

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**  
(including the Brochure Supplement, Part 2B of Form ADV)

**PINNACLE VENTURES, L.L.C.**

**CLIENT BROCHURE**

February 2012

130 Lytton Avenue, Suite 220  
Palo Alto, CA 94301  
(650) 926-7800  
[www.pinnacleventures.com](http://www.pinnacleventures.com)

THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF PINNACLE VENTURES, L.L.C. ("PINNACLE"). IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 650-926-7805 OR [RSAVOIE@PINNACLEVENTURES.COM](mailto:RSAVOIE@PINNACLEVENTURES.COM).

THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.

ADDITIONAL INFORMATION ABOUT PINNACLE IS ALSO AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).

REFERENCE TO PINNACLE BEING A "REGISTERED INVESTMENT ADVISER" OR AS BEING "REGISTERED" DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

UNLESS OTHERWISE INDICATED, THE TERM "PINNACLE", "PINNACLE VENTURES" OR "THE FIRM" IS BROADLY USED WITHIN THIS BROCHURE TO REFER TO THE ENTIRE ENTERPRISE AND NOT TO A SPECIFIC LEGAL ENTITY.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 2      Material Changes**

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

Item 3      Table of Contents

---

TABLE OF CONTENTS

---

ADVISORY BUSINESS .....	
FEES AND COMPENSATION .....	
PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	
TYPE OF CLIENTS .....	
METHOD OF ANALYSIS, INVESTMENT STRATEGIES ND RISK OF LOSS .....	
DISCIPLINARY INFORMATION.....	
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	
CODE OF ETHICS, PARTICIPATION OR INTERST IN CLIENT TRANSACTION AND PERSONAL TRADING.....	
BROKERAGE PRACTICES.....	
REVIEW OF ACCOUNTS .....	
CUSTODY.....	
INVESTMENT DISCRETION .....	
VOTING CLIENT SECURITIES .....	
FINANCIAL INFORMATION .....	

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 4      Advisory Business**

Pinnacle Ventures, L.L.C. ("Pinnacle") has been in business since July 24, 2002 and provides administrative and/or investment advisory services to venture debt funds and venture equity funds (the "Funds"). Pinnacle also provides administrative and/or investment advisory services to the limited liability companies that are the general partners of the Funds (the "GP Entities"). The GP Entities are responsible for all investment decision making on behalf of the Funds. Pinnacle, in its role as an advisor to the Funds, considers the Funds themselves to be its clients; the investors in the Funds are not deemed to be its clients, except to the extent the federal securities laws require that it treats the investors in the Funds as its clients.

The Pinnacle group of entities conducts its business through two broad sets of activities: investing and administering the Funds. All investment activities are performed by the GP Entities, while administration and investment advice is provided by Pinnacle. Although the GP Entities have assigned management and administrative responsibilities to Pinnacle, they do not delegate to Pinnacle the authority to select investment opportunities or to make investment or investment-related decisions on behalf of the Funds.

The Funds invest primarily in securities of early-stage and select late-stage start-up companies ("Portfolio Companies") in the consumer, emerging information technology, healthcare and alternative energy sectors. The venture debt Funds' investments are generally in the form of growth capital loans, equipment loans, subordinated loans, convertible loans, warrants and small direct equity investments. The venture equity Funds' investments are generally in the form of preferred stock. The Funds' Limited Partnership Agreements or Limited Liability Company Agreements (collectively referred to as "LPAs") impose restrictions on investment size, concentration, foreign investments, and investment in public companies.

Pinnacle also provides investment management services to private investment funds that are offered and sold mainly to principals of Pinnacle, their friends and family members and certain other strategic limited partners.

Pinnacle's principal owners are Kenneth R. Pelowski, Patrick C. Lee, David J. Kim, M.D., and Robert N. Savoie.

In general, the Funds invest according to the terms specified in their LPAs, which generally provide detail of all the terms and conditions for each of the Funds, including, the term of the Fund, capitalization, capital contributions, profits and losses, management fees, expenses, distributions, transfers, withdrawals, dissolution, liquidation, liability and indemnification. The LPAs provide that the GP Entities will be authorized to use discretion to cause the Funds to

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

invest all of the capital committed to the Funds, subject to the investment policies and investment restrictions provided for in the LPAs.

As of December 31, 2011, Pinnacle managed, on a discretionary basis, about \$415 million of committed capital for the venture debt funds and \$300 million of committed capital for the venture equity funds.

