

Item 1. Cover Page



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Part 2A of Form ADV: Firm Brochure

This brochure provides information about the qualifications and business practices of Pivot Point Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 415.343.7074 or [joe@pivotpointcap.com](mailto:joe@pivotpointcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Pivot Point Capital Partners, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Pivot Point Capital Partners, LLC is a registered investment adviser with the SEC. This registration does not imply a certain level of skill or training.

## Item 2. Material Changes

Pivot Point Capital Partners LLC updates its ADV Part 2A annually, or more frequently in the event of certain material changes. This section outlines and summarizes the specific changes made to this Brochure since our last Annual Update dated December 31, 2017.

1. We have updated Item 10 to reflect a new Exempt Reporting Adviser affiliated with the General Partner.
2. The General Partner communicated to investors on December 20, 2017 that it had resolved to wind down the Fund. The decision to wind down the Fund was based largely on the following considerations: i) the General Partner viewed the stock market as materially overvalued with an unattractive risk/reward profile, ii) the General Partner was concerned about the impact of passive investment vehicles combined with the increased use of algorithmic investing during a potential downturn, and iii) the General Partner felt that a concentrated, long-only fund such as the Fund would not perform well in this environment.

The Fund started reducing its equity exposure in Q4 '17 and all Fund holdings were fully exited by the end of Q4 '18. As a result of the liquidation, the Fund suspended withdrawal rights and did not honor any future redemption requests. Investor capital was returned over the course of 2018 and Q1 '19 through a series of voluntary cash distributions, made in the General Partner's sole discretion, as the Partnership's holdings were liquidated. By the end of Q1 '19, the Fund had returned all investor capital.

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## Item 4. Advisory Business

### *Overview*

Pivot Point Capital Partners, LLC (“PPCP”, “us” or “we”) was founded in 2005. Anthony P. Brenner (“Tony”) is the Managing Member (“Managing Member”) of PPCP and Raja S. Moorthy (“Raj”) is a Member (“Member”) of PPCP. Tony is the principal owner of PPCP with a 60% interest.

Joseph Welsh, currently PPCP’s only other employee, is PPCP’s Chief Administrative Office & Chief Compliance Officer.

PPCP provided investment advisory and administrative services solely to several related pooled investment vehicles. Pivot Point Capital, LP (“PPC LP”) was established first and began accepting subscriptions in March 2005 and making investments in April 2005. In June 2006, two additional entities were established: Pivot Point Capital Offshore, L.P. (“PPC Offshore”) and Pivot Point Capital Master, LP (“PPC Master”). In September 2008, a fourth entity was launched – Pivot Point Capital Offshore DS, Ltd. (the “DS Fund”). PPC LP, PPC Offshore and DS Fund are limited partners in PPC Master. They are strictly feeder vehicles and hold no investments directly. We refer to the entire group of PPC Master and its three feeder vehicles in this Brochure as the “Fund”.

An affiliate of PPCP, Pivot Point Capital GP, LLC (“PPC GP”), serves as the general partner of PPC LP, PPC Offshore and PPC Master, and is the manager of DS Fund.

The Fund is a private investment fund that invested in both publicly traded securities and private securities. Our investment strategy in the public markets focused on U.S. listed small cap equities. The Fund has only ever had one private portfolio investment (“PPI #1”). Investors electing to participate at the time of the PPI (“Participating LPs”) participated in PPI #1. Certain Participating LP’s purchased the interest held by investors who were not Participating LPs at the time PPI #1 was created (“Additional PPI Purchasers”). Participating LPs paid, but Additional PPI Purchasers did not pay, management or performance-based fees with respect to amounts invested in PPI #1. PPI #1, along with all other Fund securities, have been liquidated and the Fund’s current assets consist only of cash.

The Fund ceased accepting new investors in Q4 2017.

Please refer to Item 7, *Types of Clients* for further details about the Fund entities and the individuals and entities that invested in them.

As communicated to the Fund’s investors on December 20, 2017, the General Partner resolved to wind down the Fund and initiated the process of an orderly liquidation and commenced the process of terminating investment. The decision to wind down the Fund was based largely on the following considerations: i) the General Partner viewed the stock market as materially overvalued with an unattractive risk/reward profile, ii) the General Partner was concerned about the impact of passive investment vehicles combined with the increased use of algorithmic investing during a potential downturn,

and iii) the General Partner felt that a concentrated, long-only fund such as the Fund would not perform well in this environment.

