

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



**RHO CAPITAL PARTNERS, INC.**

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March 31, 2015

This brochure provides information about the qualifications and business practices of Rho Capital Partners, Inc. If you have any questions about the contents of this brochure, please contact us at 212-751-6677 and/or [jmartin@rho.com](mailto:jmartin@rho.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.

Rho Capital Partners, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Rho Capital Partners, Inc. also is available in the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2                      Material Changes**

Since the last annual update of this Part 2A of Rho Capital Partners, Inc. (“Rho”), which was made on March 31, 2014, a paragraph concerning a new outside business activity run by Mark Leschly has been added to Item 11.

## Item 3                      Table of Contents

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## **Item 4**

### **Advisory Business**

Rho Capital Partners, Inc. (“Rho”) provides investment advisory services to venture capital funds (“VC Funds”) and funds-of-funds (“Funds-of-Funds,” and collectively with the VC Funds, the “Funds” or our “Clients”). Our VC Funds focus on investing in technology companies in the software, new media, biotechnology and new energy sectors. Our Funds-of-Funds focus primarily on investments into venture capital funds, as well as smaller private equity and buyout funds.

Rho was founded in 1981. The principal owners of Rho are Habib Kairouz, Mark Leschly and Joshua Ruch. No other person owns 25% or more of Rho.

The Funds are primarily structured as limited partnership vehicles or limited liability companies in which investors are limited partners or members and a Rho affiliate serves as the general partner or managing member. All of the Funds are privately placed to qualified investors in the U.S. and elsewhere. The terms and conditions upon which Rho serves as investment adviser to each Fund is established in a separate management agreement with each Fund as well as in each Fund’s organizational agreement. These terms and conditions are negotiated at the time of each fundraising (typically with certain initial investors in each Fund), and will typically include restrictions on investing in certain securities or types of transactions. Examples of such restrictions include limitations on the amount of capital that may be invested in any one portfolio company, geographical limitations and limitations on borrowing by a Fund. The terms and conditions of each Fund may vary from Fund to Fund.

Rho has approximately \$1,311,352,911 in discretionary assets under management as of December 31, 2014, which amount includes uncalled capital commitments. Rho does not manage Fund assets on a non-discretionary basis.

## **Item 5                      Fees and Compensation**

Management fees (“Management Fees”) paid by our VC Funds to Rho or a Rho affiliate may differ from Fund to Fund, but typically are an amount equal to 2% of each Fund investor’s capital commitment. This Management Fee is paid during each VC Fund’s investment period or for a specified period of years. After the investment period or a specific period of years, each VC Fund typically pays a Management Fee based on each Fund investor’s pro rata share of the lesser of 2% of committed capital or 2% of the fair market value of the Fund’s assets, with a floor of 1.5% of committed capital.

Management Fees paid by our Funds-of-Funds will vary with respect to each investor in the Fund, ranging from 0.75% to 1% based on the size of the capital commitment made by the Fund investor. This Management Fee is paid during a Fund-of-Funds’ investment period or for a specific period of years. Beyond the investment period or a specified number of years, a Fund-of-Funds’ Management Fee will generally decline based on return of capital contributions and the fair market value of the Fund’s investments.

Management Fees are typically payable quarterly in advance and are deducted from each Fund. If a Fund’s term is extended beyond its original term, Rho may elect to reduce the Management Fee to zero during the extension period.

Performance-based fees (“Performance Fees”) paid by our Funds generally are paid to Rho or a Rho affiliate when distributions are made to the investors and are referred to as a “Carried Interest Percentage.” The Carried Interest Percentage for our VC Funds typically equals 20% of the Fund’s cumulative net profits, but is subject to certain conditions and may be greater or less than 20%. For our Funds-of-Funds, the Carried Interest Percentage is typically 7.5% of the Fund’s cumulative net profits, but is subject to certain conditions. The Carried Interest Percentage and the timing of its distribution may vary from Fund to Fund and is described more fully in each Fund’s organizational agreement. Each Fund’s organizational agreement typically contains one or more “clawback” provisions providing the Fund the opportunity to recoup Performance Fee distributions that exceed the applicable Carried Interest Percentage. The mechanics of the clawback may vary from Fund to Fund and are more fully described in each Fund’s organizational agreement. We have in the past, and may in the future, establish “affiliate” funds consisting of capital from employees of Rho or friends and family of Rho employees. Any such affiliate funds would have reduced or, in some cases, no Management Fees and/or Performance Fees.

In addition to Management Fees and Performance Fees, each Fund pays and, as a result, Fund investors bear, other types of fees and expenses as specified in the applicable organizational

documents. Typically, a Fund is responsible for all costs and expenses in connection with its operation and investments (other than the costs and expenses that will be the responsibility of Rho, which are typically salaries and benefits of our personnel and the cost of maintaining Rho's place of business). These costs and expenses include, but are not limited to, (i) Fund organization and related costs; (ii) legal, accounting, audit, custodial, consulting and other professional fees; (iii) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (iv) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Fund assets; (v) insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; (vi) costs of financial statements and other reports; and (vii) costs of meetings of the partners of the Fund. To the extent possible, third-party legal expenses incurred in connection with consummated transactions are borne by the respective portfolio companies of the Funds. Funds incur brokerage and other transaction costs. Brokerage is described in more detail below in response to Item 12.

Management Fees are pro-rated for partial payment periods (based on the number of days in the partial period relative to the number of days in the total period). Where Management Fees are paid in advance with respect to a Fund, the terms of such Funds typically do not contemplate repayments of fees to the extent that Rho's services terminate prior to the end of the relevant payment period.

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

Rho may manage Funds with Performance Fees, which are described above in Item 5, and Rho may also manage Funds using similar investment strategies that charge a combination of both or either performance-based fees and asset-based fees. Performance Fees may create an incentive for an adviser to allocate attractive investments to performance-based fee accounts over accounts not subject to a performance-based fee or subject to a different level of performance fee. Performance Fees may also create an incentive for Rho to take increased investment risk on behalf of a Fund for which Rho receives a larger performance fee because it could receive greater compensation from the Fund.

