

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



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This brochure provides information about the qualifications and business practices of Rho Acceleration, LLC. If you have any questions about the contents of this brochure, please contact us at 212-751-6677 and/or [pkalkanis@rhoacceleration.com](mailto:pkalkanis@rhoacceleration.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 Acceleration, LLC is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

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

## **Item 2                      Material Changes**

This Brochure is Rho Acceleration's annual updated to its ADV 2A Brochure. The brochure was updated since its initial filing in June 2022. This Brochure may be requested at any time, without charge, by contacting Rho Acceleration's CCO at [pkalkanis@rhoacceleration.com](mailto:pkalkanis@rhoacceleration.com).

We encourage current and future investors to read this Brochure as well as all of the governing and offering documents applicable to your current or prospective investment, in their entirety.

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## **Item 4                      Advisory Business**

Rho Acceleration, LLC (“RA”) provides investment advisory services to private equity funds (the “Funds” or our “Clients”). Our Funds focus on investing in technology companies in the software and digital media sectors.

The principal owners of RA are Habib Kairouz and George Bitar, each of whom owns 50% of RA.

The Funds are primarily structured as limited partnership vehicles or limited liability companies in which investors are limited partners or members and an RA 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 RA 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.

RA has approximately \$194,198,938 in discretionary assets under management as of December 31, 2022, which amount includes uncalled capital commitments. RA does not manage Fund assets on a non-discretionary basis.

## **Item 5                      Fees and Compensation**

Management Fees paid by our Funds to RA or an RA 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 Fund's investment period or for a specified period of years. After the investment period or a specific period of years, each Fund typically pays a Management Fee based on each Fund investor's pro rata share of 2% of the cost basis of portfolio securities then held by the Fund, less the cost basis of portfolio securities written off by the Fund.

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, RA may elect to reduce the Management Fee during any extension period.

Performance-based fees ("Performance Fees") paid by our Funds generally are paid to RA or an RA affiliate when distributions are made to the investors and are referred to as a "Carried Interest Percentage." The Carried Interest Percentage for our Funds typically equals 20% of the Fund's cumulative net profits following the return of all capital contributions and payment of a preferred return, but is subject to certain conditions and may be greater or less than 20%. 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 RA or friends and family of RA employees. Investments by employees, friends and family in any Fund or through any 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 RA, which are typically salaries and benefits of our personnel and the cost of maintaining RA's place of business). These costs and expenses may 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, as well as out-of-pocket travel expenses incurred by the General Partner or its affiliates in investigating, evaluating or monitoring investments or investment opportunities; (v) insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; (vi) costs of financial statements and other reports to Partners as well as costs of governmental returns, reports and other filings; (vii) costs of meetings of the partners or advisory committees of the Fund; and (viii) costs and expenses associated with preparing Fund tax returns, making tax elections and determinations, and similar activities. To the extent possible, third-party legal expenses incurred in connection with consummated transactions are borne by the respective portfolio companies of the Funds. Typically the terms of our Funds provide that any fees paid to placement agents will reduce the amount of management fees paid by the Funds over a period of time, such that the cost will ultimately be borne by the management company. 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 RA's services terminate prior to the end of the relevant payment period. The Management Fees and/or Performance Fees may be waived or reduced at the discretion of RA for certain limited partners, including with respect to RA employees.

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

RA manages Funds with Performance Fees, which are described above in Item 5, and RA also manages 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 RA to take increased investment risk on behalf of a Fund for which RA receives a larger performance fee because it could receive greater compensation from the Fund.

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

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

## **Item 7                      Types of Clients**

RA 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 may 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.

Some of our Funds may be specifically formed to make co-investments alongside other of our Funds to the extent the size of an applicable investment opportunity is larger than the amount of capital such other Fund is able to invest.

Most of the capital invested in the Funds is attributable to U.S. and non-U.S. institutional investors, including private pension plans, funds-of-funds and family offices.