The Fund started reducing its equity exposure in Q4 '17 and all Fund holdings were fully exited by the end of Q4 '18. As a result of the liquidation, the Fund suspended withdrawal rights and did not honor any future redemption requests. Investor capital was returned over the course of 2018 and Q1 '19 through a series of voluntary cash distributions, made in the General Partner's sole discretion, as the Partnership's holdings were liquidated. By the end of Q1 '19, the Fund had returned all investor capital.

#### *Assets Under Management*

As of 12/31/2018, PPCP managed Fund assets in the amount of \$4,926,260. PPCP does not manage any assets outside of the Fund. Included in this amount is undistributed performance allocation remaining due to PPC GP.

## Item 5. Fees and Compensation

### *Quarterly Management Fee*

All investors in the Fund, with the exception of the PPC GP, its affiliates, (which include employees and their direct family members) and the Additional PPI Purchasers, pay a quarterly management fee of 0.375% (1.5% annually). Direct family members are limited to the employee's parents and children, as well as the employee's estate planning family trusts and partnerships for the benefit of parents and children.

The management fee was payable in advance on the first day of each calendar quarter and is calculated based on the value of an investor's capital account on the first day of the calendar quarter after all adjustments are made to it for activity through the end of the calendar quarter just ended. For new subscriptions made on other than the first day of the calendar quarter, the fee is prorated for the first quarter so that a fee is charged only for the months within the quarter in which the funds are invested in the Fund. The management fee is automatically deducted from each investor's capital account on the first business day of each quarter. All investors pay the same management fee on the same schedule, with the exception of the general partner, and affiliates (which include employees and their direct family members) and certain PPI subscribers.

No management fee is or will be payable in 2019.

### *Withdrawals*

As the Partnership is in the process of an orderly liquidation, we have suspended all withdrawal rights and will not honor any future redemption requests. We plan to undertake voluntary cash distributions from time to time, in the General Partner's sole discretion, as the remaining holdings of the Partnership are liquidated. While we cannot make any guarantees, the General Partner believes that the Fund's liquidation will conclude by the end of 2019.

### *Private Portfolio Investments ("PPI")*

The Partnership made one PPI (PPI #1). Interests in PPI #1 were held by Participating LPs and Additional PPI Purchasers.

### *Other Fees and Expenses*

Other fees and expenses charged to the Fund include: (i) fees for professional services such as legal, audit and accounting, (ii) fees required for regulatory filings; (iii) insurance premiums, (iv) federal or state taxes; (v) fees related to custody and safekeeping of Fund assets and transfer agent services as needed, and (vi) commissions paid to brokers for the sale of publicly traded securities (please refer to Item 12, *Brokerage Practices* for more details). As the Fund has discontinued new investments, the Fund does not expect to incur other expenses that would be Fund expenses if incurred, including (i) costs associated with borrowing or trading on margin; (ii) expenses resulting from private deals that are broken; (iii) fees paid for research,

consulting and/or valuation services related to a specific investment; or (v) commissions paid to brokers for the purchase of publicly traded securities.

### *Performance Allocation*

The Fund pays a performance allocation to PPC GP as described in Item 6.

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

In addition to the quarterly management fee, each investor in the Fund, with the exception of the general partner, its affiliates (which include employees and their direct family members) and the Additional PPI Purchasers, pays an annual performance-based fee at the end of each calendar year if the investor's capital account balance exceeds the investor's high water mark ("HWM") in effect at that time. An investor's initial HWM is equal to the amount of the investor's contribution to the Fund. The investor's HWM is adjusted each year by the net appreciation, if any, in the investor's capital account, less any performance allocation paid on that net appreciation. If the investor makes additional investment(s) in the Fund during the year, the HWM is increased by the amounts contributed. If the Fund is profitable for the year, each investor's HWM will increase by the investor's share of those profits less the performance allocation paid with respect to that investor's capital account. If the Fund does not generate profits in a given year, or if the Fund has declined in value since the previous December 31, then each investor's HWM remains unchanged for the next year. In years where an investor's capital account falls below its HWM, we do not charge a performance fee on that account. The performance fee is paid to PPC GP – the general partner of the Fund.

We generally calculate each investor's HWM only once a year, on December 31. However, if the investor withdraws funds from its capital account during the year in a partial distribution, the performance allocation to PPC GP is calculated and paid on the portion withdrawn at the time of the partial withdrawal and the HWM in effect for the remainder of the year is adjusted to take the partial withdrawal into account. If the investor makes a complete withdrawal during the year, the performance allocation to PPC GP is calculated and paid at the time of the complete withdrawal.