In addition, due to the method of calculating Performance Fees, such fees may be affected by factors within Rho's control. Performance Fees are typically dependent, in part, on the unrealized value of certain investments, which could provide an incentive for Rho or its affiliates to use higher valuations when calculating Performance Fees. Each Fund's financials, which are used as the basis upon which the Performance Fees are calculated, are reported in conformity with Generally Accepted Accounting Principles (GAAP), which generally require fair value measurements.

Rho has adopted policies and procedures designed to ensure, among other things, Clients receive fair and equitable investment allocation over time. Rho's allocation policies and procedures are described in more detail below in response to Item 11.

References in this Item 6 to "Rho" also include Rho's affiliates where the affiliated entity receives the applicable Performance Fee.

## **Item 7                      Types of Clients**

Rho provides investment advice to the Funds, which are pooled investment vehicles. The Funds are not registered or required to be registered under the Investment Company Act of 1940 and the offering of interests in the Funds is exempt from registration under the Securities Act of 1933.

Some of our Funds invest in portfolio companies in parallel with one another based on the aggregate capital commitments made to each Fund or pre-set allocation percentages at the time the Funds were established.

Most of the capital invested in the Funds is attributable to U.S. and non-U.S. institutional investors, including public and private pension plans, funds-of-funds, sovereign wealth funds, banks, insurance companies, family offices, endowments and charitable foundations.

Each Fund generally has a specified minimum investment as stated in its offering document (e.g., \$1 million). Rho or a Rho affiliate may permit investment of a lesser amount with respect to any investor.



## Item 8

## Methods of Analysis, Investment Strategies and Risk of Loss

### ***VC FUNDS – Methods of Analysis and Investment Strategies***

With respect to our VC Funds, we focus on investments into technology companies in the software, new media, biotechnology and new energy sectors. Our strategy for the VC Funds is to provide a mix of exposure to companies in various stages of development, from seed (pre-revenue) to venture or later stage opportunities. We classify each potential investment into a particular stage based on a number of factors, including the potential risk/reward as well as the company's historical and projected revenues and earnings.

In evaluating venture capital investment opportunities, our due diligence analysis includes reviewing the following:

- Size of market opportunity
- Proprietary nature of technology, or degree to which service is differentiated
- Strength of management team
- Ability of the business model to scale
- Strength of value proposition to customers
- Competitive landscape
- Valuation metrics, including comparisons to similar companies
- Potential exit opportunities

After conducting its due diligence review, which will often involve a face-to-face meeting with management, review of marketing strategies, analysis of products, discussions with suppliers, customers, competitors and prior investors, as well as a review of financial statements and projections, the deal team (which will consist of at least one managing partner or partner) will decide whether to recommend and present the opportunity to the rest of the investment team. For new investments, ultimate decisions are made by the applicable portfolio managers of the Funds.

Typically the investments made by our VC Funds are in the securities of private companies, although we may from time to time make a private investment in a public company or participate in a follow-on round with one of our portfolio companies that goes public following our initial investment. Generally our transactions involve the purchase of convertible preferred stock from the portfolio company, although we may also purchase common stock from either the company or from existing shareholders. We also often purchase convertible notes from our companies in bridge financings that may also involve the issuance of warrants. With respect to

nearly all of our transactions, the securities we purchase are most often held for a number of years, are not marketable, are subject to restrictions on transfer and are highly illiquid. Although we often negotiate the right to appoint a director to the portfolio company's board of directors, most of our investments involve taking a minority position in the company's capital structure.

### ***FUNDS-OF-FUNDS – Methods of Analysis and Investment Strategies***

With respect to our Funds-of-Funds, we invest into other venture capital, smaller buyout and special situation funds. Our strategy is to construct a diversified portfolio of funds by stage of company development, industry focus, vintage year and geography.

In constructing the portfolios, we utilize "top down" research to identify segments of the private equity market that seek the most attractive opportunities with a "bottom up" approach used to identify and select specific managers within the chosen segments. The due diligence process generally is a highly collaborative approach led by the senior investment team. Throughout our diligence process, while focusing on various critical elements, such as investment strategy, sourcing, competition, company due diligence, post investment value add, and realizations, which provides a measure of insight in a manager's ability to execute successfully, we seek to simultaneously assess the team's ability, focus and commitment. This includes each investment professional's contribution, investment approach, and reputation as well as the relevant experience and cohesiveness of the investment team. The findings from the due diligence are reviewed by the applicable portfolio managers of the Funds-of-Funds. The portfolio managers of the applicable Fund usually make a unanimous decision before authorizing a commitment to the Fund.

Typically the investments made by our Funds-of-Funds are in the securities of limited partnership vehicles or limited liability companies. With respect to each investment, our Funds-of-Funds will become a limited partner or limited member in the underlying fund. All of the funds in which our Funds-of-Funds invest are managed or advised by third parties. With respect to nearly all of our investments, the underlying funds have at least 10 year terms, are not marketable, are subject to restrictions on transfer and are highly illiquid.

### ***ALL FUNDS – Material Risks***

The investment strategies employed by Rho subject the Funds to various risks. An investment in a Fund managed by Rho involves the risk that the Fund will not achieve its investment purpose. Fund investments involve a high degree of risk. Fund investments are suitable only for investors of substantial means who have no immediate need for liquidity of the amount

invested and who can afford a risk of loss of all or a substantial part of the investment. Investing in securities involves risk of loss that Clients should be prepared to bear.

Discussed below is a summary of material risks presented by Rho's investment strategies. The following is not a complete summary of all risks involved with these strategies. Each Fund's offering document contains a further discussion of material risks associated with each Fund.

