

# **NightDragon Administrative LLC**

**Form ADV Part 2A**

**December 31, 2021**

**101 Second Street, Suite 1275**

**San Francisco, CA 94105**

**415-518-5419**

**[www.nightdragon.com](http://www.nightdragon.com)**

This Form ADV Part 2A (“Brochure”) provides information about the qualifications and business practices of NightDragon Administrative LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Adviser by phone at 510-306-7780 or by email at [steve@nightdragon.com](mailto:steve@nightdragon.com).

Registration as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

This is the Adviser's initial filing of the Form ADV Part 2A. As such, there are no material changes at this time.

### **Item 3: Table of Contents**

Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance-Based Fees and Side-By-Side Management.....	7
Item 7: Types of Clients .....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9: Disciplinary Information .....	22
Item 10: Other Financial Industry Activities and Affiliations.....	22
Item 11: Code of Ethics, Participation/Interest in Client Transactions and Personal Trading.....	27
Item 12: Brokerage Practices.....	28
Not Applicable to NightDragon. ....	29
Item 13: Review of Accounts .....	29
Item 14: Client Referrals and Other Compensation .....	30
Item 15: Custody .....	30
Item 16: Investment Discretion.....	30
Item 17: Voting Client Securities .....	30
Item 18: Financial Information .....	31

## **Item 4: Advisory Business**

### **A. Description of Advisory Business**

NightDragon Administrative LLC (or the “Adviser”), together with its affiliated general partner entity (the “General Partner”) with which it shares common control (collectively, “NightDragon”) provides investment advisory services to a privately offered, pooled investment fund (the “Fund”). The Adviser is a Delaware limited liability company formed in 2019 and owned by Managing Members Dave DeWalt and Ken Gonzalez. The Adviser also shares common control with the affiliated General Partner, which serve as sponsors to the Fund.

### **B. Description of Advisory Services**

NightDragon is an investment firm comprised of strategic operating investors focused on partnering with companies addressing large market opportunities within the cybersecurity, safety, security, and privacy (“CSSP”) sectors. Fund portfolio companies are generally private companies domiciled in North America, Israel, and Europe, and focus on growth, late-stage, and special situation investment opportunities where NightDragon can work with management teams to scale and grow the business. NightDragon’s strategy addresses generational technology changes that create disruption opportunities in the market across terrestrial, air, and space.

NightDragon has a team of investment professionals with a combination of deep and extensive operating experiences leading enterprise and government organizations. In addition, NightDragon has developed a vast network of strategic relationships to bring leverage for its portfolio companies. In addition to offering access to pooled investment opportunities through the Fund, NightDragon may also offer direct private investment and co-investment opportunities through a special purpose vehicle that may be formed for such purpose.

Investors in the Fund (“Investors”) should refer to the relevant vehicle’s organizational documents, limited partnership agreement or any other offering documents, including the exhibits and appendices thereto, and other governing documents (collectively, the “Governing Documents”) for definitive and detailed information regarding the matters described in this Brochure.

The Fund relies on certain exclusions from the definition of “investment company” found in the Investment Company Act of 1940, as amended (“1940 Act”). Accordingly, the Fund is not registered as an investment company with the SEC.

### **C. Client Investment Objectives and Restrictions**

NightDragon does not tailor its advisory services to the individual needs of Investors. Instead, NightDragon provides investment advice to the Fund rather than to the individual underlying Investors. Investment restrictions for the Fund are established in its Governing Documents.

### **D. Wrap Fee Programs**

NightDragon does not participate in wrap fee programs.

## **E. Regulatory Assets Under Management**

As of December 31, 2021, NightDragon's regulatory assets under management consisted of the following:

- Discretionary: \$806,221,436
- Non-Discretionary: \$0

## **Item 5: Fees and Compensation**

### **A. Advisory Fees and Compensation**

It is critical that Investors refer to the Governing Documents for a complete understanding of how advisory fees are paid to NightDragon. The information contained herein is a summary only and is qualified in its entirety by such documents.

**Management Fees:** NightDragon receives compensation for the provision of investment advisory services to the Fund in the form of Management Fees. Management Fees paid by the Fund are calculated based on committed capital and subject to various offset or other provisions within the Fund Governing Documents. The precise amount of, and the manner and calculation of, the Management Fees for the Fund are established by NightDragon and are set forth in the Fund's Governing Documents received by each Investor prior to investment in the Fund. The fee structures described herein may be modified from time to time. NightDragon, in its sole discretion, may modify, reduce or waive any Management Fee at any time, including with respect to one or more Investors.

**Carried Interest:** A portion of the profits of the Fund is distributed to the General Partner, if any, as "carried interest" (the "Carried Interest") generally related to and based on the investment performance of the Fund. The allocation of Carried Interest is dependent on meeting certain criteria defined in accordance with the Governing Documents of the Fund.

### **B. Payment of Fees**

Pursuant to the terms of the various Governing Documents, NightDragon deducts advisory fees from Fund assets as follows:

- Management Fees are calculated on the first day of the fiscal quarter, payable in advance of the applicable quarter.
- Carried Interest paid by the Fund is typically based on profits realized from the Fund's investments. Carried Interest, if applicable is earned and payable in accordance with the terms set out in the applicable Governing Documents for the Fund.

Certain affiliated persons of NightDragon that participate in the Fund are not charged advisory fees as described above.

### **C. Other Advisory Client Fees and Expenses**

To the extent provided in the Governing Documents of the Fund, the Adviser will bear all normal operating expenses incurred in connection with the management of the Fund, which generally shall include, without limitation, expenditures on account of salaries, wages and other expenses of employees of the Adviser, rentals payable for space used by the Adviser or the General Partner, utilities, office supplies and equipment.

To the extent set forth in the Fund's Governing Documents, the Fund shall bear all costs, expenses and losses incurred by the Fund, the General Partner or the Adviser and associated with formation, operation, dissolution, winding-up, or termination of the Fund: out-of-pocket expenses associated with the organization of the General Partner or the Fund or the syndication of interests therein; legal, accounting, audit, valuation, tax compliance, regulatory compliance, custodial, registered agent and other professional fees; consulting fees relating to services rendered to the Fund that could not have been reasonably rendered by the General Partner or its members in the ordinary course of their activities; banking, brokerage, registration, qualification, finders, depositary and similar fees or commissions; transfer, capital and other taxes, as well as charges, duties and fees, and any other out-of-pocket costs (including broken-deal, unconsummated deal and similar fees and costs, as well as costs of data, market intelligence and similar services), incurred in evaluating, acquiring, holding, monitoring, selling or otherwise managing or disposing, or hedging against changes in the value of Fund investment opportunities, assets or obligations; insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; costs of financial statements and other reports to Investors, costs of governmental returns, reports and other filings, and costs of governmental examinations, audits, investigations and similar proceedings; costs of meetings of the Investors (meetings of the Advisory Committee), including the reasonable travel and other out-of-pocket costs incurred by the General Partner (and Advisory Committee members) in attending such meetings; interest expenses; amounts paid to or for the benefit of portfolio companies other than as capital contributions thereto or in exchange for securities issued thereby; the Management Fee, as well as any out-of-pocket costs, expenses or losses incurred in generating or realizing fees subject to offset; advertising (including event sponsorship and attendance, and professional organization costs) and public notice costs; costs and expenses associated with preparing Fund tax returns, making tax elections and determinations, and similar activities; taxes and other governmental charges imposed upon the Fund as an entity; reasonable out-of-pocket travel, business meals and related expenses incurred by the General Partner or the Adviser in connection with their activities on behalf of the Fund or portfolio company; fees and expenses chargeable by qualified independent persons appointed to serve as members of the Advisory Committee; and any other expenses not listed in the preceding clauses above that are not normal operating expenses of the General Partner.