Each Fund is a private investment vehicle and is not publicly offered. No part of this Brochure is a general solicitation of potential investors in any Fund. This Brochure is intended solely to describe Pinnacle's business.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 5      Fees and Compensation**

Pinnacle is compensated for the investment management and administrative services it provides to the Funds through the payment of management fees. The LPAs provide that the Funds pay the GP Entities annual management fees, which are then generally assigned to Pinnacle in return for the services Pinnacle provides. The specific manner in which fees are paid by a Fund is established in such Fund's LPA. Generally, management fees are paid quarterly in advance, with daily proration for short periods. Typically, the management fee rate is initially equal to a percentage of the aggregate capital commitments of the investors each Fund, and after a certain period, the management fee rate automatically decreases to a percentage of the aggregate cost basis of all the Fund's investment assets (net of write-offs). Additionally, the LPAs provide for a reduction in management fees for certain amounts (such as transaction, commitment, break-up, advisory, syndication, guarantee and directors fees that originate from the investments held by a Fund) ("Management Fee Offsets").

In addition, to the management fee, a Fund's GP Entity may receive an incentive allocation of a portion of such Fund's profits. The incentive allocation is based on the performance of the investments made by the Fund above the capital returned to the investors; see Item 6 for further discussion of such performance fees.

An investor in a Fund will also be subject to a pro rata allocation of organization, syndication, due diligence and other operating expenses of the Fund as set forth in the LPA of each Fund. Typically, a Fund's LPA sets specified limits for the amount of organization and syndication costs that may be charged.

The Funds may incur brokerage fees and commission in connection with the sale of investments. Item 12 further describes the factors that Pinnacle considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

The amount and duration of the management fee and incentive allocation are negotiated and set prior to the commencement of a Fund's term and generally are not cancelable except for cause and by a vote of the investors in such Fund. The management fee paid to the GP Entity by the Fund typically parallels the amount paid by the GP Entity to Pinnacle in terms of amount and timing. However, the incentive allocation is paid directly to the GP Entity from the Fund, and the GP Entity, in turn, distributes the incentive allocation to the members of the GP Entity.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

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

The GP Entities receive performance-based fees through the incentive allocation or "carried interest," as referred to above. Such carried interest is generally a percentage of the net profits generated by a Fund (excluding any income from the short-term investment of the Fund's cash). The amount of a GP Entity's carried interest in a Fund is negotiated with the Fund's investors in connection with the formation of the Fund.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 7      Types of Clients**

Pinnacle's clients are private funds, which are generally organized as Delaware limited partnerships. In general, investors in the Funds are institutional clients such as public and private pension plans, foundations, endowments, trusts, family offices, corporations and certain high net worth individuals. The offering documents of each Fund generally impose a minimum capital contribution for investors who commit capital to the Fund. These minimum amounts may be waived in whole or in part by the relevant GP Entity.



**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

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

**Pinnacle's Investment Process**

***Maintain rigorous investment criteria and investment discipline***

Pinnacle has developed a comprehensive set of investment guidelines to analyze investment opportunities that leverage the diverse backgrounds and experiences of Pinnacle's investment team to make final investment decisions. Fund transactions are measured against its investment guidelines. Pinnacle considers factors in evaluating a potential investment such as: industry sector, relative size and attractiveness of the market, quality and experience of the management team, technology risk, product or service differentiation, competitive advantages, prospective customers, financial projections, the defensibility of business model, intellectual property, public comparables, competitive environment, cash position and cash burn rate.

Once a prospective opportunity meets the Fund's criteria, the Fund seeks to ensure that it is compensated for investment risk.

***Perform thorough due diligence and mitigate investment risk***

Given the operational, business development, venture debt and venture equity experience of the investment team, Pinnacle has drawn on its collective best practices to develop an efficient, yet thorough due diligence process.

A GP Entity will cause a Fund to make an investment only after interviews with the prospective portfolio company's key executives, members of its board, customers and suppliers, as well as applicable individuals throughout Pinnacle's network. Pinnacle has developed a valuable network of venture capitalists, competitors, entrepreneurs, beta customers and supply chain providers in multiple industry segments. These relationships provide Pinnacle with valuable insight as to a prospective portfolio company's value proposition and likelihood of success. Through its diligence process and investment criteria, Pinnacle seeks to invest in the most promising start-up companies.

Pinnacle attempts to mitigate investment risk by (i) completing thorough due diligence, (ii) receiving monthly payments of principal and interest in connection with its debt securities, (iii) ensuring its debt security positions provide some residual value and (iv) focusing on investments the have the sponsorship of other top-tier venture equity firm that traditionally have been able to secure new investors or provide follow-on capital for their portfolio companies.

***Add value beyond capital***

The diversity of Pinnacle's team's background provides the Funds' Portfolio Companies with substantial value beyond simply capital, and Pinnacle believes that the insights and assistance

# **Pinnacle Ventures, L.L.C.**

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

provided by its investment team can contribute greatly to the success of such Portfolio Companies.

### **Investment Risk**

Below is a summary of the material risks of the investment strategies employed by Pinnacle. An investment in a Fund involves a high degree of risk and is suitable only for investors of substantial means who have no immediate need for liquidity and who can afford a risk of loss of all or a substantial part of such investment.