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

The Funds have entered into “side letters” or similar agreements with certain limited partners pursuant to which a Fund’s general partner grants to such limited partners specific rights, benefits or privileges that are not available to limited partners generally, including access to co-investment opportunities and preferential economic terms.



## **Item 8**

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

We focus on growth equity, control or joint-control investments into software and digital media companies. Our strategy is to make initial investments into platform companies typically having between \$20 and \$150 million in annual revenues. Following our initial investment, our strategy is to re-invest in the portfolio company's sales and marketing for existing products, make small, opportunistic investments in emerging technologies, and pursue strategic, bolt-on acquisitions.

In evaluating private equity 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
- Strength of brand
- Ability of the business model to scale, either organically or through acquisitions
- Identification of potential bolt-on acquisition candidates
- 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 involve meetings with management, review of marketing strategies, analysis of products, 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 two Managing Partners, Habib Kairouz and George Bitar.

Typically the investments made by our 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 or common stock from the portfolio company or from existing shareholders. We also may 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. Our initial investments typically include the right to representation on the portfolio company's board of directors.

### ***Material Risks***

The investment strategies employed by RA subject the Funds to various risks. An investment in a Fund managed by RA 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 RA'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/emerging enterprises or middle market 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 often will be little or no publicly available information regarding the status and prospects of portfolio companies. Many investment decisions on behalf of Funds are dependent upon the ability of personnel of RA 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 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 Fund, RA or their respective affiliates). 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.

The 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 and privately held middle market companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of any Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by any Fund. In particular, the receptiveness of the public market to initial public offerings by any 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 Fund may be prevented from disposing of a portfolio company's securities for a material period of time due to a contractual "lock- up," applicable law or other restrictions. Similarly, the receptiveness of potential acquirors to any 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 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 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 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 some (possibly most) cases, the success of a Fund's portfolio companies will depend upon the development of business, technology or other "ecosystems" that may or may not reach critical mass during the relevant time period. In particular, there have been many examples of technology-related investments that failed to produce attractive returns simply because they were made too early in the development of such ecosystems, and there can be no assurance that a Fund will make investments at the proper time to achieve its investment goals. Some portfolio company investments may be based upon the assumption that acquisition or roll-up transactions will provide assets, customers or other resources necessary for success. Such transactions might not occur, with the result that otherwise attractive investments may yield poor results. Alternatively, such acquisitions may occur, but companies often experience significant merger integration risks when attempting to combine separate businesses, which could lead to poor results. 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 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. 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, RA 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 RA 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 RA personnel. Moreover, such an offset generally will not apply in respect of fees received by persons who are not members of a Fund's general partner entity, even if such persons hold titles such as entrepreneur-in-residence, executive-in-residence, operating partner, venture partner or venture advisor (and such an offset generally will not apply in respect of operating partners even if they are "admitted" to the Fund's general partner entity).

Under certain circumstances, RA personnel may make investments separate and apart from, or alongside with, one or more Funds. RA personnel are typically permitted to manage other investment funds and similar vehicles (including vehicles that co-invest with the applicable Fund) 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, RA 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 RA personnel have a pre-existing interest or subsequently acquire an interest via different investment funds or other means. Among other considerations, when RA personnel hold interests in portfolio companies other than through a Fund, those interests may substantially differ from the Fund's interests in such companies due

to differences in liquidation preference, voting rights or other investment terms. This may result in such RA personnel having personal investment interests that directly conflict with the interests of a Fund.

RA personnel may, in connection with their management of other investment funds or otherwise, enter into (or have entered into) non-competition or similar agreements that effectively preclude a Fund from taking advantage of certain investment acquisition or disposition opportunities or otherwise adversely impact the Fund.

Conflicts of interest are not limited to RA personnel who are investment professionals. They may extend to all affiliated personnel, including finance, compliance and other back-office staff of RA and its affiliates.