Subject to the Governing Documents of the Fund, to the extent that the Fund bears any expenses: (a) that relate to a portfolio company investment and that benefit one or more investment entities advised or managed by the Adviser, such expenses shall be allocated equitably among such entities by the applicable General Partner in its reasonable discretion; and (b) that do not relate to a portfolio company investment and that also benefit one or more investment entities advised or managed by the Adviser, such expenses shall be allocated equitably among such entities by the applicable General Partner in its reasonable discretion.

### **D. Advance Payment of Fees**

Please see the response to Item 5.B for with respect to how advisory fees are paid.

Pursuant to the applicable Governing Documents and absent certain regulatory circumstances, Investors are not allowed to redeem their interests in the Fund. As such, refunds for prepaid fees are not applicable.

#### **E. Supervised Person Compensation for Sale of Securities**

Not applicable to NightDragon.

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

As described in Item 5 above, the Fund pays performance-based compensation to the General Partner in the form of Carried Interest as set forth in the applicable Governing Documents.

The possibility that NightDragon would receive Carried Interest presents a potential conflict of interest in that it creates an incentive to make investments that are riskier or more speculative than in the absence of such compensation arrangements. NightDragon manages potential conflicts by adopting and complying with an investment allocation policy that addresses how to allocate capacity-constrained investment opportunities among the Fund and certain other pooled investment vehicles that may be advised by the Adviser or its affiliates. Generally, and except as may be otherwise set forth in the Governing Documents of the Fund, this conflict is also mitigated, but not eliminated, by (i) certain limitations on the ability of the Adviser to establish new investment funds, and (ii) contractual provisions and procedures setting forth investment allocation requirements. Investors are provided with clear disclosure as to how Carried Interest is calculated and charged, prior to making an investment in the Fund.

### **Item 7: Types of Clients**

NightDragon provides investment advisory services to the Fund as described in Item 4. Investors in the Fund must abide by the terms of their respective Governing Documents, including executing a limited partnership agreement, subscription agreement and/or other appropriate instruments, pursuant to which they agree to be bound by the terms and provisions thereof.

Investment in the Fund requires that Investors meet certain eligibility and sophistication requirements under federal securities laws.

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

#### **A. Methods of Analysis and Investment Strategies**

As discussed in Item 4, NightDragon is an investment firm that primarily invests in growth, late-stage, and special situation opportunities within the cybersecurity, safety, security, and privacy (“CSSP”) sectors.

NightDragon’s investment strategy is based upon what it believes to be a set of competitive advantages in identifying opportunities, conducting diligence, structuring transactions, and accelerating revenue

and profit growth of portfolio companies. When a potential portfolio company is identified that fits NightDragon's investment criteria, the General Partner's investment committee will conduct an initial review of the company including its market position, major customer relationships, growth prospects, profitability, and management team strength. Through this due diligence, if the General Partner's investment committee determines that the opportunity is attractive, the General Partner's investment committee will submit an indication of interest letter (including an initial indication of value) to the target portfolio company or intermediary representing that company in order to move forward with an investment.

Additionally, NightDragon believes that adding value to portfolio companies, post-investment, is essential as it seeks positive, risk-adjusted investment returns. NightDragon believes its focus and experience within the CSSP sectors allows NightDragon to leverage the market knowledge of its Fund Managers, the General Partner's investment committee Members and employees in seeking to create equity value throughout the life of each portfolio company. NightDragon works to identify key business drivers, develop an investment thesis that includes a detailed strategic plan for the company post-acquisition, and work rapidly with portfolio company management to execute that strategy.

## **B. Material Risks**

An investment in the Fund involves a high degree of risk and is 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 such investment. In addition to factors set forth elsewhere in this Brochure, prospective investors should carefully consider the following.

**Risks Associated with Portfolio Investments:** Identifying and participating in attractive investment opportunities and assisting in the building of successful young/emerging enterprises is difficult. There is no assurance that the Fund's investments will be profitable and there is a substantial risk that the Fund's losses and expenses will exceed its income and gains. Any return on investment to the Investors will depend upon successful investments made on behalf of the Fund by the General Partner. There often will be little or no publicly available information regarding the status and prospects of portfolio companies. Many investment decisions by the General Partner will be dependent upon the ability of its members and agents to obtain relevant information from non-public sources, and the General Partner often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond the General Partner's control. Typically, although a member of the General Partner 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 Fund or the General Partner). The Fund 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. Portfolio companies may have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage. Portfolio companies may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms. The Fund's capital is limited and may not be adequate to protect the Fund from dilution in multiple rounds of portfolio company financing. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by the Fund. In particular, the receptiveness of the public



market to initial public offerings by the 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 Fund or the portfolio company's securities typically will be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent the Fund or the Investors from disposing of such securities. Similarly, the receptiveness of potential acquirors to the 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 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 the Fund's investments will yield little or no return. Generally, the investments made by the Fund initially will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of the 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 the 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 the 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 the Fund will make investments at the proper time to achieve its investment goals. Some portfolio companies may be reliant for their success upon regulatory approvals, while others may require changes to existing (or the development of new) regulatory regimes. Regulatory approvals and changed/new regulatory regimes may be costly, difficult or impossible to obtain (and, if obtained, may be forthcoming only after a very extended period of time). Investments into certain types of regulated portfolio companies may impose costly and burdensome regulatory obligations upon the Fund itself. 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 the 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.

Relative to mature companies, young/emerging companies often have not yet developed comprehensive legal, regulatory, financial audit/control and similar compliance capabilities. This will make it more difficult for the General Partner 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.

It is anticipated that a portion of the 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.

**Investment in Companies Dependent Upon Technologies:** NightDragon plans to focus its investing primarily in private companies within the cybersecurity, safety, security, and privacy ("CSSP") sectors. As such, the Fund is susceptible to factors affecting such portfolio companies and to a greater risk than an investment in an investment fund that invests in a broader range of securities. The specific risks faced by such portfolio companies include:

- rapidly changing technologies;
- new competing products and improvements in existing products that may quickly render existing products or technologies obsolete;
- scarcity of management, technical, research and marketing personnel with appropriate training;
- the possibility of lawsuits related to intellectual property rights; and
- rapidly changing investor sentiments and preferences with regard to CSSP sector investments (which are generally perceived as risky).

**Focused Investment Strategy:** NightDragon will be focused on identifying investments in seed, early, mid and late stage CSSP companies and may not enjoy the reduced risks of a broadly diversified portfolio. Accordingly, the Fund will not enjoy the reduced risks of a broadly diversified portfolio. A specific investment focus is inherently more risky and could cause portfolio companies to be more susceptible to particular economic, political, regulatory, technological or industry conditions or occurrences compared with a fund, or a portfolio of funds, that is more diversified or has a broader industry focus.

**Long-Term Investment:** An investment in the Fund is a long-term commitment and there is no assurance of any distribution to the Investors. Under rules set forth in the Fund's Governing Documents, the General Partner may extend the Fund's period of liquidation to resolve outstanding obligations of the Fund. In particular, when selling or similarly disposing of portfolio securities, the Fund may (as a commercial matter) be required to undertake tax or other indemnification obligations with terms extending beyond the ordinary term of the Fund, with the result that the Fund may retain assets during an extended liquidation period to help ensure satisfaction of such obligations before the Fund's final termination.