#### ***Risks Associated with Portfolio Investments.***

Identifying and participating in attractive investment opportunities and assisting in the building of successful young/emerging enterprises is difficult. There is no assurance that a Fund's investments will be profitable and there is a substantial risk that a Fund's losses and expenses will exceed its income and gains. Any return on investment to the investors in a Fund will depend upon successful investments made on behalf of the Fund by its GP Entity. There often will be little or no publicly available information regarding the status and prospects of Portfolio Companies. Many investment decisions of a GP Entity will be dependent upon its ability to obtain relevant information from non-public sources, and a GP Entity often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond the control of Pinnacle or its GP Entities.

Although an individual associated with Pinnacle may serve on a Portfolio Company's board of directors, each Portfolio Company is managed by its own officers (who generally will not be affiliated with Pinnacle). Funds generally hold minority positions in Portfolio Companies and acquire securities that are subordinated vis-à-vis other securities as to economic, management or other attributes. Portfolio Companies may have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage.

Portfolio companies may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms. A Fund's capital is limited and may not be adequate to protect the Fund from dilution in multiple rounds of Portfolio Company financing.

The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of Portfolio Companies, the ability to dispose of investments, and the value of investment securities on the date of sale or distribution by a Fund. In particular, the receptiveness of the public market to initial public offerings by Portfolio Companies may vary dramatically from period to period. An otherwise successful Portfolio Company may yield poor investment returns if it is unable to consummate

## **Pinnacle Ventures, L.L.C.**

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

an initial public offering at the proper time. Even if a Portfolio Company effects a successful public offering, a Fund or the Portfolio Company's securities typically will be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent the disposition of such securities. Similarly, the receptiveness of potential acquirors to a Fund's Portfolio Companies will vary over time and, even if a Portfolio Company investment is disposed of via a merger, consolidation or similar transaction, a Fund's stock, security or other interests in the surviving entity may not be marketable. There can be no guarantee that any Portfolio Company investment will result in a liquidity event via public offering, merger, acquisition or otherwise, and there is a significant risk that investments will yield little or no return. Generally, a Fund's investments initially will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of a Fund's investment, a Portfolio Company may lack one or more key attributes (*e.g.*, proven technology, appropriate patent protection, marketable product, complete management team, or strategic alliances) necessary for success. Many or most of a Fund's Portfolio Companies will be dependent for their success upon the development, implementation, marketing and customer acceptance of new technologies that can be rendered obsolete or otherwise unattractive at any time. In most cases, investments will be long term in nature and may require many years from the date of initial investment before disposition. It is likely that a Fund will still hold some illiquid securities at the time of the Fund's dissolution, with the result that such securities may be distributed in-kind or sold for a price that reflects their illiquid nature.

A portion of a Fund's investment portfolio may consist of securities issued by Portfolio Companies that become publicly traded companies (*e.g.*, as the result of an initial public offering effected by a previously private Portfolio Company, or acquisition of a private Portfolio Company by a publicly traded company). The fact that a Portfolio Company is publicly traded will not necessarily reduce the business and other risks associated with an investment in such company. For example, the last few decades have seen multiple periods during which early-stage companies have been able to effect initial public offerings, and the stage at which companies are able to effect an initial public offering varies in different markets around the world. Moreover, investments in publicly traded companies often are subject to additional risks, such as increased risks of litigation and greater securities law and other regulatory burdens, as well as risks associated with "insider trading" and similar rules.

#### ***Additional Risks Associated with Debt Investments.***

Pinnacle's venture debt Funds invest substantially all of their available capital in debt investments and related equity investments in private, development stage companies. Such companies involve a high degree of business and financial risk and can result in substantial or complete losses. Identifying young enterprises with sufficient liquidity to repay debt is a difficult task. Many of a venture debt Fund's Portfolio Companies may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much

# **Pinnacle Ventures, L.L.C.**

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

greater financial resources, much more extensive development, production, marketing and service capabilities, and a much larger number of qualified managerial and technical personnel. As a result, the GP Entities cannot ensure that they will be successful in investing a Fund's capital in businesses that are able to satisfy their obligations to the Fund and/or yield profits through "equity kickers."

Generally, to the extent a Fund's debt investments are secured, the collateral provided to protect such Fund's debt investments will be illiquid and difficult to value, and such Fund's rights to such collateral may be subordinate to the rights of a Portfolio Company's other, potentially more senior, creditors. In addition, the rapid pace of technological innovations and other factors may lead to the obsolescence and diminution in the value of collateral. If a Portfolio Company defaults on its loan obligations to a Fund, the Fund could also experience significant delays and costs in exercising its rights to protect its investment. A venture debt Fund's ability to obtain payment from a Portfolio Company may be limited by bankruptcy or similar laws affecting creditors' rights. As a result, there can be no assurance that the collateral associated with a Fund's debt investments will be available or adequate, or that the Fund will ultimately collect the full amount owed on a defaulted obligation.