A Fund's portfolio companies may come into competition with other companies in which RA personnel have an interest via different investment funds or other means. In addition, portfolio companies of a Fund may acquire, or be acquired by, portfolio companies of other investment funds directly or indirectly associated with RA personnel.

Typically, provisions applicable to each Fund that allow RA personnel to engage in investment, management or other activities outside, or alongside with, the Funds, or to cause any Fund to make investments (or otherwise approve transactions) in respect of which such personnel have conflicting interests, will override certain common law and statutory fiduciary duties that would apply in the absence of such provisions and (in particular) may place a Fund's investors in a materially less favorable position than if RA personnel engaged in no activities other than managing the applicable Fund or were otherwise subject to unmodified fiduciary duties to the Fund and its investors. For example, such provisions may enable RA personnel to direct attractive investment opportunities to persons other than a Fund or to place themselves in a conflict situation pursuant to which they are incentivized to exercise voting rights in respect of specific portfolio securities in a manner that harms a Fund but benefits other investment funds/persons with which such personnel are associated. Each Fund's limited partnership agreement contains certain protections against conflicts of interest faced by RA and its affiliates and personnel, but those protections will be strictly limited to their terms and will not purport to address all types of conflicts that may arise. In particular, generally, a Fund's limited partnership agreement specifies a variety of circumstances in which RA and its affiliates and personnel may subject themselves to conflicts of interest, or engage in actual transactions that conflict with the interests of the Fund, without providing specific notice thereof to the Fund.

Generally, a Fund will not have a "right" to participate in any investment opportunity made available to RA or its affiliates, and any such opportunity may be presented to other persons. Such other persons may include, without limitation, a subset of the applicable Fund's investors,

other investment vehicles managed by RA or its affiliates, and third parties who are in a position to provide benefits to RA or its affiliates. A Fund's right to participate in investment opportunities is specifically limited and defined in its limited partnership agreement, and it is expected and intended that RA personnel will exercise their rights to carry out investment and investment-related activities outside (and potentially in competition with) any Fund. This may include providing other persons with the opportunity to co-invest with a Fund on a deal-by-deal or continuing basis.

Certain transactions that involve conflicts of interest between RA 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 RA. 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 RA 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.

Risks relating to conflicts of interest are not limited to conflicts affecting RA and its affiliates. The investors in the Funds are expected to have widely differing interests on a variety of tax, regulatory, business, investment profile and other issues. This may, in turn, give rise to a number of risks that a Fund's investors as a group will not act in a manner consistent with the best interests of the Fund's investors as a group or the best interests of the Fund itself. For example, an investor in a Fund may decline to provide its consent to a proposed action by the Fund, RA or its affiliates due to goals or incentives that are unique to such investor and in conflict with the interests of the Fund or other investors. Furthermore, conflicts of interest among the investors likely will make it impracticable for RA and its affiliates to manage the affairs of a Fund in a manner that is viewed as optimal by all of its investors, and neither RA nor any of its affiliates will be under any obligation to do so.

***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 private equity business is highly competitive, and has become more so in recent years due to a substantially increased flow of capital into growth and private equity funds. RA competes with other established companies and investment organizations 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; Broad Investment Authority.*** Each Fund typically invests over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Fund operates is expected to 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 RA or its affiliates in the past may not be successful, or even practicable, during any particular Fund's term. Subject only to the limits set forth in a Fund's limited partnership agreement, RA and its affiliates will have broad authority to implement, expand, contract, adapt and otherwise modify a Fund's investment sourcing, selection, management and liquidation strategies and procedures in such manner as RA and its affiliates determine to be appropriate.

***Reliance Upon Certain Persons.*** Each Fund is particularly dependent upon the efforts, experience, contacts, personal relationships, reputations and skills of certain personnel of RA 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, RA personnel are not required to devote their time and attention exclusively to any particular Fund. As among RA 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 RA 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. There can be no assurance that such RA personnel will be able to duplicate prior levels of success.