**Limited Transferability of Interests; Withdrawals:** The Fund's Governing Documents and applicable securities laws will impose substantial restrictions upon the transferability of Fund interests. There is no public or other market for Fund interests and it is not expected that such a market will develop. Withdrawal of Investors from the Fund generally will not be permitted, although the Governing Documents may specify certain circumstances under which an Investor may be entitled, or required, to withdraw from the Fund. A withdrawn Investor may not be entitled to immediate payment for its interest in the Fund. Any withdrawal of an Investor may reduce the amount of Fund capital available for investment or other activities.

**Competition:** The venture capital/private equity business is highly competitive and has become more so in recent years due to a substantially increased flow of capital into venture capital/private equity funds and similar investment organizations. The Fund and the General Partner will be competing with other established funds 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 the Fund will be able to make investments on attractive terms, and it is possible that the Fund's term will expire before the Fund has invested all of its available capital.

**Changes in Environment:** The Fund's investment program is intended to extend 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. The General Partner will have the exclusive right and authority (within limitations set forth in the Fund's Governing Documents) to determine the manner in which the Fund shall respond to such changes, and Investors generally will have no right to withdraw from the Fund or to demand specific modifications to the Fund's operations in consequence thereof. Prospective investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by members of the General Partner in the past may not be successful, or even practicable, during the Fund's term. Within the limitations set forth in the Fund's Governing Documents, the General Partner will have the right and authority to cause the Fund's investment sourcing, selection, management and liquidation strategies and procedures to deviate from those described in this Brochure.

**Epidemics, Health Risks and COVID-19:** The recent outbreak of the novel COVID-19 or "coronavirus" across many countries around the globe, including extensively in the United States, has begun to materially and adversely slow global commercial activity, has contributed to significant volatility in financial markets, and has caused many to fear a potential United States and/or global recession and significant loss of employment. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines, significant restrictions on group gatherings, and restrictions and prohibitions on travel. Such actions are creating disruption in the global economy and supply chains and adversely impacting a number of industries, including retail, transportation, hospitality, office, multi-family, senior housing, and entertainment. The outbreak and related curtailment in personal and economic activity are likely to have a material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any meaningful prediction as to the ultimate adverse impact. What is clear at this time, however, is that the coronavirus presents material uncertainty and risk with respect to the Fund's prospects, performance and financial results.

**Performance, Existing Investments and Prospects:** All unrealized performance information, investment strategy, and targeted returns presented throughout this Brochure were prepared as of the dates indicated. Such information was prepared at such times in good faith based on a number of fundamental assumptions as of such dates, including assumptions relating to the broader economy, macro and applicable micro economic conditions, the geopolitical landscape, liquidity and depth of transactional markets, health, population, and the environment, etc. With the unprecedented (and to date incurable) advancement of the COVID-19 pandemic, most of those assumptions at the current time appear to be inaccurate or in a state of suspension. Consequently, all unrealized performance information, the portions of the investment strategy which related to targeted returns, and valuations

of current investments held within the Fund are at the time of this writing indeterminate, but may be materially lower than those last presented. While in the medium to longer term NightDragon believes the Fund should see attractive opportunities consistent with its larger investment themes and strategy, it will likely take some time for the markets to recover.

**Cybersecurity:** NightDragon and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications 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. A cybersecurity breach could expose both NightDragon and the Fund to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability and regulatory inquiry or action. In addition, any such breach could lead to substantial withdrawals from the Fund. While NightDragon has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, NightDragon and the Fund cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the Fund and/or the portfolio companies in which the Fund invests.

**Force Majeure:** NightDragon, the Fund and/or the Fund's portfolio companies may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to the Fund) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or the Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure can have a permanently adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Fund would invest. Additionally, major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to the Fund, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation).

**Reliance on Individual Members of the General Partner:** The Fund will be particularly dependent upon the efforts, experience, contacts and skills of the individual members of the General Partner.

The loss of any such individual could have a material, adverse effect on the Fund, and such loss could occur at any time due to death, disability, resignation or other reasons. Moreover, except as specifically provided in the Governing Documents, the members of the General Partner will not be required to devote their time and attention exclusively to the Fund. Additional members may be admitted to the General Partner following the Fund's initial closing and the Investors will have no power to prevent any specific person from being admitted to the General Partner as a member thereof. Within the General Partner, the economic, voting and other rights of the individual members of the General Partner will be determined by agreement among such members and will be subject to change, without notice to the Investors, from time to time. The Investors will not be permitted to evaluate investment opportunities or relevant business, economic, financial or other information that will be used by the General Partner in making decisions. Except as specifically provided in the Governing Documents, the General Partner will have the exclusive right and power to manage the Fund's business and affairs.

Any prior experience that members of the General Partner may have in making investments of the type expected to be made by the Fund necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that members of the General Partner will be able to duplicate prior levels of success.

The General Partner may appoint or admit certain persons to advisory or other committees or boards intended to assist the General Partner by providing advice, industry contacts, deal flow, technical expertise or other benefits. 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 benefits. In evaluating an investment in the Fund, prospective investors should not depend upon any specific benefits accruing to the General Partner or the Fund in respect of any such advisory or other committees or boards or the members thereof. Similar considerations apply to persons identified as entrepreneurs-in-residence, executives-in-residence, operating partners, venture partners or venture advisors, who generally will have no obligation to provide any particular services to the General Partner or the Fund. Moreover, investors are particularly cautioned against relying upon the continued participation of any person identified as an entrepreneur-in-residence, executive-in-residence, operating partner, venture partner, venture advisor or by any similar title. The relationships identified by such titles frequently are short-term in nature.

The General Partner may organize an "affiliates" or "side" fund that would accept capital commitments from strategic individuals or organizations and would co-invest with the Fund. Prospective investors are cautioned that the investors in such a fund generally would have no contractual or other obligation to provide any actual strategic or other benefits to the General Partner or the Fund. Accordingly, prospective investors should not rely upon any such benefits in evaluating an investment in the Fund.

Individuals referenced herein as members of the General Partner or otherwise may actually conduct their affairs (including, without limitation, their participation in the General Partner) through one or more wealth management, estate planning, tax planning, liability limiting or regulatory compliance entities. The use of such entities may, among other potential consequences, limit the ability of the Investors to obtain direct recourse against such individuals in the case of breach of any duty or obligation.

**NightDragon is Not a Unitary Enterprise:** Consistent with usage common in the venture capital/private equity industry, documents associated with the Fund may reference NightDragon as if

it were a single "firm" or "enterprise." Prospective investors are cautioned that NightDragon is not a unitary "firm" or "enterprise," but rather is a collection of related individuals and entities partially bound together by overlapping interests, activities and branding. As discussed under "Reliance on Individual Members of the General Partner," prospective investors must look only to the actual members of the General Partner for the management of the Fund. Other individuals and entities that are part of NightDragon generally will have no authority to participate in the management of the Fund and no obligation to provide the Fund with any specific benefits. Moreover, such individuals and entities may be legally prohibited from providing certain types of benefits to the Fund and often will have duties and interests that conflict with those of the Fund. Accordingly, while it is anticipated that the Fund will derive some degree of benefit from being part of the NightDragon family of entities, prospective investors must not rely upon any specific benefits and must not assume that any such benefits as do arise will have a material impact upon the Fund's performance.