***Risks Associated with Portfolio Investments.*** Identifying and participating in attractive investment opportunities and assisting in the building of successful young enterprises is difficult. There is no assurance that any Fund's investments will be profitable and there is a substantial risk that each Fund's losses and expenses will exceed its income and gains. Any return on investment to any Fund depends upon successful investments made on behalf of the Fund. There generally will be little or no publicly available information regarding the status and prospects of portfolio companies (and, in the case of the Funds-of-Funds, there is likewise often little information regarding the underlying "portfolio funds"). Many investment decisions on behalf of Funds are dependent upon the ability of personnel of Rho or its affiliates to obtain relevant information from non-public sources, and such personnel 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 Fund investment will depend upon many factors beyond the Fund's control. Typically, although a VC Fund's or a portfolio fund's representative may serve on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with the applicable VC Fund, portfolio fund, Rho or their respective affiliates). VC Funds and portfolio funds may hold minority positions in portfolio companies or acquire securities that are subordinated vis-à-vis other securities as to economic, management or other attributes. Such 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. Such portfolio companies may also need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms.

VC Funds' and portfolio funds' capital is limited and may not be adequate to protect the applicable 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 of any VC Fund or portfolio fund to dispose of investments, and the value of investment securities on the date of sale or distribution by any VC Fund or portfolio fund. In particular, the receptiveness of the public market to initial public offerings by any VC Fund's or portfolio fund's 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 an initial public offering at the proper time. Even if a portfolio company effects a successful public offering, the applicable VC Fund or portfolio fund'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 applicable fund from disposing of such securities. Similarly, the receptiveness of potential acquirors to any VC Fund's or portfolio 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, the applicable 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 each VC Fund's and portfolio fund's investments will yield little or no return.

Generally, the investments made by each Fund 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 any VC Fund's or portfolio 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 any VC Fund's or portfolio 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 each VC Fund and venture capital portfolio 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.

It is anticipated that a portion of any Fund's investment portfolio will consist of securities issued by publicly traded companies (e.g., as the result of a direct investment in publicly traded securities, 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.

***Conflicts of Interest.*** Each Fund is subject to various potential conflicts of interest. For example, Rho personnel may have the opportunity to receive directors' fees or similar

compensation from portfolio companies of any Fund. While such fees may offset (or decrease) management fees otherwise payable to Rho under the applicable Fund's organizational agreement, there is no assurance that the Fund will economically benefit from any particular portfolio company fees received by Rho personnel.

Under certain circumstances, Rho personnel may make investments separate and apart from, or alongside with, one or more Funds. Rho personnel are typically permitted to manage other investment funds and similar vehicles during any Fund's term, any of which may compete with one or more Funds for investment opportunities, management time and attention, or otherwise. In certain cases, Rho or its affiliates are permitted to offer any portion or all of an investment opportunity to other investment funds in which they or their personnel play a principal investment management role. Also, under certain circumstances, a given Fund may invest in opportunities in which certain Rho personnel have a pre-existing interest. Typically, provisions applicable to each Fund that allow Rho personnel to engage in investment, management or other activities outside, or alongside with, the Funds, or to cause any Fund to make investments in respect of which such personnel have conflicting interests, will override common law and statutory fiduciary duties that would apply in the absence of such provisions.

Certain transactions that involve conflicts of interest between Rho and/or its affiliates and any Fund may be submitted to the limited partner advisory committee ("Advisory Committee") of the applicable Fund for resolution. Advisory Committees are generally comprised of individuals that represent Fund investors and those investors are usually unaffiliated with Rho. However, any Advisory Committee will not necessarily represent the interests of all investors in a given Fund and Advisory Committee members may themselves be subject to various conflicts of interest (including as investors in other entities related to Rho personnel).

During any Fund's term, many different types of conflicts of interest may arise and this summary does not purport to identify all such conflicts. Funds ultimately are heavily dependent upon the good faith of the applicable Rho personnel or personnel of Rho affiliates.

***Long-Term Investment.*** Each Fund's term is expected to extend over a number of years and there is no assurance that any Fund will have sufficient assets to make any distributions during its term.

***Competition.*** The venture capital, growth financing and fund-of-funds businesses are each highly competitive, and has become more so in recent years due to a substantially increased flow of capital into venture funds, growth funds, fund-of-funds and similar investment organizations. Rho competes with other established companies and funds with substantial resources and experience. Moreover, the volume of attractive investment opportunities varies greatly from period to period. There can be no assurance that any Fund will be able to make

investments on attractive terms, and it is possible that any Fund's term will expire before the Fund has invested all of its available capital.

***Changes in Environment.*** Each Fund typically invests over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Fund operates may undergo substantial changes, some of which may be adverse to the Fund. As a result, investment sourcing, selection, management and liquidation strategies and procedures exercised by Rho or its affiliates in the past may not be successful, or even practicable, during any particular Fund's term.

***Reliance Upon Certain Persons.*** Each Fund is particularly dependent upon the efforts, experience, contacts, personal relationships, reputations and skills of certain personnel of Rho or its affiliates. The loss of any such personnel could have a material, adverse effect on any Fund, and such loss could occur at any time due to death, disability, resignation or other reasons. Moreover, except as specifically provided in a given Fund's organizational agreement, Rho personnel are not required to devote their time and attention exclusively to any particular Fund. As among Rho personnel, the economic, voting and other rights they hold in respect of the Funds are determined by agreements among them and will be subject to change from time to time.

Any prior experience that Rho personnel may have in making investments of the type expected to be made by any Fund necessarily was obtained under different market conditions, with different technologies at the forefront of development and, in the case of Fund-of-Funds, different portfolio funds offering their interests. For example, certain investments that positively contributed to Rho's track record may have benefited from "momentum," "exuberance," or similar factors during the "technology bubble" that ended in 2000-2001. There can be no assurance that such Rho personnel will be able to duplicate prior levels of success.

Any specific benefits accruing to Rho or any of its affiliates in respect of consultants, venture partners, entrepreneurs-in-residence or similar persons serving on any advisory or other committees or boards, or the members thereof, may terminate at any time. Similar considerations apply to persons identified as entrepreneurs-in-residence (EIRs) or venture partners, who generally will have no obligation to provide any particular services to Rho or its affiliates.