### ***Relationships with Leading Venture Capital Firms.***

The GP Entities' investment strategies rely in significant part on Pinnacle's current and anticipated relationships with leading venture capital firms. Generally, one or more such venture capital firms are investors in a Fund, and such investments and/or relationships may generate deal flow for the Fund as well as informational and other advantages that derive from investing alongside some of the venture capital industry's most successful firms. Nevertheless, none of these relationships (other than those as an investor in a Fund) are subject to a binding agreement; they may be terminated (or fail to materialize) at any time for any reason or no reason; and they may simply fail for other reasons to produce the anticipated benefits.

In addition, the venture debt Funds generally make debt investments in Portfolio Companies in which other venture capital firms are equityholders, and the interests of debt investors may conflict with those of equity investors in certain circumstances. To the extent that a Portfolio Company's equity holders include venture capital firms with which Pinnacle has a close relationship, a conflict of interests may arise.

### ***Concentration of Investments.***

Although the Funds generally invest in a broad and diverse number of companies, a Fund's portfolio may become concentrated in a limited number of companies in certain high technology or other industries, increasing the vulnerability of the portfolio as compared with a portfolio that is more diversified.

## **Pinnacle Ventures, L.L.C.**

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

#### ***Non-United States Investments.***

The Funds generally may invest in securities of non-United States Portfolio Companies. Such investments may present a variety of risks not presented by investments in United States Portfolio Companies, including risks associated with: (i) fluctuating currency exchange rates; (ii) limitations on currency exchange or the transfer of capital/profits across international boundaries; (iii) different accounting standards; (iv) different legal protections for investors; (v) unusual regulatory burdens; (vi) political instability; and (vii) multiple taxing jurisdictions. Even those Portfolio Companies that nominally are United States portfolio companies by virtue of their jurisdiction of organization or management headquarters may be exposed to significant non-United States risks due to the increasingly international nature of many early-stage technology companies (which may, for example: (i) rely upon international location or outsourcing of research, development, manufacturing or other operations; (ii) seek alliances with non-United States partners; or (iii) seek non-United States customers).

Any adverse change to the political, economic, military or social environments in the host countries of a Fund's Portfolio Companies could have a significant adverse effect upon the operations or financial performance of the Fund.

#### ***Limited or No Control over Portfolio Companies.***

A GP Entity generally does not seek control over the management of the Portfolio Companies in which a Fund invests, and the success of each investment generally will depend on the ability and success of the management of the Portfolio Company. Each Fund generally invests in companies in which other venture capital firms have made equity investments. In particular, unlike many other venture capital funds, often the Funds do not have the right to designate a member of the board of directors of their Portfolio Companies, with the result that other investors are expected to have more influence in decisions made by and affecting such Portfolio Companies. The mere fact that a GP Entity disagrees with decisions made by other investors in a Portfolio Company likely will not trigger any particular ability of a Fund to dispose of its investment in such Portfolio Company, with the result that the value of the Fund's investment in a Portfolio Company may be materially impacted by the decisions of other investors in such Portfolio Company.

#### ***Service on Boards of Directors, Material non-Public Information, Etc.***

If an individual associated with Pinnacle serves as a director of a Portfolio Company (or even simply by virtue of a Fund's status as a significant investor in a Portfolio Company), such individual may become subject to fiduciary or other duties which can adversely affect the Fund. For example, a Fund may be unable to sell portfolio securities if an individual associated with Pinnacle is in possession of inside information relating to the issuer thereof. Nevertheless, a Fund's LPA generally will not preclude individuals associated with Pinnacle from serving on its Portfolio Companies' boards of directors or otherwise acquiring material, non-public information regarding its Portfolio Companies. In general, if there is a conflict between the fiduciary duties

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

of an individual associated with Pinnacle to a Portfolio Company and such person's fiduciary duties to a Fund, such person's fiduciary duties to the Portfolio Company will prevail.

Conversely, a Fund's LPA generally will not require that an individual associated with Pinnacle serve as an officer or director of its Portfolio Companies, and there can be no assurance that the GP Entities will have a legal right to influence the management of any Portfolio Company or Companies.

***Competition.***

Pinnacle competes for investment opportunities against other companies and funds that have substantial resources and experience. Moreover, the volume of attractive investment opportunities varies greatly from period to period. Pinnacle can offer no assurance to the investors in its Funds that a Fund will be able to make investments on attractive terms, and it is possible that a Fund's term may expire before the Fund has invested all of its available capital.

***Leveraged Portfolio Companies.***

A Fund's Portfolio Companies may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a Portfolio Company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, the value of a Fund's investment in such Portfolio Company would be significantly reduced or even eliminated.

***Financing Risks.***

When capital and credit markets experience volatility and disruption, Pinnacle is unable to predict whether, or to what extent or for how long, such capital market conditions will persist. If sufficient sources of external financing are not available on cost-effective terms to fund expansion and to refinance indebtedness of a Portfolio Company as it matures, the Portfolio Company may be forced to limit its growth and/or take other actions, such as selling assets, to fund activities and repay debt. To the extent that Portfolio Companies are able and/or choose to access alternative capital, the Funds' investment returns could be adversely affected.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

***Changes in Environment.***

A Fund's investments are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which a Fund operates may undergo substantial changes, some of which may be adverse to such Fund. The GP Entities have the exclusive right and authority (within limitations set forth in the LPAs) to determine the appropriate manner to respond to such changes. Additionally, the investment sourcing, selection, management and liquidation strategies and procedures exercised by a GP Entity in the past may not be successful, or even practicable, during a Fund's term.