**Reliance on Third Parties:** The General Partner and the Fund may require, and 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. The General Partner and its affiliated management/advisory entities may also utilize the services of non-executive directors who provide such services on a professional basis and are not primarily part of any single venture capital/private equity firm. Failure by any of these third parties to perform their duties or otherwise satisfy their obligations to the Fund could have a material adverse effect upon the Fund. Except as otherwise provided in the Fund's Governing Documents, the fees and costs associated with such third parties will be paid by the Fund.

**Investor Defaults:** Investors generally will not contribute the full amount of their capital commitments to the Fund at the time of their admission to the Fund. Instead, they will be required to make incremental contributions pursuant to capital calls issued by the General Partner from time to time. Investors that fail to satisfy capital calls in a timely manner generally will be subject to significant penalties as described elsewhere in this Brochure. Nevertheless, Investors may default upon capital calls for a variety of reasons including their own insolvency, bankruptcy or subjective determination that default is more attractive than compliance.

Under certain circumstances, some Investors may be prohibited or excused from making capital contributions under the terms of the Fund's Governing Documents or applicable law. For example, Investors that are regulated under ERISA or a comparable law may be prohibited or excused from making capital contributions if the Fund were deemed to hold "plan assets." Similarly, some governmental or quasi-governmental Investors may be prohibited from making contributions or payments that are in the nature of indemnification payments.

Some investors may participate in the Fund through their own special purpose vehicles or other structures that have the effect of limiting the Fund's recourse against such investors for amounts not paid or contributed.

Any failure by Investors to make timely capital contributions in respect of their capital commitments (or to make any other payments required under the Governing Documents or applicable law) may impair the ability of the Fund to pursue its investment program, force the Fund to borrow, or cause

other damage. If a particular Investor fails to make a contribution or other payment, other Investors may effectively bear the burden of such Investor's share of Fund-related costs or expenses.

Notwithstanding the foregoing, the General Partner generally will be under no obligation to confirm the creditworthiness of any investor before or after admitting such investor to the Fund as an Investor, nor will the General Partner be under any obligation to exclude from the Fund any investor based on creditworthiness-related considerations.

**Reserves:** In managing the Fund, the General Partner will establish reserves for follow-on investments in portfolio companies, operating expenses (including management fees payable to the General Partner), Fund liabilities, and other matters. Estimating the amount necessary for such reserves will be difficult, particularly because follow-on investment opportunities will be directly tied to the success and capital needs of portfolio companies. As set forth in the Fund's Governing Document, the General Partner's authority to cause the Fund to borrow will be 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 the Investors. For example, if reserves are inadequate, the 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, the Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

**Dilution:** Following the Fund's initial closing, the General Partner will be authorized to admit additional Investors (or accept increased capital commitments from existing Investors) during a specified period (the "Open Window Period"). For purposes of allocating Fund profit and loss, all capital commitments made during the Open Window Period generally will be treated as if made at the Fund's initial closing. In consequence, additional Investors (or existing Investors that increase their capital commitments) may effectively "buy into" the Fund during the Open Window Period at a price that does not necessarily reflect changes in the value of the Fund's assets subsequent to the initial closing.

**Relationship with General Partner Affiliates:** Except as otherwise specifically provided in the Fund's Governing Documents, there is no assurance that the Fund will be offered any specific investment opportunities that come to the attention of the General Partner or that the 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 among affiliates of the General Partner will be subject to the General Partner's discretion.

**Economic Interest of General Partner:** Because the percentage of profits allocated to the General Partner will exceed the capital contribution percentage of the General Partner, and because certain net losses otherwise allocable to the General Partner will be specially allocated to all the Investors (up to the point that the Investors' capital account balances reach zero), the General Partner may have an incentive to make investments that are riskier or more speculative than if the General Partner received allocations on a basis identical to that of the Investors or were compensated on a basis not tied to the performance of the Fund. Moreover, the members of the General Partner generally will benefit from management fees paid by the Fund even if the Fund is not profitable. Among other things, this arrangement may incentivize the General Partner to maintain the existence of the Fund (or to defer causing the Fund to dispose of portfolio assets) for the purpose of maintaining the payment of

management fees. Because the rules governing the treatment of carried interest deny long-term capital gain treatment to the General Partner's carried interest share of gains from sales of capital assets unless the asset has been held for more than three years, the General Partner may also have an incentive to cause the Fund to hold assets for longer than three years.

**Expenses:** The Fund's Governing Documents contains detailed provisions regarding the apportionment of expenses between the General Partner/Adviser (on the one hand) and the Fund (on the other hand). As a general matter, the General Partner and the Adviser 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 the General Partner (the right to receive such fees may be assigned by the General Partner to the Adviser) as well as substantially all other expenses associated with the organization, existence and operations of the Fund. As described in the Governing Documents, expenses to be borne by the Fund generally include, without limitation, expenses associated with the formation of the General Partner itself (because the General Partner, as an entity, has been (or is being) created specifically in connection with the Fund), costs of marketing/placing interests in the Fund (other than actual fees paid to a placement agent, if any), legal and other fees associated with the formation of the Fund (including fees charged by attorneys representing the General Partner/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, the General Partner, the Adviser, or the members/employees of the General Partner or the Adviser, the costs of preparing Fund financial statements, tax returns and other reports, the fees of attorneys, accountants, consultants, brokers, advisors and other third parties, reasonable costs of in-house legal and tax professionals employed by the General Partner or the Adviser to the extent they provide services that otherwise would have been provided by third party attorneys or accountants, 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 the Fund may be very substantial. For example, the 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 General Partner and the Fund. For example, in many cases, the same individual could be admitted or engaged as a member or employee of the General Partner or Adviser (in which case, the General Partner or the Adviser 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 general, Investors will have no right to require that any particular individual be admitted, engaged or retained as a member or employee of the General Partner or the Adviser, with the result that decisions regarding such matters generally will be made by the General Partner and the Adviser on the basis of their own interests (e.g., their own determinations as to the appropriate size of their organizations). Related to the foregoing, investors should be aware that an individual designated as an entrepreneur-in-residence, executive-in-residence, operating partner, venture partner, venture advisor or in similar manner may be compensated by the General Partner or the Adviser (e.g., as member or employee), by the Fund (e.g., as a consultant to the Fund), or by a portfolio company (e.g., as a consultant to, or founder/officer/director/employee of, such portfolio company) generally as determined by the



General Partner or the portfolio company in its discretion. In certain cases, a portfolio company may reimburse the General Partner or the Adviser for costs that otherwise would be borne by the General Partner or the Adviser under the Governing Documents. In general, the Fund would not be entitled to benefit from any such reimbursement.

The 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 the Fund's Governing Documents, the 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. The General Partner will have no obligation to prevent such circumstances from arising.

Except as specifically provided in the Fund's Governing Documents, the General Partner will have no obligation to manage the Fund's affairs in a manner that avoids advantage to the General Partner resulting from the methods of apportioning expenses set forth in the Governing Documents.

**Overall Costs:** From the perspective of an Investor, such Investor's share of expenses to be borne by the Fund (including management fees and other expenses not borne by the General Partner/Adviser) together with the dilution of such Investor's share of Fund profit resulting from the General Partner's carried interest effectively constitute (as a matter of economics, although not necessarily for accounting, regulatory or tax purposes) a cost of investing into portfolio securities through the Fund. Viewed from this perspective, when compared with many other types of investment opportunities, the Fund is relatively high-cost. Prospective Investors should invest in the Fund only after having made their own determination that the potential benefits of investing in the Fund outweigh the corresponding costs. As noted elsewhere in this Brochure, an investment in the Fund is high-risk, and there can be no assurance that the Fund will generate sufficient profits to outweigh such costs.