Strategic individuals or organizations investing in any "affiliates" or "side" Fund generally have no contractual or other obligation to provide any actual strategic or other benefits to Rho, its affiliates or any Fund. Accordingly, any such benefits may not exist or may terminate at any time.

**Reliance on Third Parties.** Rho, its affiliates and each Fund rely upon the services of a variety of third parties, including attorneys, accountants, brokers, custodians, consultants and other agents. Failure by any of these third parties to perform their duties or otherwise satisfy their obligations to any Fund could have a material adverse effect upon the Fund.

**Relationship with Rho Affiliates.** While it is the general intention that investment opportunities will be apportioned among each Fund and other Rho Clients and investment funds affiliated with Rho on a fair and reasonable basis, there is no assurance that any Fund will be offered any specific investment opportunities that come to Rho's attention or that any Fund will be permitted to invest the full amount it desires to invest in any such opportunity that is made available. In many cases, the apportionment of investment opportunities is subject to Rho's or its affiliates' discretion.

**Removal of the General Partner.** In certain cases, Funds' organizational agreements provide that Rho or its affiliates may not be removed from their management or control positions in respect of the Funds without the applicable Rho management/controlling entity's consent, regardless of any action that the entity has taken or has failed to take. In the event of a dispute between any Fund and the applicable Rho management/controlling entity, it is possible that the Fund will not be able to remove the entity from its position as the party managing or controlling the Fund.

**Economic Interest of Rho or Its Affiliates.** Because the percentage of each Fund's profits allocated to Rho will generally exceed the capital contribution percentage of Rho in the applicable Fund, and because certain net losses otherwise allocable to Rho will be specially allocated to all Fund's investors (subject to certain limits), Rho may have an incentive to cause any Fund to make investments that are riskier or more speculative than if Rho received allocations on a basis identical to that of the applicable Fund's other investors or was compensated on a basis not tied to the performance of the applicable Fund. References in this paragraph to "Rho" also include Rho's affiliates, where the affiliated entity receives the applicable performance compensation.

In the case of Funds-of-Funds, it is anticipated that the general partners of portfolio funds will be entitled to "carried interest" profit shares and management fees from such funds, with the result that a Fund-of-Funds effectively will be compensating portfolio fund managers, in addition to Rho or its affiliates, with respect to capital that is invested in portfolio funds through the Fund-of-Funds.

**Illiquid Securities.** Funds generally hold securities that are subject to a variety of legal or practical limitations on sale. In particular, trading volume for a given security may be insufficient to support sales by any Fund without such sales triggering a price decline that

makes it difficult or impossible for the Fund to sell all of the securities it holds at their then current valuation.

***Concentration of Investments.*** Any Fund's portfolio may become concentrated in a limited number of companies in certain high technology or other industries, or in a limited number of portfolio funds, increasing the vulnerability of that Fund's portfolio as compared with a portfolio that is more diversified. In certain cases, a given VC Fund or portfolio fund may acquire majority or greater interests in portfolio companies, which could further increase the vulnerability of its portfolio.

***Non-U.S. Investments.*** Funds may generally invest in securities of non-United States portfolio companies or portfolio funds. Such investments may present a variety of risks not presented by investments in United States portfolio companies or funds, 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 investments that nominally are United States portfolio investments 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 and funds (which may, for example: (a) rely upon international location or outsourcing of research, development, manufacturing or other operations; (b) seek alliances with non-United States partners; or (c) seek non-United States customers or investors). Any adverse change to the political, economic, military, or social environments in the host countries of any Fund's portfolio investments could have a significant adverse effect upon the operations or financial performance of the Fund.

***Limited or No Control over Portfolio Investments.*** Funds generally do not seek control over the management of the portfolio companies or portfolio funds in which they invest, and the success of each investment generally will depend on the ability and success of the management of the portfolio company or portfolio fund. Each Fund will often invest in companies and funds in which other private equity firms and investors have made equity investments. The mere fact that any Fund disagrees with decisions made by other investors in a portfolio company or fund likely will not trigger any particular ability of that Fund to dispose of its investment in such portfolio company or fund, with the result that the value of the Fund's investment in a portfolio company or fund may be materially impacted by the decisions of other investors.

***Litigation Risks.*** Each Fund is subject to a variety of litigation risks, particularly in the case of VC Funds and venture capital portfolio funds, where there is a substantial likelihood that one or more portfolio companies will face financial or other difficulties during the term of the fund's investment. For example, it is anticipated that individual personnel managing VC Funds may



actively assist portfolio companies in differing capacities (including, without limitation, by serving as officers, directors, or advisors). VC Funds and similar portfolio funds may also participate in portfolio company financings at implicit portfolio company valuations lower than the valuations implicit in preceding rounds of financing, vote portfolio company shares in a manner contrary to the interests of other shareholders, or be exposed to flow-through liability for portfolio company debts and obligations (e.g., under laws governing liability for environmental damage). In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of any fund), it is possible that the applicable fund and/or personnel of Rho or its affiliates may be named as defendants. Under most circumstances, Funds and portfolio funds will indemnify such individuals for any costs they incur in connection with such disputes. Beyond direct costs, such disputes may adversely affect any Fund or portfolio fund in a variety of ways, including by distracting the personnel managing the fund and harming relationships between the fund and its portfolio investments or other investors in such investments.

***Exculpation and Indemnification.*** Each Fund’s organizational agreement generally contains provisions that relieve certain personnel of Rho and its affiliates of liability for certain improper acts or omissions. For example, Rho personnel generally will not be liable to Fund investors or any Fund for acts or omissions that constitute ordinary negligence. Under certain circumstances, any Fund may even indemnify such personnel against liability to third parties resulting from such improper acts or omissions. Furthermore, it is expected that Rho and its affiliates will continue to be structured as limited liability entities and that equity owners of those entities generally will not be personally liable for Rho’s or the applicable affiliates’ debts and obligations. In consequence, any Fund may have little or no recourse to the personal assets of such personnel even in the event that they breach a duty to Fund.