RA or its affiliates may appoint or admit certain persons to "advisory" or other committees or boards intended to assist a Fund by providing insights, advice or assistance regarding such diverse matters as technology, macro trends in economics, markets, product development, and other fields, industry contacts, deal flow, diligence, technical evaluations, portfolio company mentoring, service on portfolio company boards, personnel recruiting, or other matters. Under most circumstances, such persons will have no contractual or other obligation to continue as members of such committees or boards or to provide any particular insights, advice, assistance or other benefits. Certain Fund terms may provide that the costs associated with any such committees would be borne by the Fund. Similar considerations apply to persons identified as entrepreneurs-in-residence, executives-in-residence, operating partners, venture partners or

advisors, who generally will have no obligation to provide any particular insights, advice, assistance or other benefits to RA, any of its affiliates or any Fund. Accordingly, any such benefits may not exist or may terminate at any time.

RA or its affiliates may organize "affiliates" or "side" funds (each, a "Side Fund") that would accept capital commitments from potentially helpful individuals or organizations ("Side Fund Investors"), and co-invest with a Fund in the manner set forth in the Fund's limited partnership agreement. Side Fund Investors may provide insights, advice or assistance of the same types described in the preceding paragraph, and may be permitted to invest the applicable Side Fund with a lower fee/carry burden than is borne by investors in the Fund. Nevertheless, Side Fund Investors generally would have no contractual or other obligation to provide any actual insights, advice, assistance or other benefits to a Fund or to RA and its affiliates. Accordingly, any such benefits may not exist or may terminate at any time.

**Reliance on Third Parties.** RA, its affiliates and each Fund rely upon the services of a variety of third parties, including but not limited to attorneys, accountants, bankers, brokers, custodians, consultants (including "finders" and similar persons engaged to assist with the development and exploitation of portfolio deal flow, as well as "experts" and similar persons engaged to assist with the assessment of technologies, markets and other matters) and various other persons or agents. RA and its affiliates may also utilize the services of non-executive directors who provide such services on a professional basis and are not primarily part of RA. 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. Except as otherwise provided in a Fund's limited partnership agreement, the fees and costs associated with such third parties will be paid by the applicable Fund.

**Relationship with RA Affiliates.** While it is the general intention that investment opportunities will be apportioned among each Fund and other RA Clients and investment funds affiliated with RA on a fair and reasonable basis, there is no assurance that any Fund will be offered any specific investment opportunities that come to RA'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 RA's or its affiliates' discretion.

**Removal of the General Partner.** In certain cases, Funds' organizational agreements provide that RA or its affiliates may not be removed from their management or control positions in respect of the Funds without the applicable RA 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 RA 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 RA or Its Affiliates.*** Because the percentage of each Fund's profits allocated to RA will generally exceed the capital contribution percentage of RA in the applicable Fund, and because certain net losses otherwise allocable to RA will be specially allocated to all Fund's investors (subject to certain limits), RA may have an incentive to cause any Fund to make investments that are riskier or more speculative than if RA 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 "RA" also include RA's affiliates, where the affiliated entity receives the applicable performance compensation.

Moreover, RA personnel generally will benefit from management fees paid by a Fund even if the Fund is not profitable. Among other things, this arrangement may incentivize RA and its affiliates to maintain the existence of a Fund (or to defer causing the Fund to dispose of portfolio assets) for the purpose of maintaining the payment of management fees.

***Illiquid Securities.*** Funds generally hold securities that are subject to a variety of legal or practical limitations on sale. In particular, immediately following a distribution of securities from a Fund, trading volume may be insufficient to support sales by limited partners without such sales triggering a price decline that makes it difficult or impossible for such limited partners to sell such securities at the distribution price.

***Concentration of Investments.*** Any Fund's portfolio may become concentrated in a limited number of companies in certain high technology or other industries, increasing the vulnerability of that Fund's portfolio as compared with a portfolio that is more diversified. In certain cases, a given 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. 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 technology companies (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 may not have sole control over the management of the portfolio companies 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. 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 likely will not trigger any particular ability of that Fund to dispose of its investment in such portfolio company, with the result that the value of the Fund's investment in a portfolio company may be materially impacted by the decisions of other investors.