**Side Agreements:** In accordance with common industry practice, the General Partner may enter into one or more "side letters" or similar agreements with certain Investors pursuant to which the General Partner grants to such Investors specific rights, benefits or privileges that are not made available to Investors generally. Such agreements will be disclosed only to those actual or potential Investors that have separately negotiated with the General Partner for the right to review such agreements.

**Capital Calls:** Capital calls will be issued by the Fund from time to time at the discretion of the General Partner, based upon the General Partner's assessment of the needs and opportunities of the Fund. To satisfy such calls, Investors may need to maintain a substantial portion of their capital commitments in assets that can be readily converted to cash. Except as specifically set forth in the Fund's Governing Documents, each Investor's obligation to satisfy capital calls will be unconditional. Without limitation on the preceding sentence, an Investor's obligation to satisfy capital calls will not

in any manner be contingent upon the performance or prospects of the Fund or upon any assessment thereof provided by the General Partner. Notwithstanding the foregoing, the General Partner will not be obligated to call 100 percent of the Investors' capital commitments during the Fund's term.

**Consequences of Failure to Make Contribution in Full:** If an Investor fails to satisfy any capital call on a timely basis, the General Partner may elect to cause the defaulting Investor to forfeit up to 50 percent of any future profits (but not losses) that otherwise would have been allocable to the defaulting Investor as well as up to 50 percent of the defaulting Investor's then existing capital account balance. The General Partner may require that the remainder of the defaulting Investor's capital commitment be canceled, and may designate a person to assume the entire unpaid balance of the defaulting Investor's commitment and succeed to all of the rights of the defaulting Investor with respect thereto. The General Partner may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting Investor. The General Partner will be granted additional powers to deal with defaulting Investors in the Fund's Governing Documents. Accordingly, an Investor that fails to satisfy a substantial number of capital calls, or that remains in default for a substantial period of time, may effectively be required to forfeit its entire interest in the Fund, while remaining obligated to satisfy its entire capital commitment.

**Distributions in Kind:** It is anticipated that the Fund will from time to time distribute portfolio company securities to the Investors. Except as specifically provided in the Fund's Governing Documents, such distributions will be made solely at the discretion of the General Partner.

Distributed securities may be subject to a variety of legal or practical limitations on sale. In particular, immediately following a distribution of securities, trading volume may be insufficient to support sales by the Investors without such sales triggering a price decline which makes it difficult or impossible for all Investors to sell such securities at the distribution price. Nevertheless, the distribution price of such securities will be established under the provisions of the Fund's Governing Documents and will not be adjusted to reflect actual sale prices obtained by the Investors.

**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 the Fund or its portfolio companies, notwithstanding contractual obligations (such as those contained in the Fund's Governing Documents) 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, the General Partner or the members of the General Partner to claims for damages brought by portfolio companies or other persons related thereto. Nevertheless, the Fund's Governing Documents will not prohibit such entities from being admitted to the Fund.

**No Assurance of Confidentiality:** As part of the subscription process and otherwise in their capacity as Investors, investors will provide significant amounts of information about themselves to the General Partner and the Fund. Under the terms of the Fund's Governing Documents as well as applicable laws, such information may be made available to other Investors, third parties that have dealings with the Fund, and governmental authorities (including by means of securities law-required information statements that are open to public inspection).

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

**Fund Size:** Subject only to specific limitations set forth in the Fund's Governing Documents, the General Partner will have discretion to determine the amount of capital commitments accepted from Investors. Moreover, the General Partner may be more, or less, successful than anticipated in raising capital for the Fund. As a consequence, the total amount of capital commitments made to the Fund may be more or less than any target amount specified by the General Partner in this Brochure or otherwise. Any such deviation may have a material impact upon the operations of the Fund. In particular, if the total capital commitments to the Fund are less than targeted, the Fund's investment program may be impaired. Nevertheless, prospective Investors may rely only upon minimum and maximum capitalization rules set forth in the Fund's Governing Documents, and may not otherwise rely upon any expectation that total capital commitments to the Fund will match any specified target amount.

**Functional Currency.** The functional currency of the Fund will be United States dollars. Capital commitments of the Investors, capital contributions, and distributions of cash generally will be stated, made or payable in United States dollars. An investor whose functional currency is not United States dollars will bear substantial risks associated with fluctuating currency exchange rates, particularly with regard to capital contributions that may not become due for several years.

**Non-United States Investments:** The Fund may invest in securities of non-United States portfolio companies. Such investments may present a variety of risks not presented by investments in United States portfolio companies, including risks associated with: (i) fluctuating currency exchange rates; (ii) limitations on currency exchange or the transfer of capital/profits across international boundaries; (iii) different accounting standards; (iv) different legal protections for investors; (v) unusual regulatory burdens; (vi) political instability; and (vii) multiple taxing jurisdictions.

Even those portfolio companies that nominally are United States portfolio companies by virtue of their jurisdiction of organization or management headquarters may be exposed to significant non-United States risks due to the increasingly international nature of many early stage technology companies (which may, for example: (i) rely upon international location or outsourcing of research, development, manufacturing or other operations; (ii) seek alliances with non-United States partners; or (iii) seek non-United States customers).

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

**Service on Boards of Directors, Material Non-Public Information, Etc.:** Individual members of the General Partner may serve as officers or directors of portfolio companies. In their capacity as officers or directors (or even simply by virtue of the Fund's status as a significant shareholder of a portfolio company), such individuals may become subject to fiduciary or other duties which adversely affect the Fund. For example, the Fund may be unable to sell or otherwise dispose of portfolio securities if a member of the General Partner is in possession of material, non-public (i.e., "inside")

information relating to the issuer thereof. Nevertheless, the Fund's Governing Documents will not preclude members of the General Partner from serving as officers or directors of portfolio companies or otherwise acquiring material, non-public information regarding portfolio companies. Conversely, the Fund's Governing Documents will not require that members of the General Partner serve as officers or directors of portfolio companies, and there can be no assurance that the General Partner 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 the General Partner or a member thereof to a portfolio company and such person's fiduciary duties to the Fund or the Investors, such person's fiduciary duties to the portfolio company will prevail.

**Litigation Risks:** The Fund will be subject to a variety of litigation risks, particularly in consequence of the 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 members of the General Partner may actively assist portfolio companies in differing capacities (including, without limitation, by serving as officers, directors, or advisors). The 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 the Fund or the General Partner), it is possible that the Fund, the General Partner, or the members of the General Partner may be named as defendants. Under most circumstances, the Fund will indemnify the General Partner and its members for any costs they incur in connection with such disputes. Beyond direct costs, such disputes may adversely affect the Fund in a variety of ways, including by distracting the General Partner and harming relationships between the Fund and its portfolio companies or other investors in such portfolio companies.

To the extent set forth in the Fund's Governing Documents, Investors may be required to return distributions previously received by them from the Fund in order to enable the Fund to make indemnification payments to the General Partner, its members or other indemnified persons.

More generally, Investors may be required to return distributions previously received by them from the Fund to the extent required by applicable law. Such a return obligation may occur, for example, if the Fund makes a distribution at a time when it is technically insolvent or otherwise unable to satisfy the claims of creditors.