### ***VC FUNDS – Material Risks***

In addition to material risks of loss described above with respect to the Funds generally, VC Funds are subject to certain additional risks, including the following:

***Reserves.*** Each VC Fund generally establishes reserves for items such as follow-on investments in portfolio companies, operating expenses (including management fees payable to Rho or its affiliates), Fund liabilities, and other matters. Estimating the amount necessary for such reserves is difficult, particularly because follow-on investment opportunities are tied to the success and capital needs of portfolio companies. Most VC Funds’ ability to borrow is strictly limited, which will further increase the difficulty of estimating the proper size of reserves. Inadequate or excessive reserves could have a material adverse effect upon the investment returns to any VC Fund. For example, if reserves are inadequate, any VC Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its

existing investments from dilutive or other punitive terms associated with a “pay-to-play” or similar investment round. If reserves are excessive, any VC Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

***Service on Boards of Directors, Etc.*** Personnel of Rho or its affiliates may serve as officers or directors of VC Fund portfolio companies. In their capacity as officers or directors, such individuals may become subject to fiduciary or other duties that adversely affect one or more VC Funds. For example, any VC Fund may be unable to sell or otherwise dispose of portfolio securities, if such an individual is in possession of material, non-public (i.e., “inside”) information relating to the issuer. Nevertheless, VC Funds’ organizational agreements generally do not preclude such individuals from serving as officers or directors of portfolio companies. Conversely, those organizational agreements generally do not require that such individuals serve as officers or directors of portfolio companies, and there can be no assurance that any VC Fund or such individuals will have a legal right to influence the management of any portfolio company or companies. In general, if there is a conflict between the fiduciary duties of such individuals to a portfolio company and such person’s fiduciary duties to any VC Fund, such person’s fiduciary duties to the portfolio company will prevail.

***Sole or Principal Outside Investor.*** With respect to certain portfolio companies, any VC Fund may be the sole or principal outside investor. While such status may result in greater power to influence the management or direction of a portfolio company, and greater opportunities to make initial or follow-on investments, as compared to portfolio companies in respect of which the VC Fund is just one member of a group of significant outside investors, it also may result in increased risks. For example, a portfolio company with a group of significant outside investors may benefit from greater access to follow-on capital, advice, counsel, and similar types of support often provided by significant outside investors. Moreover, the absence of other significant outside investors may deprive Rho or its affiliates of opportunities to consult with such investors regarding the portfolio company.

### ***FUNDS-OF-FUNDS – Material Risks***

In addition to material risks of loss described above with respect to the Funds generally, the Funds-of-Funds are subject to certain additional risks, including the following:

***Risks Associated with Portfolio Fund Investments.*** Gaining access to funds managed by high quality private equity firms is difficult and there can be no assurance that any Fund-of-Funds will be able to secure sufficient opportunities to invest in such funds. Competition for investment opportunities is intense and each Fund-of-Funds competes for opportunities with pension funds, endowments, foundations, other funds-of-funds, and other investors that have

substantially larger pools of available capital, longer histories of investing in private equity funds and other qualities that may make them more attractive to private equity fund managers.

Identifying and selecting high quality private equity funds also is difficult and there can be no assurance that Rho or its affiliates will be able to identify and select the highest quality private equity funds that offer investment opportunities within any Fund-of-Funds investment period. There are many reasons for this, including the following: (i) private equity firms are managed by individuals who may leave or change their role within their firms at any time; a firm with an outstanding track record and reputation may become a fundamentally different firm at any time due to personnel changes; (ii) outstanding private equity fund returns often result from a small number of successful investments relative to the total number of investments in a fund's portfolio; in many cases, it is difficult to determine whether prior returns resulted from the investment practices and qualifications of individual fund managers or completely unrelated factors; (iii) the skills, practices and other qualifications that served as the basis for a private equity firm's success in prior years may cease to be relevant at any time due to changing technology or other market conditions; (iv) information regarding the internal operations of private equity firms is private and often closely guarded by the firms themselves; in most cases, Rho or its affiliates make investment decisions on the basis of information that is incomplete or impossible to verify; (v) information regarding the investment track records of private equity firms often is difficult to assess because of the lack of generally accepted reporting standards within the private equity fund industry; (vi) the general lack of liquidity for venture-backed portfolio companies has in many cases obscured the track records of venture capital firms by inducing the deferral of objective valuation events; and (vii) "emerging" private equity fund managers often are highly talented and accomplished individuals who have achieved great success in other domains, but whose ability to translate that success into private equity investing will be unknown at the time an investment in their fund is made.

Once Rho or its affiliates have identified an attractive portfolio fund investment opportunity, and gained access to that opportunity, the terms and conditions of investment may not be ideal. In particular, the limited partnership agreements governing funds managed by high quality private equity firms often contain provisions that are favorable to such funds' general partners. In some cases, any Fund-of-Funds will lack sufficient leverage to negotiate for more balanced terms and conditions.

Beyond the risks associated with access to, and selection and negotiation of, portfolio fund investments, operational risks regarding a Fund-of-Funds and their respective portfolio funds, including the risks described above, generally apply. In particular, most of the risks of VC Funds will be faced in a similar manner by Funds-of-Funds vis-à-vis their portfolio funds.

***Risks Associated with Life Sciences/Health Care Industry.*** The assets of any Fund-of-Funds may be invested, directly or indirectly through portfolio funds, in young portfolio companies focused upon the highly competitive and rapidly changing life sciences/health care industry. This industry is dominated by large multi-national corporations with substantially greater financing and technical resources than generally will be available to the portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory and technological changes as well as related changes in governmental and third party reimbursement policies.