The performance allocation is equal to 20% of net profits earned in an investor account to the extent those net profits cause the account to exceed that investor's HWM. The net profit includes both realized and unrealized gains. Because unrealized gains are included in the fee calculation, PPC GP may be paid a fee on gains that are not ultimately realized. If a performance allocation is earned on an investor's capital account, the HWM for that account adjusts to the revalued capital account balance after re-allocation of the performance fee to PPC GP.

If the Fund were to invest in a private company ("PC"), the Fund would not charge a performance fee on the PC, regardless of any change in its value, until the PPI is liquidated.

If the final distribution of the Fund occurs on other than the last day of a year, the date of the final distribution will be treated as if it is the last day of the year and performance allocation will, if earned under the above terms, be distributed to PPC GP.

## Item 7. Types of Clients

Our only clients are the four entities that comprise the Fund. The Fund is a pooled investment vehicle with both onshore and offshore components. Investors in the Fund had to meet strict suitability requirements. All investors are both “accredited investors,” as that term is defined in Rule 502 of Regulation D promulgated under the Securities Act of 1933, and “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act of 1940. The Fund is not accepting new investors.

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

### *Methods of Analysis and Investment Strategy*

The Fund’s invested in US-listed small cap equities with the goal of creating long-term value through an investment process that we branded High Definition Investing<sup>®</sup>. Prior to commencing its wind down at the end of 2017, the Fund held a portfolio of 7 investments.

We generated the portfolio from a proprietary Watch List of 80 - 100 companies. Watch List companies typically had market capitalizations of \$500 million to \$3.0 billion. We selected the companies on our Watch List based on the quality of their underlying business model, their strong competitive position, revenue growth potential, high free cash flow and the perceived strength of their management team, then investing when dislocation events occurred and holding the investment for one to three years to allow the underlying business issues that have depressed the stock price to be resolved. As a result, the vast majority of our gains have been long-term in nature.

We invested in industries where we viewed the competitive landscape as relatively stable and the underlying industry characteristics supportive of high operating margins and strong free cash-flow, avoiding businesses that are capital intensive, subject to rapid obsolescence or shifting market share as well as those that have high working capital requirements.

### *Risks*

The Fund currently holds only cash for liquidation expenses and will not be investing in securities. The risks previously included in Fund materials are no longer pertinent.



## **Item 9. Disciplinary Information**

We have no legal or disciplinary events to report.

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

Neither PPCP nor any employees have registered with or have an affiliation with any broker-dealer, futures commission merchant, commodity pool operator, or commodity-trading advisor.

We provide discretionary investment management services to private investment funds and we also serve as general partner of those funds, as more fully discussed in Item 4.

### **Other Affiliations**

Tony Brenner (PPC's Managing Member) and Raj Moorthy (a member of PPC) are the Chairman and Managing Partner respectively of Advantage Alpha Capital Partners LP ("Advantage Alpha"). Advantage Alpha manages a private investment fund and is an exempt reporting adviser with the SEC and California. Advantage Alpha shares operations and office space with PPC. Mr. Brenner and Mr. Moorthy also control Advantage Alpha Capital GP LLC, the general partner of Advantage Alpha.

Advantage Alpha's strategy is different from PPC's and it has not purchased any securities from the Fund. We believe that Tony and Raj's activities with respect to Advantage Alpha do not give rise to any conflicts of interest.

While there is no referral arrangement or other agreement between PPC and Advantage Alpha, it is possible that some of PPC's clients may become investors in Advantage Alpha. Any decisions by PPC clients to invest in any fund offered by Advantage Alpha would be made solely by the individual investor.

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

The Pivot Point Capital Partners LLC Code of Ethics and Statement of Insider Trading (the “Code of Ethics”) covers everyone who works at PPCP as well as our third party fund accountant (“fund accountant”). Because we are a small firm, with each of us performing a wide range of duties with some overlap, we decided that each employee should be subject to the identical standards and restrictions. Similarly, because our fund accountant has access to confidential information regarding our client accounts, we have required such person also to be covered by our Code of Ethics, although with fewer restrictions.