**Limited Access to Information:** The rights of Investors to information regarding the Fund and its portfolio companies will be specified, and strictly limited, in the Fund's Governing Documents. In particular, it is anticipated that the General Partner will obtain certain types of material information that will not be disclosed to Investors. For example, the General Partner may obtain information regarding portfolio companies (e.g., via members of the General Partner serving as advisors to, or officers/directors of, portfolio companies) that is material to determining the value of securities issued by such portfolio companies. Such information may be withheld from Investors in order to comply with duties to such portfolio companies or otherwise to protect the interests of such portfolio companies or the Fund.

Decisions by the General Partner to withhold information may have adverse consequences for Investors in a variety of circumstances. For example: (i) an Investor that seeks to sell its interest in the Fund may have difficulty in determining an appropriate price for such interest; (ii) decisions by the General Partner to withhold information may make it difficult for Investors to subject the General Partner to rigorous oversight; and (iii) each communication from the General Partner to one or more Investors must be interpreted in light of the realistic possibility that the General Partner is in possession of undisclosed information relating to the Fund or its portfolio companies that could be material to a comprehensive assessment of such communication. Overall, prospective investors should not expect the Fund to be operated with the same degree of "transparency" as a publicly traded corporation.

**Limited Term:** As set forth in the Fund's Governing Documents, the Fund's "Term" will be limited and may be extended only under certain circumstances. This may place the Fund at a disadvantage relative to other investment entities that have a longer-term investment horizon and may cause the General Partner, 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 the General Partner would have made if the Fund's Term were longer. Disadvantages associated with the 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. Nevertheless, prospective investors must not assume that the Fund will complete its liquidation and winding-up within a brief period following the conclusion of the Fund's Term. As set forth in the Fund's Governing Documents, the 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 the General Partner will cause the Fund to 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. Accordingly, prospective investors must be prepared to continue to hold their interests in the Fund for an extended period following the conclusion of the Fund's Term.

**Placement Agents:** The General Partner expects to utilize the services of one or more "placement agents" or "finders" in connection with soliciting capital commitments to the Fund. While the use of such service providers has always involved certain risks (e.g., greater securities law compliance burdens), placement agents and finders have been the subject of increased scrutiny and regulation in recent years, at least partially in response to a series of well-publicized "pay-to-play" scandals involving officials of public pension funds. In particular, the regulatory landscape concerning placement agents and finders is evolving rapidly and many new regulations are vague and difficult to interpret, with the result that compliance can be difficult to achieve or demonstrate. Any dispute or controversy regarding the General Partner's use of a placement agent or finder could have a disruptive effect, or impose costs and other burdens, upon the Fund.

**Exculpation and Indemnification:** The Fund's Governing Documents will contain provisions that relieve the General Partner and its members of liability for certain improper acts or omissions. For example, the General Partner and its members generally will not be liable to the Investors or the Fund for acts or omissions that constitute ordinary negligence. Under certain circumstances, the Fund may

even indemnify the General Partner and its members against liability to third parties resulting from such improper acts or omissions.

Furthermore, it is expected that the General Partner will be structured as a limited liability company and that the members of the General Partner generally will not be personally liable for the General Partner's debts and obligations. In consequence, Investors may have little or no recourse to the personal assets of the members of the General Partner even if the General Partner breaches a duty to the Investors or the Fund.

Notwithstanding any applicable provisions of the Fund's Governing Documents, Investors may have, or be entitled to, rights, claims, causes of action or remedies that cannot be waived or forfeited under applicable law. In particular, Investors should consult with their own legal counsel before concluding that any particular claims against the General Partner or its members have been waived or forfeited by virtue of the Fund's Governing Documents or otherwise.

**Industry Specific Terminology:** Investors are cautioned that certain terms and phrases of common usage within the venture capital/private equity industry may be misleading to those unfamiliar with such usage. In particular, individuals who participate in the management of a fund often are referred to, in a colloquial sense, as "general partners" even though they are not actually general partners of any partnership. Investors are reminded that the Fund will be a limited partnership, that the General Partner of the Fund will be a limited liability company, and that the individuals participating in the management of the Fund through the General Partner will be members of such limited liability company. It is not intended that the Fund will have any general partner other than the General Partner or that any actual general partnership will in any manner be associated with the formation, operation, dissolution or termination of the Fund. Prospective investors must not presume or rely upon the existence of any actual legal entities other than the Fund and the General Partner. With respect to all matters involving industry specific terminology, prospective investors are urged to consult with their own legal and other advisors.

**The risks described above are not a complete list of all risks associated with NightDragon's investment strategies. In addition, as NightDragon's investment program develops over time, an investment in a NightDragon-managed vehicle may be subject to additional and different risk factors. Investors should consider the applicability of all the above-cited risks and refer to the Governing Documents for a more complete description of the risks involved in investing in the Fund.**

#### **Item 9: Disciplinary Information**

NightDragon and its management persons have not been involved in any legal or disciplinary events that are material to an Investor's evaluation of NightDragon's investment advisory business or the integrity of NightDragon's management.

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

##### **A. Management Persons as Registered Broker-Dealers**

Not applicable to NightDragon.

## **B. Management Persons as Future Commissions Merchants or Commodities Traders**

Not applicable to NightDragon.

## **C. Material Relationships with Related Persons**

NightDragon has no material relationships or arrangements with a related person who is a broker-dealer, investment company, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer or any sponsor or syndicator of limited partnerships (other than the General Partner). NightDragon has developed and will continue to develop relationships with professionals who provide services such as legal, accounting, banking, tax preparation, insurance brokerage and other personal services. However, none of the above relationships create a material conflict of interest with the Fund or its Investors.

As outlined in Item 7.A.1 of the Adviser's Form ADV Part 1A, the Adviser shares common control with the General Partner, which serves as a sponsor to the Fund for which the Adviser serves as the management company.

In addition, Dave DeWalt is the founder and executive chairman of Momentum Cyber, a boutique investment bank with a bench of analysts, a proprietary database of more than 3,000 cybersecurity companies, volumes of proprietary research, and broad relations with thousands of CSSP professionals.

Certain employees of NightDragon serve as directors and officers of certain portfolio companies, and in that capacity, are required to make decisions that consider the best interests of such portfolio companies and their respective shareholders, including the Fund. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that are in the best interests of the portfolio company may not be in the same best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individuals' duties as an employee of NightDragon and such individuals' duties as a director or officer of such portfolio company.

As described elsewhere in this Brochure, NightDragon has in the past, and will in the future, have unaffiliated strategic relationships with co-investors who invest alongside NightDragon in portfolio companies, typically through special purpose vehicles or other direct investment structures. NightDragon is of the belief that such strategic relationships do not disadvantage the Fund.