**Litigation Risks.** Each Fund is subject to a variety of litigation risks, particularly in the case of Fund's that hold portfolio companies that are not yet profitable, where there is a substantial risk 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 Funds may actively assist portfolio companies in differing capacities (including, without limitation, by serving as directors or advisors). A Fund 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 RA or its affiliates may be named as defendants. Under most circumstances, 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 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 RA and its affiliates of liability for certain improper acts or omissions. For example, RA 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 RA 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 RA'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.

**Expenses.** Each Fund's limited partnership agreement contains detailed provisions regarding the apportionment of expenses between RA and its affiliates (on the one hand) and the Fund (on the other hand). As a general matter, RA and its affiliates must bear their own internal costs of existence and operations, such as rent, member/employee salaries, and their own internal financial reporting and tax preparation. In general, the Fund must pay management fees to its general partner (the right to receive such fees may be assigned by such general partner to another RA entity) as well as substantially all other expenses associated with the organization, existence and operations of the Fund. As described in each Fund's limited partnership agreement, expenses to be borne by the Fund generally include, without limitation, expenses associated with the formation of its general partner itself (because the general partner, as an entity, has been created specifically in connection with the Fund), costs of marketing/placing interests in the Fund, legal and other fees associated with the formation of the Fund (including fees charged by attorneys representing the Fund's general partner or the fund for negotiations with prospective investors), virtually all out-of-pocket costs associated with identifying, acquiring, monitoring, improving and disposing of Fund investments (including costs of travel, fees paid to "finders" and costs associated with broken deals), costs of hedging against changes in the value of Fund assets or obligations, most costs associated with litigation (or threats of litigation) against the Fund, its general partner, RA and its affiliates and RA personnel, the costs of preparing Fund financial statements, tax returns and other reports, the fees of attorneys, accountants, consultants, brokers, advisors and other third parties, and costs associated with certain securities law and similar compliance obligations imposed upon the general partner or the Fund.

The cost of fees paid by a Fund may be very substantial. For example, the Fund's general partner may engage third parties on behalf of the Fund to identify/source investment opportunities, perform analysis/diligence in respect of potential investments, technologies, markets, or other issues, or provide portfolio companies with advice, guidance or other benefits. The apportionment of expenses inherently creates conflicts of interest between the Fund and its general partner. For example, in many cases, the same individual could be admitted or engaged as a member or employee of the general partner or RA (in which case, the general partner or RA generally would bear the expense of such individual's salary, etc.) or as a consultant/advisor (in which case the Fund or a portfolio company generally would bear the expense of fees paid to such individual). In certain cases, a portfolio company may reimburse a

Fund's general partner or RA (or another RA affiliate) for costs that otherwise would be borne by the general partner or RA (or another RA affiliate) under the Fund's limited partnership agreement. In general, the Fund would not be entitled to benefit from any such reimbursement.

A Fund may incur expenses in connection with a potential investment that is expected to be made by the Fund along with one or more co-investors. As a general matter, the Fund will be obligated to pay all of its expenses in connection with an investment opportunity that is considered by the Fund, even if the investment is not consummated, and even if potential co-investors do not agree to pay any share of such expenses. To the limited extent set forth in a Fund's limited partnership agreement, the Fund's general partner is obligated to apportion expenses among the Fund and certain other funds affiliated with the general partner. However, many other types of circumstances may arise. For example, the general partner (or a member or affiliate thereof) may attempt to create a special purpose vehicle or similar entity that will complete its formation and otherwise be in a position to bear expenses relating to a potential co-investment only if the co-investment is consummated. Thus, there may be no third party that has agreed to share expenses with the Fund if the co-investment is not consummated, with the result that the Fund may bear all of its expenses notwithstanding that third parties may have benefitted from the opportunity to review, investigate and otherwise assess the potential co-investment. A Fund's general partner will have no obligation to prevent such circumstances from arising.