Within the life sciences/health care industry, the development of products generally is a costly and time-consuming process. Many highly promising products ultimately fail to prove safe and effective. Products under development and pre-clinical testing generally will require extensive clinical testing prior to application for commercial use. There can be no assurance that the research or product development efforts of the portfolio companies or those of their collaborative partners will be successfully completed, that specific products can be manufactured in adequate quantities at an acceptable cost and with appropriate quality, or that such products can be successfully marketed or achieve customer acceptance.

The research, development, pre-clinical and clinical trials, manufacturing, and marketing of products developed by life sciences/health care companies are subject to extensive regulation by numerous governmental authorities in the United States and other countries. There can be no assurance that products developed by the portfolio companies will ever be approved by such governmental authorities.

Many portfolio companies will depend heavily upon intellectual property for their competitive position. There can be no assurance that the portfolio companies will be able to obtain patents for key inventions. Moreover, within the life sciences/health care industry, patent challenges are frequent. Even if patents held by the portfolio companies are upheld, any challenges thereto may be costly and distracting to the portfolio companies' management.

Many of the portfolio companies will be at least partially dependent for their success upon governmental and third party reimbursement policies that are under constant review and are subject to change at any time. Any such change could adversely affect the viability of one or more portfolio companies.

***Reserves.*** Each Fund-of-Funds establishes reserves for capital calls from portfolio funds, operating expenses (including management fees payable to Rho or its affiliates), Fund liabilities, and other matters. Estimating the amount necessary for such reserves is difficult, particularly because capital calls from portfolio funds will be substantially tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could have a material adverse

effect upon the investment returns to any Fund-of-Funds. For example, if reserves are inadequate, any Fund-of-Funds may be unable to satisfy capital calls from portfolio funds, and thereby subject itself to penalties under the limited partnership agreements of such funds. If reserves are excessive, any Fund-of-Funds may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

## **Item 9                      Disciplinary Information**

There are no legal or disciplinary events required to be disclosed under this Item 9.

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

With respect to each Fund, an entity affiliated with Rho serves as the General Partner or Managing Member of the Fund. Rho coordinates the formation of limited partnerships or limited liability companies to serve as these General Partner or Managing Member entities.

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

### ***Code of Ethics***

In accordance with Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”), Rho maintains a Code of Ethics. The Code of Ethics sets out standards of conduct expected of each of Rho’s partners, principals, officers, directors, associates, analysts and other employees, and any other persons that the chief compliance officer (“CCO”) designates (“Covered Persons”). The Code of Ethics addresses certain other matters, including the misuse of nonpublic information, insider trading, personal trading activity and political contributions. The Code of Ethics reminds employees of their obligations to Clients and their obligations to comply with federal securities laws. At the commencement of employment and thereafter annually, employees are required to sign an acknowledgement that they have received, read and understand all provisions of the Code of Ethics and certify compliance on an annual basis.

Under the Code of Ethics, Covered Persons must report investment holdings and transactions in accounts in the employee’s name or accounts over which the Covered Person has any direct or beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly. The Code of Ethics also requires Covered Persons to obtain pre-clearance from the CCO before investing in private placements, initial public offerings (“IPOs”) and securities on Rho’s restricted list. Under the Code of Ethics, Covered Persons are prohibited from trading in securities of any company while in possession of material, nonpublic information regarding the company.

Upon request of a Client or prospective Client, Rho will provide a copy of the Code of Ethics.

### ***Material Financial Interest in Client Recommendations***

A Fund may on occasion invest in a portfolio company of another Fund or co-invest with another Fund. For example, where a Fund that made an initial investment in a portfolio company does not, when an opportunity to make a follow-on investment in the company arises, have sufficient reserves for such investment, another Fund may elect to make such investment. Such transactions are generally subject to requirements agreed to by the Fund investors and set out in the applicable organizational documents, which may include a requirement to obtain the consent of the Advisory Committee of the applicable Fund. Rho may also have an ongoing relationship with companies whose securities have been acquired by, or are being considered for investment by, a Fund. From time to time, Rho may acquire securities or other financial instruments of a portfolio company for one Fund that are senior or junior



securities, or financial instruments, of the same issuer that are held by, or acquired for, another Fund. The interests of the Funds may not always be aligned, and actions taken for one Fund may be adverse to another Fund. For example, where multiple Funds invest in different parts of the equity capital structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company.

In addition, each Fund-of-Funds is an investor in third-party venture capital funds with which our VC Funds may co-invest in transactions. For example, a venture capital fund in which our Fund-of-Funds is a limited partner may have an investment in a company, and one of our VC Funds may invest in that company as well.

Rho recognizes that conflicts may arise under such circumstances, and as a result, has instituted policies and procedures that are reasonably designed to address such conflicts. It is Rho's policy to allocate such investments among Funds in a fair and equitable manner. See Item 11 below for a discussion of Rho's allocation policies and procedures.

To the extent a Fund co-invests with another Fund, Rho will generally seek to ensure that all Funds participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and a Fund may participate in such investments on different and potentially less favorable terms than another Fund if Rho deems such participation as being otherwise in the Fund's best interests. This may have an adverse impact on the relevant Fund.

Joshua Ruch, Chief Executive Officer, Managing Partner and Director of Rho, participates in the investment advisory activities of a family office. The family office is a separate business from Rho. The family office is not a client of Rho, but is an investor in several Funds advised by Rho. Mr. Ruch has discretion to invest family office assets in similar types of instruments as those in which Rho's Clients invest, and Mr. Ruch has a significant financial interest in all investments made by the family office. To the extent Mr. Ruch is involved with potential venture capital stage company investments for the family office, the potential investment will be offered first to the Rho Funds and then to the family office. With respect to investments that would be appropriate for any Rho Fund-of-Funds, any allocations between family office entities and Rho Fund-of-Funds would be in accordance with procedures set forth in the applicable Fund-of-Funds organizational documents. The family office does, on occasion, invest or co-invest in portfolio companies of the Funds. Any initial investments by the family office in a Fund's portfolio company, or any follow-on investment by the family office above the family office's pro rata share of the investment, will only be permitted if the investment opportunity is first offered, and subsequently declined, by the relevant Funds. From time to time, the family office may acquire securities or other financial instruments of a portfolio company that are senior or junior securities, or financial instruments, of the same issuer that are held by, or acquired for, a Fund, resulting in a potential conflict of interest for Mr. Ruch. To the extent that Mr. Ruch has a

material conflict of interest as a result of an investment made by the family office, Rho requires that Mr. Ruch abstain from participating in any relevant decisions at Rho.