We are happy to provide any investor in the Fund with a copy of our Code of Ethics upon request. In summary, our Code of Ethics covers:

- The requirement for everyone covered by our Code of Ethics to arrange for duplicate statements and trade confirmations for their personal trading accounts (including the accounts of their immediate family members or any account where they have the authority to direct investments or from which they derive financial benefit) to be sent directly to the Fund’s Chief Compliance Officer. Preclearance requirements for personal trading, including investments in private placements. Consent may ultimately be withheld for good reason or for no reason.
- Quarterly and annual reporting requirements to verify personal trading accounts, holdings and transactions.
- Annual certification by all those covered by the Code of Ethics that they have complied with and will continue to comply with all the policies and procedures laid out in the Code of Ethics.
- A discussion of what constitutes insider trading, what sorts of information is considered “material” and “non-public” and the responsibility of everyone covered by the Code of Ethics to report any insider information (or suspected insider information) they may have received directly to our Chief Compliance Officer for appropriate action up to and including placing a specific stock on a “restricted list”, thus prohibiting transactions in that stock until further notice.
- Our firm’s principles for doing business (including client/investor confidentiality, actions which may result in a conflict of interest with our fiduciary duty to our clients and investors, with policies and procedures to prevent this) and the responsibility of everyone covered by the Code of Ethics to report any violations of the Code of Ethics or conflicts of interest to the Chief Compliance Officer or Managing Member.
- An annual review of the procedures called for by the Code of Ethics to determine if they continue to be effective in detecting and preventing insider trading and if not, recommendations for improvement. Any violations that occurred during the year and how they were handled are documented. A written report is prepared by the Chief Compliance Officer and submitted to the Managing Member.

PPC GP (the general partner of the Fund) has an investment in the Fund. PPCP's Managing Member, Tony Brenner and PPCP's other Member Raj Moorthy have investments in the Fund as Members of PPC GP and as limited partners of Pivot Point Capital, LP. Because the performance and management fees paid by other investors in the Fund benefit PPC GP, PPCP and ultimately the members and employees of both those entities, potential conflicts of interest could arise where their interests might differ from those of other investors in the Fund. We believe this risk is mitigated by Tony and Raj's meaningful investments in the Fund which aligns their interests with the interests of other investors in the Fund – as all parties participate in the profits and the losses of the Fund in accordance with their contributed dollars.

None of PPC GP or any employee of PPCP, including Tony and Raj, is permitted to invest personally in any stock that is held in the Fund portfolio or any stock that is listed on our Watch List. Sales of investments in Watch List companies may be permitted if the personal investment was made before a company was added to the Watch List. In this case, additional approval is required as set forth in the Code of Ethics. Sales of personal investments in portfolio companies are prohibited for so long as the company remains a portfolio company. As with all transactions covered by our Code of Ethics, consent may or may not be granted, for good reason or for no reason at all.

## Item 12. Brokerage Practices

Small cap stocks are not as widely covered by the financial analyst community as medium to large cap stocks. For this reason, PPCP has had a much smaller pool of broker-dealers to choose from and we were limited in our ability to leverage the cost of commissions we paid. We typically paid \$0.05/share in commissions to the relatively small pool of broker-dealers who provided us with their proprietary research on the 80 to 100 small cap companies that were on our Watch List.

Several broker-dealers provided us with third-party research. They received the same commission levels from us as other broker-dealers with whom we worked. They allocated a portion of their commission to cover the cost of the third-party research we obtained through them – a “soft dollar benefit.” All trading for the Fund took place in a single trading account. Commission expense was allocated proportionately to each of the underlying investors in our clients. When we used Fund brokerage commissions to obtain research or other products or services, we received a benefit because we did not have to produce or pay for the research, products or services.

Following is a description of the third-party research we obtained using soft dollar benefits:

- Electronic market data (real-time quotes, news, charts, regulatory filings, research and analytics, earnings call transcripts) delivered directly to investment team members’ personal computers. In the last fiscal year (2015) we obtained the following services using soft dollars: (i) Bloomberg, (ii) Thomson Reuters Bridge Station, (iii) Factset and (iv) Standard & Poor’s Capital IQ.
- Industry expert consulting service. The investment team has conference calls with these consultants as part of the due diligence process. They may also attend industry-specific forums with expert panels hosted by the service.
- We outsourced the trading function to two traders at Wells Fargo Prime Services. Our Managing Member had primary responsibility for overseeing trading. Tony and Raj created a budget for allocating trades to various brokers during each calendar year, which was reviewed and adjusted periodically to accommodate new stocks added to the Watch List. We selected or recommended a broker-dealer in order to receive research or other products or services, rather than selected them on the basis of most favorable execution. In our experience, proportionately more trades were allocated to our two soft dollar brokers to cover the additional third-party research they provided, as we preferred to use our commission dollars for this purpose rather than paying for the research directly.