***Freedom of Information/Sunshine Laws.*** Under "freedom of information," "sunshine," "public records" and similar laws, certain governmental or other regulated entities such as state universities and pension funds may be required to publicly disclose confidential information regarding a Fund or its portfolio companies, notwithstanding contractual obligations (such as those contained in the Fund's limited partnership agreement) to the contrary. Any such disclosure could have a material adverse effect upon the Fund or its portfolio companies, and could even expose the Fund, RA, its affiliates and RA personnel to claims for damages brought by portfolio companies or other persons related thereto. Nevertheless, the Funds' limited partnership agreements do not prohibit such entities from being admitted to the Funds.

***Regulatory Concerns.*** The Funds are subject to a variety of securities laws and other types of governmental regulation in the United States and other jurisdictions (including, for Funds organized under Cayman Island law, the Cayman Islands) that may limit the scope of its operations or impose material compliance costs and other burdens. Such laws and regulations are subject to change at any time.

While RA believes that the Funds are not subject to the registration requirements of the United States Investment Company Act of 1940, as amended (the "Investment Company Act"), there can be no assurance that this belief is, or will continue to be, correct. If a Fund were subject to such registration requirements, the Fund's performance could be materially adversely affected.

**Limited Term.** As set forth in each Fund's limited partnership agreement, the Fund's "term" will be limited and may be extended only under certain circumstances. This may place a Fund at a disadvantage relative to other investment entities that have a longer-term investment horizon and may cause RA and its affiliates, in managing the Fund, to make investment acquisition or disposition decisions that are less advantageous to the ultimate performance of the Fund than the decisions that would be made if the Fund's Term were longer. Disadvantages associated with a Fund's limited term include the possibility that the Fund may sell portfolio securities during the Fund's dissolution and liquidation period at lower prices than could have been obtained if the Fund were able to act as a more "patient" investor. As set forth in the Funds' limited partnership agreements, a Fund's liquidation and winding-up period may extend for a very substantial period of time due to contingent liabilities associated with the Fund's disposition of portfolio securities, lock-ups or other restrictions on the transfer of portfolio securities, or for other reasons. In particular, it is specifically contemplated that a Funds will enter into a variety of transactions (e.g., purchases of non-marketable securities subject to transfer restrictions, sales of portfolio securities that create Fund contingent obligations for indemnification or purchase price adjustment, and registrations of portfolio securities involving lock-ups) that may not be fully resolved or subject to exit during the Fund's Term or a brief period thereafter.

**Reserves.** Each Fund generally establishes reserves for items such as follow-on investments in portfolio companies, operating expenses (including management fees payable to RA 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. The ability of any Fund to borrow is often 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 Fund. For example, if reserves are inadequate, any 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 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 RA or its affiliates may serve as officers or directors of Fund portfolio companies. In their capacity as officers or directors (or even simply by virtue of a Fund's status as a significant shareholder of a portfolio company), such individuals may become subject to fiduciary or other duties that adversely affect one or more Funds. For example, any 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, a Fund's 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 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 Fund, such person's fiduciary duties to the portfolio company will prevail.

***Sole or Principal Outside Investor.*** With respect to certain portfolio companies, any 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 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 RA or its affiliates of opportunities to consult with such investors regarding the portfolio company.

***Portfolio Company Compliance Concerns.*** Relative to more mature companies, middle market companies often have not yet developed comprehensive legal, regulatory, financial audit/control and similar compliance capabilities. This will make it more difficult for personnel of RA or its affiliates to conduct diligence upon prospective portfolio companies and to monitor companies that have entered the Fund's portfolio. It enhances the risks that otherwise successful portfolio companies will experience adverse consequences due to unintended violations of legal, regulatory or similar obligations. It also enhances the risks that portfolio companies or the Fund will experience adverse consequences due to intentional wrongdoing by portfolio company personnel or third parties.