***Reliance on Individual Members of Pinnacle and the GP Entities.***

The Funds are particularly dependent upon the efforts, experience, contacts and skills of the individual members of Pinnacle and its GP Entities. The loss of any such individual member could have a material, adverse effect on a Fund, and such loss could occur at any time due to death, disability, resignation or other reasons.

***Private Placement Memoranda.***

Each Fund's private placement memorandum or offering memorandum contains a more complete description of the risks associated with investing in such Fund.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 9      Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the investment adviser or the integrity of its management. Pinnacle has no disciplinary matters required to be disclosed under this Item.



**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

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

Neither Pinnacle nor any of its management persons are broker-dealers or registered representatives of a broker-dealer.

Neither Pinnacle nor any of its management persons are futures commission merchants, commodity pool operators, or commodity trading advisors, or associated persons of the foregoing entities.

Neither Pinnacle nor any of its management persons has any material relationship or arrangement with a:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- investment company or other pooled investment vehicle
- other investment adviser or financial planner
- futures commission merchant, commodity pool operator, or commodity trading advisor
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships

Pinnacle does not recommend or select other investment advisers for the Funds.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

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

Pinnacle is committed to the highest standards of ethical conduct in complying with its fiduciary duties to its Funds and in connection with its business practices and investing process. Pinnacle devotes significant attention to compliance with the regulatory requirements associated with being a SEC Registered Investment Adviser. In connection with becoming a registered investment adviser, Pinnacle has adopted a Code of Ethics (the "Code"), maintains a compliance policy and procedures manual that includes the Code (the "Manual"), and periodically performs steps to ensure that all employees are in compliance with the Code. The compliance policies and procedures manual and the Code are updated periodically, but no less than annually.

Generally, the Code applies to all members, officers, and employees of Pinnacle. The Manual further defines additional requirements that apply to individuals who provide investment advice and to other individuals who have access to the activities of the Funds or are involved in making investment recommendations to the Funds.

In general, the purpose of the Code is to (i) define the standards of business conduct, (ii) put in place certain reporting requirements and (iii) ensure safeguarding of proprietary and non-public information. The Code and the Manual reflects the firm's view on dishonesty, self-dealing, confidentiality of the Funds' information, conflicts of interest, gifts and other business entertainment items, and trading on material, non-public information. Pinnacle will provide a copy of the Code and the Manual to any prospective investor in a Fund upon request.

The individual members of Pinnacle, through their control of the GP Entities, have investment discretion over multiple investment Funds, many of which are similarly structured vehicles. This creates the possibility that the Funds will be competing against each other for investment opportunities, but this potential conflict of interest should not ordinarily result in a significantly different result than had one Fund not invested. In addition, the Funds' LPAs provide protections for investors in the Funds in the unlikely event that a conflict of interest does arise. For example, the LPAs generally prohibit investments by new Funds before a specified portion of capital committed to existing Funds has been invested, used for expenses, or reserved for follow-on investments or other expenses. In addition, individual members of Pinnacle, including employees, are prohibited from investing in underlying private companies that meet the investment criteria for actively investing Funds, except for when they are investing alongside as a member of the GP Entity or through the Funds. Certain exceptions can be made to this procedure when they are determined not to be a conflict of interest with an existing Fund.

Pinnacle personnel who are involved in the process of providing investment advice are prohibited under the Code from taking any action including, but not limited to, the purchase or sale of securities for their own account, that could cause even the appearance of unfair or

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

improper action. The Code requires that such personnel provide statements of all trades qualifying for disclosure on a quarterly basis. Pinnacle maintains a list (the “Restricted List”) that identifies securities in which its personnel generally may not trade and that identifies the period that any such restriction is in place. The Restricted List includes any securities for which Pinnacle is in possession of material, non-public information, securities that the Funds currently or actively trade, and securities that Pinnacle is currently analyzing or recommending to its Funds.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 12     Brokerage Practices**

Pinnacle, through the GP Entities, has complete discretion, without obtaining specific client consent, over (i) the purchase or sale of Fund investments, (ii) the amount of securities to be bought or sold, (iii) the broker or dealer to be used in such purchase or sale and (iv) the commission rates paid in connection with such purchase or sale. Selection of brokers is based upon a number of factors, including such broker-dealers' experience in selling and distributing securities of venture backed portfolio companies, trading execution capabilities, commissions charged, customer services capabilities and back-office support. Pinnacle effects transactions solely with brokers that (with respect to U.S. securities) are registered with the SEC and are members of the Financial Industry Regulatory Authority.