### *Trade Errors*

The Fund had very low trade volume. Our policy was to identify and correct trade errors in a timely manner. If the Fund incurred a trade error, PPCP is required to correct the error as soon as practicable and in such a manner that the Fund incurs no loss. Any gains resulting from trade errors belong to the Fund.

Trade errors might include, for example, (i) the placement of orders (either purchases or sales) in excess of the intended amount of securities or instruments; (ii) the sale of a security or instrument when it was

intended to have been purchased; (iii) the purchase of a security or instrument when it was intended to have been sold; (iv) the purchase or sale of the wrong security or instrument; or (v) the purchase or sale of a security or instrument contrary to regulatory restrictions, such as Regulation S or private placement restrictions.

#### *Trade Aggregation*

All trading for the Fund took place in a single trading account, and commissions were allocated proportionately to each client and the underlying investors.

## Item 13. Review of Accounts

### *Periodic Review*

Each calendar quarter our investment team holds a formal meeting to discuss the Fund's performance in the previous quarter as well as to discuss plans for the Fund in the coming quarter(s). As the Fund has downsized its personnel, the members of the investment team undertaking this task are Tony Brenner and Raj Moorthy. The agenda for these meetings was limited to optimizing the returns upon liquidation of Fund investments and is now limited to managing cash assets relative to liquidation expenses.

### *Fund Reporting*

Each investor in the Fund receives a monthly capital account statement within 20 days after the end of each calendar month showing the current value of the investment and investment returns for the month, quarter-to-date, year-to-date and since the date of investment. Our outside fund accountant calculates all data reflected on such reports and reviews all such data before the reports are distributed.

Within 20 days after each quarter-end, we provide a detailed quarterly letter to investors that provides Fund returns month-to-date, quarter-to-date, year-to-date and since inception (as calculated by our fund accountant) as well as an in-depth discussion of Fund activities and performance during the quarter. Depending on the then current market circumstances, we may also share our thoughts on broader macro issues and their impact on the remaining Fund investments.

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

PPCP does not have any arrangements in place to compensate third parties for investor referrals.



## Item 15. Custody

As general partner of the Fund, PPC GP is deemed to have constructive custody of all Fund assets. The Fund's assets are comprised of cash, cash equivalents and securities. Our prime broker and qualified custodian, Wells Fargo Prime Services, through their clearing agent, Wells Fargo Securities, LLC, has physical custody of these assets. Wells Fargo reporting is done at the Fund level only – it is not broken down by individual investor. Every month our outside fund accountant reconciles our internal Fund accounting records with those provided by Wells Fargo. He then allocates account balances and returns for each individual investor (please refer to Item 13, *Review of Accounts*). Our independent certified public accountants are Ernst & Young. They are subject to regulation by the Public Company Accounting Oversight Board, and perform an audit of the Fund in accordance with generally accepted auditing standards, as well as applicable U.S. tax reporting for each investor. We will deliver our final audited financial statements to each investor within 90 days after the end of the Fund's fiscal year.

## Item 16. Investment Discretion

We have full discretionary authority over our investor's contributions to the Fund and the Fund portfolio. Investors in the Fund acknowledged this authority by signing one or more of these documents as part of the Fund subscription paperwork:

- Agreement of Limited Partnership
- Subscription Agreement

## Item 17. Voting Client Securities

Our full discretionary authority over the Fund portfolio entitled us to vote the proxies issued by the Fund portfolio companies without direction from Fund investors. Our policy for voting proxies of the Fund's portfolio companies was to vote in a manner deemed prudent, diligent and timely and that was in the best interests of the Fund and its investors. We carefully evaluated the proposals presented on each proxy ballot.

We are happy to provide, to any current or prospective investor in the Fund who requests it in writing, a copy of our proxy voting policies and procedures as well as a report showing how we have voted portfolio company proxies in the past.

In general, we (i) approved routine proposals that do not change the structure, bylaws or operations of the issuer to the detriment of the shareholders; (2) opposed any proposal that clearly has the effect of restricting the ability of shareholders to realize the full potential of their investment, such as proposals providing for cumulative voting rights; and (3) voted certain types of proposals on a case-by-case basis, such as proposals for changes to specific accounting policies, proposals to rotate annual meeting locations/dates or proposals regarding option stock grants to management and directors.

By voting proxies based on pre-determined voting policies, and by making these policies along with a record of our past votes available to current or prospective investors, we sought to ensure that proxies are voted in the best interests of and do not present a conflict of interest between PPCP and investors in the Fund.

## **Item 18. Financial Information**

There are currently no financial conditions that would be reasonably likely to impair our ability to meet our contractual obligations to the investors in the Fund.