***Bridge Financing Risk.*** From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity. Bridge loans are typically convertible into a more permanent, long-term security. There is a risk that a bridge loan would

remain outstanding when a long-term security does not issue. In such an event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by a Fund.

***Cybersecurity Risk.*** Information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although RA has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, RA may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in RA's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Clients or investors. Such interruptions could harm RA's reputation, subject RA and its affiliates to legal claims and otherwise affect RA's business and financial performance.

***Epidemic or Pandemic Risk.*** There is a risk that a Fund's investments could be, directly or indirectly, affected by one or more outbreaks of disease. COVID-19, for example, is an ongoing epidemic in multiple countries, including the United States. It is possible that this coronavirus, or some future epidemic or pandemic, could have a materially negative impact on economic fundamentals (including disruption of global supply chains), consumer confidence, tourism and/or the performance of essential government services. It is not possible to predict the severity of the effect that any such future events would have on the U.S. and non-U.S. economies, the value of a Fund's investments or the performance of a Fund. Risks related to epidemics or pandemics and the impacts on public markets, such as decreased customer traffic, interruption of supply chains (and resulting shortages or cost increases), increased litigation against portfolio companies, closures of schools and businesses, and negative effects on consumer spending patterns may result in a protracted downturn in the global economy, which could negatively impact the performance of a Fund.

***Risks Associated with Use of Non-United States Fund Entities.***

Some Funds are organized under the laws of the Cayman Islands, which differ in significant respects from United States law. In particular, certain provisions of a Fund's partnership agreement that would be enforceable under Delaware law may not be enforceable under the laws of the Cayman Islands. In order to supplement the enforceability of such provisions, each limited partner of a Fund organized under the laws of the Cayman Islands executes a separate

"enforceability agreement" governed by Delaware law. The efficacy of such agreements has not been fully tested in the courts. Any failure of enforceability of a Fund's limited partnership agreement could be disruptive to the smooth operation of the Fund.

## **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 RA serves as the General Partner or Managing Member of the Fund. RA coordinates the formation of limited partnerships or limited liability companies to serve as these General Partner or Managing Member entities.

As with other private equity fund sponsors, RA and its employees have developed many relationships with third parties that have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, consultants, professional advisors (such as attorneys and accountants), private equity investors, and current and former directors, officers and employees of portfolio companies. Certain third parties may introduce investment opportunities, arrange for, or facilitate the financing, the purchase or recapitalization of potential portfolio companies, introduce portfolio companies to potential acquisition or merger candidates, provide investment banking, consulting or advisory services to RA, the Funds or portfolio companies, invest in the Funds or provide other significant business or investment services to RA, the Funds or portfolio companies. Such third parties may receive compensation from RA, the Funds or portfolio companies for providing these services, which compensation and services are intended to be on an arm's length basis.

**Rho Capital Partners, Inc.**

Habib Kairouz, Managing Partner of RA, participates in the investment advisory activities of Rho Capital Partners, Inc. ("Rho Capital"). Rho Capital is an exempt reporting adviser and exclusively focuses on the management of venture capital funds and investments into early and venture capital stage businesses (the "VC Business"). The VC Business is a separate business from RA, and Mr. Kairouz co-manages the VC Business along with two other persons who are not involved in the management of RA and its Funds. See "Material Financial Interest in Client Recommendations" under Item 11 below for a discussion of potential conflicts of interest.

## **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”), RA maintains a Code of Ethics. The Code of Ethics sets out standards of conduct expected of each of RA’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 RA’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, RA 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. RA 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, RA 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.

RA 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 RA's policy to allocate such investments among Funds in a fair and equitable manner. See Item 11 below for a discussion of RA's allocation policies and procedures.

To the extent a Fund co-invests with another Fund, RA 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 RA deems such participation as being otherwise in the Fund's best interests. This may have an adverse impact on the relevant Fund.