Pinnacle does not receive research or other products or services other than execution (commonly known as soft dollar benefits) from a broker-dealer or a third party in connection with the Funds' securities transactions (other than occasional research reports regarding industries in which the Funds invest or specific companies whose securities the Funds hold). Pinnacle does not receive research on any companies whose securities the Funds do not hold. In addition, Pinnacle does not enter into directed brokerage arrangements. A "directed brokerage" arrangement is an arrangement whereby a client of an investment adviser instructs the adviser to direct a portion of its brokerage transactions to a particular broker-dealer.

Neither Pinnacle nor any of its related persons not receive client referrals from broker-dealers.

If Pinnacle determines that the purchase or sale of the same security is in the best interest of more than one Fund, Pinnacle may, but is not obligated to, aggregate orders in order to reduce transaction costs (to the extent permitted by applicable law). When an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund generally receives the average price, with transaction costs allocated pro rata based on the size of each Fund's participation in the order, as determined by Pinnacle. In the event of a partial fill, allocations generally will be made on a pro rata basis on the initial order, but may be modified as Pinnacle deems appropriate, including for example, in order to avoid odd lots or de minimis allocations.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 13      Review of Accounts**

Pinnacle performs various monthly, quarterly and other periodic reviews of its Funds' investments. Pinnacle's investment group reviews the Funds' investments weekly and reviews the underlying Portfolio Companies' monthly financial statements and quarterly board of directors' packages. Additional review may be triggered by business or financial issues related to specific Portfolio Companies.

Each Fund investor receives from Pinnacle, typically in an electronic format, unaudited quarterly reports providing summary financial and other information relating to the Fund in which such investor has invested and such investor's capital account in the Fund. Pinnacle typically provides a Fund's advisory committee (which generally consists of representatives of certain investors in such Fund) with more detailed information. In addition, after the close of each fiscal year, each Fund investor generally receives from Pinnacle, typically in an electronic format, audited financial statements concerning their respective Fund and tax information necessary for the completion of such investor's tax return. In addition, Pinnacle and its GP Entities conduct quarterly and annual meetings for its Funds' investors.

Pinnacle welcomes inquiries from investors in the event any investor desires information not contained in Pinnacle's Form ADV Part 1, this Brochure or other reports issued by Pinnacle. Pinnacle endeavors to answer all reasonable and appropriate questions in a timely fashion, while maintaining the confidentiality of sensitive non-public and proprietary information related to the operations and investments of its Funds and the underlying Portfolio Companies.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 14     Client Referrals and Other Compensation**

Pinnacle does not receive any economic benefits for providing investment advice and other advisory services to any person or entity other than the Funds.

Pinnacle generally does not make payments to third parties in exchange for investment advice or the solicitation of investment advisory clients. Pinnacle's principal owners also do not receive compensation for the sale of Fund interests or other securities, although their overall compensation or value of equity holding in a GP Entity or Pinnacle will typically be increased by sales that result in a larger asset base of the Funds. Occasionally, Pinnacle has used the services of one or more qualified placement firms to introduce potential investors to the Funds. Generally, fees for such placement services are paid by the Funds. To the extent that such fees together with other organizational costs exceed the agreed limit on Fund organization and syndications costs, Pinnacle's management fee is reduced over a period of time. Fees for placement services are calculated based on a percentage of the assets invested by an investor referred by the placement agent.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 15     Custody**

Pinnacle is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). Pinnacle will not have physical custody of any Fund assets (other than certain privately offered securities to the extent permitted by the Custody Rule).

Each Fund will be audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Each Fund will distribute its audited financial statements to all of its investors within 180 days of the end of its fiscal year. In addition, neither Pinnacle nor any of the GP Entities will maintain physical possession of the assets of any Fund. Pinnacle has entered into an agreement with a third-party "qualified custodian" to maintain physical possession of the Funds' securities, and any cash or cash equivalents are held in separate bank accounts for each of the Funds.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 16     Investment Discretion**

The GP Entities have discretion over all Funds to make investment decisions for Funds, subject to any applicable investment criteria or other restrictions and limitations set forth in the LPAs or other organizational documents of the Funds.

Pinnacle's investment discretion is granted at the time a Fund is formed upon the effectiveness of such Fund's LPA.



**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 17      Voting Client Securities**

Registered investment advisers that exercise voting authority over client securities are required to implement proxy voting policies. In compliance with such rules, Pinnacle has adopted proxy voting policies and procedures. Proxies are voted by the GP Entity in the best interest of the applicable Fund, as determined by such GP Entity. Pinnacle maintains records regarding the manner in which the GP Entities vote proxies for the Funds. A Fund investor may obtain additional information regarding Pinnacle's proxy voting policies and procedures, as well as information regarding the manner in which a GP Entity voted proxies on behalf of the applicable Fund by calling 650-926-7805 or sending a request to [rsavoie@pinnacleventures.com](mailto:rsavoie@pinnacleventures.com).

