it or obtained by it, which suggests, in its judgment, a change in the assumptions (or the bases therefor) upon which its opinion is based.

In rendering its opinion, Cowen assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Merger Agreement are true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the transaction would be satisfied without waiver thereof. Cowen assumed that the final form of the Merger Agreement would be substantially similar to the last draft received by Cowen prior to rendering its opinion. Cowen also assumed that all governmental, regulatory and other consents and approvals contemplated by the Merger Agreement would be obtained and that, in the course of obtaining any such consents or approvals, no restrictions would be imposed or waivers made that would have an adverse effect on the contemplated benefits of the transaction.

Cowen s opinion does not constitute a recommendation to any stockholder as to how the stockholder should vote on the proposed transaction. Cowen s opinion does not imply any conclusion as to the likely trading range for Artemis Common Stock following public disclosure of the proposed transaction or otherwise, which may vary depending on numerous factors that generally influence the price of securities. Cowen s opinion is limited to the fairness, from a financial point of view, of the Merger Consideration provided for in the Merger Agreement. Cowen expresses no opinion as to the underlying business reasons that may support the decision of the Artemis board to approve, or Artemis decision to consummate, the transaction.

The following is a summary of the principal financial analyses performed by Cowen to arrive at its opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. Cowen performed certain procedures, including each of the financial analyses described below, and reviewed with the management of Artemis the assumptions on which such analyses were based and other factors, including the historical financial results of Artemis. No limitations were imposed by the Artemis board with respect to the investigations made or procedures followed by Cowen in rendering its opinion.

Analysis of Selected Publicly Traded Companies. To provide contextual data and comparative market information, Cowen compared selected historical operating and financial data and ratios for Artemis to the corresponding financial data and ratios of certain other companies. Cowen selected these companies because each company is a low growth, low profitability enterprise software company with less than

$100 million in revenue, whose securities are publicly traded and which Cowen believes have operating, market valuation and trading valuations similar to Artemis. These companies, referred to as the Selected Companies, were:

- I-Many, Inc.
- Magic Software Enterprises Ltd.
- Kana Software, Inc.
- Vitria Technology, Inc.
- NetManage, Inc.
- BroadVision, Inc.
- Motive, Inc.
- Selectica, Inc.
- Trintech Group plc

The data and ratios included the market capitalization of Common Stock plus total debt less cash and equivalents (Enterprise Value) of the Selected Companies as multiples of latest reported twelve month revenues (LTM revenues) and calendar year 2005 estimated revenues.

The following table presents, for the periods indicated, the multiples implied by the ratio of Enterprise Value to LTM revenues and calendar year 2005 estimated revenues. The information in the table is based on the closing price of Artemis Common Stock on March 9, 2006.

	Selected Company Multiples				Multiple Implied by consideration to be received in the Artemis/Trilogy transaction
	Low	**Mean**	**Median**	**High**	
Enterprise Value as a ratio of:					
LTM Revenues	0.3x	0.7x	0.8x	1.8x	0.6x
CY 2005E Revenues	0.3x	0.7x	0.8x	1.8x	0.6x

As the table above demonstrates, an enterprise value of 0.6x LTM revenues or 0.6x CY 2005E revenues is within the range of enterprise value revenues multiples of the Selected Companies.

Although the following table was not provided to our board of directors as part of the Cowen presentation, we are providing this table, which presents for illustrative purposes, each of the multiples set forth above in terms of implied enterprise value, implied equity value, implied equity value to Common Stockholders and implied price per share of Common Stock of the Company.

	Selected Company Multiples				Multiple Implied by consideration to be received in Artemis/ Trilogy transaction
(in millions, other than price per share)	**Low**	**Mean**	**Median**	**High**	
Multiple	0.3x	0.7x	0.8x	1.8x	0.6x
Implied Enterprise Value	$ 12.3	$ 34.1	$ 38.0	$ 87.3	$ 28.9
Implied Equity Value	$ 10.1	$ 31.9	$ 35.8	$ 85.9	$ 26.7
Implied Equity Value to Common Stockholders	$ 1.1	$ 22.9	$ 26.3	$ 64.8	$ 17.7
Implied Price Per Share of Common Stock*	$ 0.10	$ 2.03	$ 2.31	$ 5.17	$ 1.60

* Assumes that the each share of preferred stock would be paid its full liquidation preference of $2.20 in the event that the implied price per share of Common Stock is equal or less than $2.20 per share. Also

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assumes exercises of options, conversion of preferred stock and convertible debt at implied prices per share above the exercise price / conversion price of the respective instrument.

As the table above demonstrates, $1.60 per share of Common Stock is within the range of prices per share implied by the Selected Companies.

Although the Selected Companies were used for comparison purposes, none of those companies is directly comparable to Artemis. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the Selected Companies and other factors that could affect the public trading value of the Selected Companies or Artemis to which they were compared.

Analysis of Selected Transactions. Cowen reviewed the financial terms, to the extent publicly available, of nine transactions (the Precedent Transactions), involving the acquisition of low growth, low profitability enterprise software companies with less than $100 million in revenue, which were announced or completed since January 1, 2003. These transactions were (listed as acquiror/target/announcement date):

- Saba Software, Inc./Centra Software, Inc. (10/7/05)
- Syntellect Inc. (Enghouse Systems Limited)/Apropos Technology, Inc. (9/27/05)
- SSA Global Technologies, Inc./E.piphany Inc. (8/3/05)
- Golden Gate Private Equity Inc./Blue Martini Software, Inc. (03/1/05)
- Art Technology Group, Inc./Primus Knowledge Solutions, Inc. (8/10/04)
- chinadotcom corporation/Pivotal Corporation (12/8/03)
- Jaguar Technology Holdings, LLC/Firepond, Inc. (10/9/03)
- SSA Global Technologies, Inc./EXE Technologies, Inc. (8/18/03)
- Witness Systems, Inc./Eyretel plc (2/26/03)

Cowen reviewed the Enterprise Value paid in the Precedent Transactions as a multiple of LTM revenues.

The following table presents, for the periods indicated, the multiples implied by the ratio of Enterprise Value to LTM revenues. The information in the table is based on the closing stock price of Artemis Common Stock on March 9, 2006.

	Multiples for Precedent Transactions	Multiple Implied by consideration to be received in the Artemis/Trilogy