Habib Kairouz, Managing Partner of RA, participates in the investment advisory activities of Rho Capital Partners, Inc., which exclusively focuses on the management of venture capital funds and investments into early and venture capital stage businesses (the "VC Business"). The VC Business is a separate business from RA, and Mr. Kairouz co-manages the VC Business along with two other persons who are not involved in the management of RA and its Funds. With respect to investment opportunities sourced by Mr. Kairouz that are early or venture capital-stage, and accordingly not appropriate for RA, Mr. Kairouz is obligated to offer such opportunities to the VC Business. RA may, on occasion, invest or co-invest in portfolio companies of funds managed as part of the VC Business to the extent that (i) the applicable venture capital fund that is part of the VC Business either elects not to participate, or participates but there is excess capacity with respect to the investment opportunity and (ii) such investment opportunity is appropriate and consistent with the RA strategy. From time to time, to the extent a Fund and the VC Business are invested in the same portfolio company, either such Fund or the VC Business may acquire securities or other financial instruments of such portfolio company that are senior or junior securities, or financial instruments, of the same issuer that are held by , or acquired for, the other. To the extent that Mr. Kairouz has a material conflict of interest as a result of an investment made by RA or the VC Business, RA requires that Mr. Kairouz abstain from participating in any relevant decisions at RA.

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

RA'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. RA has also established policies and procedures requiring prior approval by the CCO for certain outside business activities.

### ***Personal Trading***

Personal investment by investment professionals and other personnel of RA can present potential conflicts of interest for RA and its personnel. Covered Persons of RA 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. RA 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 RA'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 operating partners, who act as part-time consultants to RA 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 an operating 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 operating 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 operating partners do not "offset" or otherwise reduce the management fees paid by the Funds.

Certain of RA'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 RA 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, an RA 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, RA 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 RA. 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.

RA 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, RA 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 private equity investing, it is anticipated that a primary factor that RA will consider will be whether a Fund is in the process of building up its holdings during its investment period. In addition, RA will consider and abide by the parameters of a Fund's governing documents. RA 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 RA 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**

RA manages accounts on a discretionary basis, which includes the buying and selling of securities and the amount of securities to be bought or sold. RA 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, RA will select a broker to assist in effecting a securities transaction. With respect to our Funds, RA 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).

In selecting brokers, RA will seek best execution, which involves a number of quantitative and qualitative factors. RA 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. RA has no formal arrangements with any broker-dealer to receive research or other products or services other than execution, and RA does not have any soft dollar or commission sharing arrangements that would require RA to provide any specified amount of brokerage to a broker dealer. RA may, at times, receive research reports free of charge from broker-dealers that may provide or seek to provide services to RA, 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 RA 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 RA 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***

RA 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 RA does not frequently trade public securities for Clients, it does not have many opportunities to aggregate trades for Client accounts. At times, however, RA 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***

RA 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***

RA 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. RA may also provide investors with additional information concerning the Funds upon the request of any such investors, provided that such information is non-sensitive. RA 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, RA may compensate placement agents who introduce new investors that commit capital.

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

**Item 15****Custody**

RA is deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of funds or securities of the Funds. RA 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**

RA 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, RA has adopted and implemented written policies and procedures to address how RA will vote proxies on behalf of the Funds.

RA votes all securities in the best interests of its Clients. RA may abstain from voting if RA determines that it is in the best interests of its Clients. RA 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. RA 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 RA's separate interests. If an RA Covered Person or operating 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. RA's Chief Financial Officer is responsible for voting client securities in a manner consistent with RA's policies and procedures. In deciding how to vote a proxy, the Chief Financial Officer 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: Peter Kalkanis, c/o Rho Acceleration, LLC, 152 West 57th Street, 23rd Floor, New York, NY 10019, or [pkalkanis@rhoacceleration.com](mailto:pkalkanis@rhoacceleration.com).

## **Item 18                      Financial Information**

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