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

**Item 18    Financial Information**

A balance sheet is not required to be provided as Pinnacle (i) does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.

**Pinnacle Ventures, L.L.C.**  
**Part 2A of Form ADV: Firm Brochure**

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

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

---

**BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)**

---

As principals of the GP Entities, the Managing Members listed below oversee all aspects of due diligence, including sourcing, evaluating, negotiating, and monitoring all investments for the Funds. The Managing Members also maintain key points of contact with the Portfolio Companies and investors in the Funds.

**The date of this Brochure Supplement is February 2012**

**This Brochure supplement provides information about the Managing Members that supplements the Pinnacle Ventures, L.L.C. Brochure. You should have received a copy of that Brochure. Please contact [rsavoie@pinnacleventures.com](mailto:rsavoie@pinnacleventures.com) if you did not receive the Pinnacle Brochure or if you have any questions about the contents of this supplement.**

**Item 1      Cover Page**

Managing Members  
Kenneth R. Pelowski  
Patrick C. Lee  
David J. Kim, M.D.  
Robert N. Savoie

All Managing Members have their principal office in Palo Alto, California.

Managing Member biographies in presented alphabetical order.

Although certain individuals are identified as "Managing Partner" or "Partner," such titles reflect business usage that is customary within the venture capital and private equity industry and are not intended to indicate that any such individual is actually a partner of any partnership as those terms are used for legal purposes.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**David J. Kim, M.D., Partner**

**Item 2 Educational Background and Business Experience**

Year of Birth: 08/09/1965

**Education Background:**

David finished his internal medicine residency at Harbor-UCLA Medical Center and practiced clinical medicine as a board certified internist. Dr. Kim received his M.D. from the Johns Hopkins University School of Medicine and his MBA from Stanford Graduate School of Business. He also graduated Cum Laude, Phi Beta Kappa and Sigma Xi from Pomona College with a BA in biology.

**Business Experience:**

David joined Pinnacle Ventures in 2007 to lead the healthcare investment efforts. David currently serves as a board director at TriVascular and as a board observer at Access Closure, APT Pharmaceuticals, and Lutonix.

Prior to Pinnacle, David worked at MPM Capital, where he was involved with successful investments in multiple biotech and medical device companies. At MPM, he also worked closely with several portfolio companies including HemoSense (acquired by Inverness Medical), CHF Solutions (acquired by Gambro), IntraLuminal and Innovative Spinal Technologies. His other experiences in financial services include positions as a Senior Equity Analyst at Pacific Growth Equities covering medical devices, a Senior Equities Analysts for Firsthand Capital Management evaluating biotech and device companies and a Medical Device Research Associate at Banc of America Securities. David also worked as a business development intern at Compass, a business development unit of Guidant Corporation.

**Item 3 Disciplinary Information**

Not applicable.

**Item 4 Other Business Activities**

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Item 5      Additional Compensation**

Not applicable.

**Item 6      Supervision**

Each of the Managing Members is jointly responsible for ensuring that the policies and procedures followed by the other Managing Members are appropriately followed. All investment decisions require approval by Members with a majority of the carried interest percentages of the General Partners.

Robert N. Savoie, the chief compliance officer, is responsible for maintaining the Code of Ethics and Compliance Manual and its periodic update. Any departures from accepted practice are brought to the attention of the Managing Members.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Patrick C. Lee, Partner**

**Item 2 Educational Background and Business Experience**

Year of Birth: 05/28/1968

**Education Background:**

Patrick received an undergraduate degree with Honors from Queen's University, Canada and an MBA from Harvard Business School.

**Business Experience:**

Patrick joined Pinnacle Ventures in January 2004 and focuses his investment efforts on building the portfolio in the technology area, and in particular, he spends his time making investments in the consumer, internet and software sectors. He was the lead partner on Chegg.com, Diapers.com (acquired by Amazon), Flixster (acquired by Warner Brothers), Jasper Wireless, JBoss (acquired by RedHat), Lotame, Newport Media, Pandora Media, Qumranet (acquired by RedHat), StumbleUpon, Zazzle.com, Zecter (acquired by Motorola) and Zipcar (Nasdaq: ZIP). He currently is a board member on several privately held companies and nonprofit organizations.

Before joining Pinnacle Ventures, Patrick was with the private equity group at JPMorgan Partners where he started and led the software investment practice. Patrick was a lead investor in a number of early-stage technology companies including VMWare (NYSE: VMW), PentaSafe (acquired by NetIQ), Content Technologies (acquired by Baltimore Technology) and Tidal Software (acquired by Cisco). Prior to JPMorgan Partners, Patrick helped start Access Technology Partners, a venture fund closely affiliated with Hambrecht & Quist, where he led the software sector and made several investments, including Crossworlds (Nasdaq: CWLD, acquired by IBM), Cygnus (acquired by RedHat), Liberate (Nasdaq: LBRT), Motive (Nasdaq: MOTV), Niku (Nasdaq: NIKU) and SupportSoft (Nasdaq: SPRT). Before Access Technology Partners, Patrick oversaw the software M&A Group for Hambrecht & Quist as a Vice President. Earlier in his career he worked in the Restructuring Group at Merrill Lynch in both New York and London.