The Fund will be subject to various potential conflicts of interest. For example, members of the General Partner may receive directors' fees or similar compensation from portfolio companies of the Fund. While such fees may trigger a "management fee offset" under the Fund's Governing Documents (pursuant to which management fees payable to the General Partner by the Fund may be reduced as an offset against fees received by the General Partner or its members from portfolio companies), there is no assurance that the Fund will economically benefit from any particular portfolio company fees received by the General Partner or its members. Moreover, a management fee offset generally will not apply in respect of fees received by persons who are not members of the General Partner, even if such persons hold titles such as entrepreneur-in-residence, executive-in-residence, operating partner, venture partner or venture advisor. Under certain circumstances, members or affiliates of the General

Partner may make venture capital/private equity investments separate and apart from, or alongside with, the Fund. As set forth in the Fund's Governing Documents, the General Partner and its members will be permitted to manage other investment funds and similar vehicles (including vehicles that co-invest with the Fund) during the Fund's term, any of which may compete with the Fund for investment opportunities, management time and attention, or otherwise. Under certain circumstances, the Fund may invest in companies in which members of the General Partner have a pre-existing interest or subsequently acquire an interest via different investment funds or other means. Among other considerations, when members of the General Partner hold interests in portfolio companies other than through the 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 members having personal investment interests that directly conflict with the interests of the Fund.

Members or affiliates of the General Partner may, in connection with their management of other venture capital/private equity funds or otherwise, enter into (or have entered into) non-competition or similar agreements that effectively preclude the Fund from taking advantage of certain investment acquisition or disposition opportunities or otherwise adversely impact the Fund.

Portfolio companies of the Fund may come into competition with other companies in which members of the General Partner have an interest via different investment funds or other means.

Except to the limited extent specifically provided in the Fund's Governing Documents, neither the General Partner nor its members or affiliates will have any obligation to alter their own investment activities or the activities of any other investment fund in order to protect or promote the interests of the Fund.

Provisions contained within the Fund's Governing Documents that authorize the General Partner or its members to engage in investment, management or other activities outside, or alongside with, the Fund, or to cause the Fund to make investments in respect of which members of the General Partner 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 the Investors in a materially less favorable position than if the General Partner and its members engaged in no activities other than managing the Fund or were otherwise subject to unmodified fiduciary duties to the Fund and the Investors. For example, such provisions may enable the members of the General Partner to direct attractive investment opportunities to persons other than the 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 the Fund but benefits other investment funds/persons with which such members are associated. Further, the Fund may invest in portfolio companies developed by CIP II Administrative, LLC (i.e., a cybersecurity-focused venture capital firm that focuses primarily on early-stage investments, in which Dave DeWalt is a Managing Director), Team8 (i.e., a cybersecurity-focused venture capital firm founded by former leaders of the Israeli Defense Force's technology and intelligence unit (Dave DeWalt is a board member)) and their successors, in which members of the General Partner may be directors and/or have an economic interest. Similarly, members of CIP II Administrative, LLC and Team8 will, and other affiliated entities of NightDragon may, have an economic interest in the General Partner. Non-voting unaffiliated groups may also have an economic interest in the Carried Interest distributions received by the General Partner. Additionally, as set forth in the Governing Documents, the Fund will be required to share certain early-stage cybersecurity investment opportunities with CIP II Administrative, LLC, an entity in which



Dave DeWalt has a personal equity interest, which will in turn be required to share certain later-stage cybersecurity investment opportunities with the Fund. The Fund's Governing Documents will contain certain protections for Investors against conflicts of interest faced by the General Partner and its members, but will not purport to address all types of conflicts that may arise. Moreover, as a practical matter, it may be difficult for Investors to subject the behavior of the General Partner and its members to close scrutiny. In particular, the Fund's Governing Documents will specify a variety of circumstances in which the General Partner and its members 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 or the Investors.

Except to the limited extent specifically provided in the Fund's Governing Documents, investors should assume that the Fund will not have a "right" to participate in any investment opportunity made available to the General Partner or its members, and that any such opportunity may be presented to other persons. Such other persons may include, without limitation, a subset of the Fund's Investors, other investment vehicles managed by members or affiliates of the General Partner, and third parties who are in a position to provide benefits to members or affiliates of the General Partner. The Fund's right to participate in investment opportunities will be specifically limited and defined in the Fund's Governing Documents, and it is expected and intended that members and affiliates of the General Partner will exercise their rights to carry out investment and investment-related activities outside (and potentially in competition with) the Fund. This may include providing other persons with the opportunity to co-invest with the Fund on a deal-by-deal or continuing basis.

Without limitation on the foregoing, except as specifically provided in the Fund's Governing Documents, the General Partner (or an affiliate of the General Partner) may, from time to time, create successor funds, special purpose investment vehicles, co-investment funds, "spillover" or "excess opportunity" funds, annex funds, and other types of funds/vehicles, any of which may compete with the Fund for investment opportunities, co-invest or cross-invest with the Fund, or otherwise give rise to conflicts of interest. The General Partner (or an affiliate of the General Partner) may be or become subject to binding obligations to make co-investment or cross-investment opportunities available to such other funds/vehicles or to a subset of the Investors. Except as specifically provided in the Fund's Governing Documents, the General Partner will have no obligation to provide notice to Investors of co-investment or cross-investment opportunities or the fact that co-investments or cross-investments have taken place. An Investor that desires to co-invest or cross-invest with the Fund, but has not been granted specific co-investment or cross-investment rights, must assume that no such rights exist.

Under the Governing Documents, certain transactions that involve conflicts of interest between the General Partner and the Fund will be submitted to the Advisory Committee for resolution. However, the Advisory Committee will not necessarily represent the interests of all the Investors and the members of the Advisory Committee may themselves be subject to various conflicts of interest (including as investors in other entities related to members of the General Partner). In general, the Investors will not be entitled to control the selection of Advisory Committee members or to review the actions or deliberations of the Advisory Committee.

Under certain circumstances, the Fund may invest in companies in which members of the General Partner have a pre-existing interest or subsequently acquire an interest, or through different investment funds or other means. The Fund has invested in certain follow-on opportunities arising

from personal investments by Dave DeWalt and/or Ken Gonzalez, which investments have been made in accordance with the Fund's Governing Documents. As noted above, Dave DeWalt owns an interest in CIP II Administrative, LLC and may share in the equity interest of, or receive other economic interests in, the companies developed by CIP II Administrative, LLC or Team8, in addition to, and outside of, the interest that the Fund may hold in such companies. Among other considerations, when members of the General Partner hold interests in portfolio companies other than through the 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 members having personal investment interests that directly conflict with the interests of the Fund.

During the Fund's term, many different types of conflicts of interest may arise and this Brochure does not purport to identify all such conflicts. Investors ultimately will be heavily dependent upon the good faith of the General Partner and its members.

Risks relating to conflicts of interest are not limited to conflicts affecting the General Partner or its members. Investors are expected to have widely differing interests on a variety of tax, regulatory, business, investment profile and other issues. Without limitation, some Investors may invest in the Fund for strategic reasons unrelated to maximizing their direct financial returns through their interests in the Fund. These differing interests may, in turn, give rise to a number of risks that the Investors as a group will not act in a manner consistent with the best interests of the Investors as a group or the best interests of the Fund itself. For example, an Investor may decline to provide its consent to a proposed action by the Fund or the General Partner 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 the General Partner to manage the affairs of the Fund in a manner that is viewed as optimal by all Investors, and the General Partner will be under no obligation to do so. In general, prospective investors should assume that the General Partner will not take their unique interests into account when managing the Fund's affairs.