### ***Outside Business Activities***

Rho's Covered Persons may serve as board members for a portfolio company and may receive standard "outside director" equity compensation packages directly from the company in the form of cash, stock options or restricted stock. Serving in such capacity may give rise to conflicts to the extent that a Covered Person's fiduciary duties to a portfolio company as a director may conflict with the interests of a Fund. Rho has also established policies and procedures requiring prior approval by the CCO for certain outside business activities.

Mark Leschly, Managing Partner and Director of Rho, is the sole owner and Managing Member of Iconica LLC, which is in the business of providing consulting services, including the personal services of Mr. Leschly. The services Iconica provides to its clients includes advice, counsel and management with respect to endorsement and branding activities, oversight of operational, financial and legal matters, advice and counsel with respect to potential investments to be made by Iconica's clients and advice and counsel with respect to public relations. Mr. Leschly's business through Iconica is completely separate from Rho and does not relate in any way to Rho's existing business activities. As part of the personal services Mark Leschly provides to Iconica's clients, Mr. Leschly serves as an officer of certain of Iconica's clients. To the extent that Mr. Leschly has a material conflict of interest as a result of any of his activities relating to Iconica, Rho requires that Mr. Leschly disclose such conflicts to the CCO.

### ***Personal Trading***

Personal investment by investment professionals and other personnel of Rho can present potential conflicts of interest for Rho and its personnel. Covered Persons of Rho may have direct and indirect investments of their own capital in a Fund. Covered Persons may also buy and sell securities or other investments for their own accounts. As a result of differing investment strategies or constraints, or for other reasons, positions may be taken by Covered Persons that are the same as, different from or made at different times than positions taken for a Fund. For the same reasons, Covered Persons may invest in public or private companies, private equity funds, private venture capital funds, hedge funds, real estate funds, mutual funds and other investments. Rho has established policies and procedures requiring prior approval by the CCO for investments by Covered Persons in private placements, IPOs and companies that are maintained on Rho's restricted list. Our restricted list generally consists of public companies in which any of our Funds holds a material position, as well as any other public company if there is a reasonable basis for concluding that we may have material, non-public information.

However, the potential exists for personal securities transactions by Covered Persons, including those which have been pre-cleared or approved in advance, to generate significantly higher investment returns to such personnel than any of the Fund's investment transactions generate for its own investors. Covered Persons are prohibited from "front-running" Client accounts, which is a practice in which a Covered Person purchases or sells a security in a personal account ahead of a Client if the security is being considered for purchase, sale or distribution by a Client or is being purchased, sold or distributed by a Client.

In addition to the above, some of the investments for our Funds are led by venture partners, who act as part-time consultants to Rho and focus on particular areas of technology investing. It is our standard practice that, in connection with any investment in a portfolio company in which a venture partner will be representing the Fund on the board of directors, or otherwise taking a management or consulting role with any such portfolio company, the venture partner receives separate compensation from the portfolio company in the form of stock options, restricted stock or other compensation, including cash. Pursuant to the terms of the Funds' limited partnership agreements, compensation received by our venture partners do not "offset" or otherwise reduce the management fees paid by the Funds.

Certain of Rho's members, owners, principals, directors, officers, employees, and family members and friends of those persons have invested, and may continue to invest in the future, in parallel investments alongside a Fund on a no-fee, no-carry basis simultaneous with and on the same terms as the Fund.

Employees of Rho may, on occasion, invest or co-invest in a portfolio company of a Fund. Any such investments will only be permitted if the investment opportunity is first offered, and subsequently declined, by the relevant Funds. From time to time, a Rho employee may acquire securities or other financial instruments of a portfolio company that are senior or junior securities, or financial instruments, of the same issuer that are held by, or acquired for, a Fund, resulting in a potential conflict of interest for such employee. To the extent that an employee has a material conflict of interest as a result of an investment made by such employee, Rho requires that such employee abstain from participating in any relevant decisions.

In addition, each Fund has a general partner or similar management entity that is a related person of Rho. Such management entities typically agree to make a capital commitment in a Fund. The amount of the capital commitment may vary from Fund to Fund.

Rho has policies and procedures reasonably designed to ensure that all Clients are treated fairly and equitably. In determining a fair and equitable allocation of a particular investment opportunity, Rho will consider, among other things, the size, investment purpose, risk tolerance, targeted allocations, permissible and preferred asset classes, liquidity needs, and any

other relevant facts and circumstances applicable to the respective Clients. Based on the nature of venture capital and private equity investing, it is anticipated that a primary factor that Rho will consider will be whether a Fund is in the process of building up its holdings during its investment period. In addition, Rho will consider and abide by the parameters of a Fund's governing documents. Rho will not determine allocations based upon whether a Fund has a Performance Fee or a different level of Performance Fee than another Fund.

In the event of a conflict of interest that is not otherwise addressed by the applicable organizational agreement, each of the applicable general partner (or similar management entity) and Rho will be guided by its fiduciary responsibilities, compliance policies and procedures and good faith judgment as to the best interests of the Fund and may, pursuant to the organizational agreement of the Fund, seek guidance from the applicable Advisory Committee of the Fund.

## **Item 12                      Brokerage Practices**

Rho manages accounts on a discretionary basis, which includes the buying and selling of securities and the amount of securities to be bought or sold. Rho is generally not frequently involved in the execution of securities transactions for Clients through broker-dealers because the Funds' investments are generally in private companies or private placements. At times, however, Rho will select a broker to assist in effecting a securities transaction. With respect to our VC Funds, Rho expects it would utilize a broker if it elected to purchase or sell public stock held by one of the Funds (e.g., purchasing or selling public stock in connection with a follow-on investment opportunity with one of our portfolio companies that has gone public). With respect to our Funds-of-Funds, Rho expects it would only use a broker-dealer to sell public stock received in the form of stock distributions from underlying portfolio funds.