**Item 3 Disciplinary Information**

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Item 4      Other Business Activities**

Not applicable.

**Item 5      Additional Compensation**

Not applicable.

**Item 6      Supervision**

Each of the Managing Members is jointly responsible for ensuring that the policies and procedures followed by the other Managing Members are appropriately followed. All investment decisions require approval by Members with a majority of the carried interest percentages of the General Partners.

Robert N. Savoie, the chief compliance officer, is responsible for maintaining the Code of Ethics and Compliance Manual and its periodic update. Any departures from accepted practice are brought to the attention of the Managing Members.



**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Kenneth R. Pelowski, Founder and Managing Partner**

**Item 2 Educational Background and Business Experience**

Year of Birth: 09/22/1959

**Education Background:**

Ken received a BSE in electrical engineering and an MBA from the University of Michigan.

**Business Experience:**

Ken founded Pinnacle in 2002. He leads Pinnacle's investment efforts in the technology and cleantech areas. Ken was the lead partner on deals such as: Aquantia, BlueKai, Broadbus Technologies (acquired by Motorola), Cobalt Technologies, Farecast (acquired by Microsoft), Gilt Groupe, Kabam, LifeSize Communications (acquired by Logitech), Mascoma, Miasole', RGB Networks, Right Media (acquired by Yahoo), Silexos, Silver Peak Systems, SVNetwork, WiChorus (acquired by Tellabs) and ZING Systems (acquired by Dell). He currently serves as a board director at Aquantia, Cobalt Technologies, Kabam, Silexos and SVNetwork, and previously was a board director at WiChorus. Ken is also involved in several non-profit organizations.

Ken founded Pinnacle while working at Redpoint Ventures. Prior to Redpoint, Ken founded and was Chairman of the Board of Currenex, which was acquired by State Street for \$560 million. Before Currenex, Ken was Chief Operating Officer, Chief Financial Officer and a Board Director of GetThere (a Brentwood Venture Capital/USVP portfolio company) where he led its IPO as well as its \$750 million acquisition by Sabre. Prior to joining GetThere, Ken was Executive Vice President and Chief Financial Officer of Preview Travel (a Kleiner Perkins portfolio company), which was acquired and changed its name to Travelocity. Ken led Preview's IPO. Before joining Preview Travel, Ken was a Corporate Vice President and Executive Committee Member at General Instruments and at Quantum Corporation where he was responsible for corporate strategy and business development. Previously, he held senior management positions in sales and marketing at Sun Microsystems and Intel.

**Item 3 Disciplinary Information**

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Item 4      Other Business Activities**

Not applicable.

**Item 5      Additional Compensation**

Not applicable.

**Item 6      Supervision**

Each of the Managing Members is jointly responsible for ensuring that the policies and procedures followed by the other Managing Members are appropriately followed. All investment decisions require approval by Members with a majority of the carried interest percentages of the General Partners.

Robert N. Savoie, the chief compliance officer, is responsible for maintaining the Code of Ethics and Compliance Manual and its periodic update. Any departures from accepted practice are brought to the attention of the Managing Members.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Robert N. Savoie, Partner and Chief Operating Officer**

**Item 2 Educational Background and Business Experience**

Year of Birth: 05/25/1957

**Education Background:**

Bob has a Bachelor in Business Administration from University of Michigan and has been a California CPA since 1982.

**Business Experience:**

Bob joined Pinnacle at its inception in 2002. Bob has been a Chief Financial Officer for a number of private equity funds and a tax advisor to numerous fund clients. Prior to co-founding Pinnacle, Bob was VP of Finance at Comdisco Ventures and CFO of Comdisco's Hybrid fund. At Comdisco Ventures, Bob managed a \$2 billion venture lease, venture debt, equity, and warrant portfolio. Prior to joining Comdisco Ventures, Bob was CFO of H&Q Fund Management and Access Technology Partners. During that time, Bob was responsible for fund formation, operation and LP communication. Prior to H&Q, Bob spent 18 years at Arthur Andersen, most recently as a Tax Principal advising private equity funds.

**Item 3 Disciplinary Information**

Not applicable.

**Item 4 Other Business Activities**

Not applicable.

**Item 5 Additional Compensation**

Not applicable.

**Pinnacle Ventures, L.L.C.**  
**Part 2B of Form ADV: Brochure Supplement**

**Item 6      Supervision**

Each of the Managing Members is jointly responsible for ensuring that the policies and procedures followed by the other Managing Members are appropriately followed. All investment decisions require approval by Members with a majority of the carried interest percentages of the General Partners.

Bob, as the chief compliance officer, is responsible for maintaining the Code of Ethics and Compliance Manual and its periodic update. Any departures from accepted practice are brought to the attention of the Managing Members.