In selecting brokers, Rho will seek best execution, which involves a number of quantitative and qualitative factors. Rho will consider the full range and quality of the broker-dealer's service to meet best execution obligations and may not pay the lowest commission rate available. The primary consideration is the trade price and commission quoted by the broker-dealer. Rho has no formal arrangements with any broker-dealer to receive research or other products or services other than execution, and Rho does not have any soft dollar or commission sharing arrangements that would require Rho to provide any specified amount of brokerage to a broker dealer. Rho may, at times, receive research reports free of charge from broker-dealers that may provide or seek to provide services to Rho, the Funds or portfolio companies. Any research reports received is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. When Rho receives research or other information from a broker-dealer free of charge, it could be viewed as receiving a benefit

it does not have to pay for, and Rho could be viewed as having an incentive to select or recommend a broker-dealer for a transaction on behalf of a Fund or portfolio company based on its interest in receiving such benefits rather than on receiving most favorable execution.

### ***New Equity Issue Allocation***

Rho seeks to achieve fair and equitable treatment of all Clients with respect to the allocation of new issues. To the extent a new issue investment opportunity arises with respect to a Fund's existing private portfolio company holding that has gone public, that particular Fund will be entitled to participate in the new issue before any other Funds are offered the opportunity. Outside of existing portfolio companies that go public, the Funds generally do not participate in new equity issues. The Funds, in compliance with The Financial Industry Regulatory Authority regulations, will allocate profit and loss from "new issues" only to Fund investors that may participate in such allocations, absent any relevant exemptions.

### ***Aggregated Trades***

Since Rho does not frequently trade public securities for Clients, it does not have many opportunities to aggregate trades for Client accounts. At times, however, Rho may, to the extent appropriate, permissible and/or feasible, aggregate multiple Client orders for the purchase or sale of the same security in order to negotiate more favorable commission rates or otherwise reduce transaction costs and will allocate such transactions on a pro rata or other reasonable basis.

**Item 13****Review of Accounts*****Account Reviews***

Rho generally reviews each Fund approximately quarterly or more frequently as deemed appropriate. The review generally includes analyzing performance of individual portfolio companies and the Funds and recommending changes to each portfolio as deemed appropriate. Each Fund's management team is responsible for the review of the applicable Fund.

***Investor Reports***

Rho provides Fund investors with detailed reports about the Fund generally on a quarterly basis. Fund investors receive (i) quarterly reports briefly summarizing the business activities and financial status of the Fund; (ii) annual audited financial statements; and (iii) information reasonably necessary for the preparation of income tax returns. Fund investors may also receive valuation reports that may be included in the Fund's quarterly report to investors. Rho may also provide investors with additional information concerning the Funds upon the request of any such investors, provided that such information is non-sensitive. Rho may edit such reports to protect the confidentiality of highly sensitive information.

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

During a fundraising cycle for a Fund, Rho may compensate placement agents who introduce new investors that commit capital.

Rho does not participate in arrangements with non-Clients that result in Rho receiving an economic benefit for providing investment advice or other advisory services to Clients. Neither Rho nor any of its related persons compensate any person for Client referrals.

**Item 15****Custody**

Rho may be deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of funds or securities of the Funds. Rho relies on the “audit exemption” in Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes audited financial statements annually to the investors in the vehicle.



## **Item 16                      Investment Discretion**

Rho has discretionary authority to manage securities accounts on behalf of each Fund pursuant to its organizational agreement, subject to certain limitations. Each organizational agreement is subject to negotiation with Fund investors and typically, for example, establishes the Fund's investment purpose, policies, strategies and limitations. Examples of such limitations include limitations on the amount of capital that may be invested in any one portfolio company, geographical limitations and limitations on borrowing by a Fund.

## Item 17

### Voting Client Securities

In accordance with Rule 206(4)-6 under the Advisers Act, Rho has adopted and implemented written policies and procedures to address how Rho will vote proxies on behalf of the Funds.

Rho votes all securities in the best interests of its Clients. Rho may abstain from voting if Rho determines that it is in the best interests of its Clients. Rho believes that this means the Clients' best economic interests over the long-term – that is, the common interest that all Clients share in seeing the value of a common investment increase over time. Rho does not take investment positions outside of the Funds it manages and therefore does not anticipate a situation where there would be a conflict between maximizing long-term investment returns for Funds and satisfying Rho's separate interests. If a Rho Covered Person or a venture partner has a separate position in a portfolio company that would represent a potential conflict of interest with respect to a particular vote, that person will not take part in the decision making process regarding the voting of any securities held by a Fund. If such a situation should arise involving a public security, we will independently review and evaluate the proxy proposal and the circumstances surrounding the conflict to determine how to vote the proxy in the best interest of the Fund. We may also determine whether the conflict of interest involving the public security will be disclosed to a Fund (and/or Fund investors) and whether to obtain consent prior to voting. Rho's General Counsel is responsible for voting client securities in a manner consistent with Rho's policies and procedures. In deciding how to vote a proxy, the General Counsel is generally expected to consult with the managing partner or partner responsible for covering the portfolio company that is soliciting the proxy vote. Clients may obtain a copy of our proxy voting policies and procedures, as well as records of how Fund securities have been voted, by sending a written request to: Jeffrey Martin, c/o Rho Capital Partners, 152 West 57th Street, 23rd Floor, New York, NY 10019, or [jmartin@rho.com](mailto:jmartin@rho.com).

## **Item 18                      Financial Information**

Rho does not require payment of fees or other compensation six months or more in advance. Rho is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our Clients. Rho has not been the subject of a bankruptcy petition within the preceding ten years.