In assessing the impact of provisions of the Fund's Governing Documents that purport to limit, modify or eliminate certain fiduciary duties of the General Partner or its members, prospective investors are cautioned against assuming that such provisions will apply, under all circumstances, as written. The laws governing partnerships and investment activities are complex and, in certain cases, do not permit investor protections to be overridden by a contract such as the Fund's Partnership Agreement. Thus, under certain circumstances, Investors may have greater rights than would be apparent from a straightforward reading of the Fund's Partnership Agreement. In connection with any such circumstance, prospective investors and Investors are urged to consult with their own legal counsel. The purpose of this paragraph is not to minimize the concerns of prospective investors regarding conflicts of interest, nor is it intended to undermine the cautions and considerations described elsewhere in this Brochure. Rather, this paragraph is intended solely to caution prospective investors against assuming the efficacy of limitations on their rights. It should be noted that the considerations identified in this paragraph are not limited to provisions that purport to limit, modify or eliminate fiduciary duties (and, indeed, under specific circumstances, such considerations may apply to nearly every provision of the Fund's Partnership Agreement).

### *NightDragon Acquisition Corp.*

The NightDragon Managing Members each have significant roles with respect to NightDragon Acquisition Corp. (“NDAC”), a special purpose acquisition company (“SPAC”), and collectively control the sponsor of the SPAC. NDAC is a newly incorporated blank check company formed for the purpose of effecting a merger, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses, together constituting an initial business combination. While NDAC may pursue an acquisition opportunity in any business, industry, sector or geographical location, the intention is to focus searches on the CSSP sector, which complements the expertise of the management team. An investment in NDAC is offered through the sale of stakeholder-centered aligned listed equity units (“SCALE”). When NDAC is pursuing an acquisition opportunity, there may be a conflict of interest if such opportunity is appropriate for the Fund, and NightDragon may have to make determinations relating to the allocation of investment opportunities similar to those arising between investment vehicles, as described below. The various considerations with respect to allocation of investment opportunities among investment vehicles would apply to NDAC as well.

#### **D. Selection of Other Investment Advisers**

Not applicable to NightDragon.

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

#### **A. Code of Ethics**

NightDragon has adopted a Code of Ethics (the “Code”) that is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). NightDragon’s Code covers standards for business conduct, fiduciary standards, compliance with federal securities laws, reporting violations, and personal securities transactions (including reporting and limitations), among other things. NightDragon’s Compliance Manual also sets forth policies and procedures in employee conduct-related areas, including conflicts of interest, insider trading, gifts and entertainment, outside business activities, and political and charitable contributions.

The Code applies to all NightDragon personnel and sets forth a standard of business conduct that addresses NightDragon’s fiduciary duty as an investment adviser to the Fund. The Code requires NightDragon personnel to comply with applicable federal securities laws, and to promptly bring any violations of the Code to the attention of NightDragon’s Chief Compliance Officer. All personnel are provided with a copy of the Code and are required to acknowledge receipt and understanding of the Code on at least an annual basis.

As required by the Code, all NightDragon personnel must provide an initial list of personal securities accounts and holdings. Thereafter, NightDragon requires its personnel to report their securities transactions on a quarterly basis and to disclose their securities holdings on an annual basis. All NightDragon personnel must pre-clear transactions involving initial public offerings (“IPOs”) and limited offerings (i.e., private placements) as required by Rule 204A-1. The Code also contains other restrictions on the investment activities of its employees.

NightDragon will provide a copy of its Code to any existing or prospective Investor upon request to its Chief Compliance Officer, who is reachable using the contact information provided in Item 1: Cover Page.

## **B. Conflicts of Interest in Connection with Investment Recommendations or Transactions**

As outlined in Items 4 and 10 above, NightDragon serves as the investment manager to the Fund. NightDragon and certain of its partners, members, manager, managing partners, officers, employees, consultants, affiliates, and respective family members and affiliates may invest directly in the Fund and are afforded waiver of certain Management Fees or Carried Interest allocations ordinarily borne by Investors. NightDragon recognizes the potential conflicts of interest that may arise when such personnel invest in the Fund.

From time to time, the Fund will invest in companies in which NightDragon's managing members or any of their affiliates or any entity managed or operated or controlled by any of them holds an interest, and these parties may obtain their interest in such companies at or about the same time. These transactions require consent by the Fund's Advisory Committee (i.e., a committee of Investors appointed by NightDragon). Additionally, the Fund may enter into transactions between the Fund and any NightDragon-related person or entity on arms' length terms that are no less favorable to the Fund than they would be to another unaffiliated third party.

NightDragon addresses these potential conflicts through its Code, which requires NightDragon to act in the best interest of the Fund and Investors, through regular monitoring of the Fund's portfolios, and through its other policies and procedures.

If any matter arises that NightDragon determines in good faith to constitute an actual conflict of interest, NightDragon will take actions as may be necessary or appropriate, within the context of the Code, NightDragon's Compliance Manual, and/or the applicable Governing Documents, to disclose and/or ameliorate the conflict.

## **Item 12: Brokerage Practices**

### **A. Selection and Recommendation of Broker-Dealers**

**General Brokerage Practices:** NightDragon primarily focuses on making investments in private securities; thus, it does not ordinarily deal with any financial intermediary such as a broker-dealer in the public markets, and commissions are not ordinarily payable in connection with such investments. To the limited extent NightDragon transacts in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Fund. NightDragon is generally authorized to make the following determinations, subject to the Fund's investment objectives and restrictions, without obtaining prior consent from the Fund or any of its Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for the Fund, NightDragon will consider a variety of factors including but not limited to:

- Liquidity
- Geographic location
- Financial condition
- Price
- Transaction costs
- Speed of execution
- Expertise transacting in the relevant type of security
- Administrative competence

Although NightDragon generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

**Research and Other Soft Dollar Benefits:** NightDragon does not participate in any soft dollar arrangements with broker-dealers. Any incidental research received from broker-dealers is supplemental to NightDragon's own research efforts and may be used for the benefit of the Fund. To the best of NightDragon's knowledge, such research is generally made available to all institutional investors doing business with such broker-dealers. NightDragon does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services. In addition, NightDragon believes that any information received from a broker-dealer is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. To the extent NightDragon establishes formal or informal soft dollar arrangements with broker-dealers, it will establish policies and procedures to ensure such arrangements are within the safe harbor afforded by Section 28(e) as noted in the preceding sentence.

**Brokerage for Client Referrals:** Not applicable to NightDragon.

**Directed Brokerage:** Not applicable to NightDragon.

## **B. Aggregation of Securities Transactions**

Not Applicable to NightDragon.

### **Item 13: Review of Accounts**

#### **A. Periodic Review of Client Accounts**

Fund portfolios are under continuous review by NightDragon. In addition, as noted in Item 8 above, NightDragon intends to provide extensive ongoing assistance to and monitoring of portfolio companies through active board participation and assistance in areas such as strategy, recruiting, finance and business development. NightDragon will have significant interaction with senior management in the day-to-day operations of the portfolio company and key strategic decisions.

#### **B. Other-Than-Periodic Review of Client Accounts**

Please refer to Item 13.A above.

### **C. Reports**

Fund Investors receive unaudited quarterly performance reports. As described in Item 15, Investors participating in the Fund are subject to audit will receive audited financial statements on an annual basis.

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

#### **A. Other Compensation for Provision of Investment Advice**

Not applicable to NightDragon.

#### **B. Compensation to Unsupervised Persons for Client Referrals**

From time to time, NightDragon has engaged, and may in the future engage, third-party placement agents to refer prospective investors for participation in the Fund.

NightDragon not compensate any person for investor or client referrals as a cash solicitor. To the extent such cash solicitor arrangements are employed in the future, they will be carried out in compliance with Rule 206(4)-3 under the Advisers Act.

NightDragon does not receive economic benefits from any third party for providing investment advisory services to the Fund.

### **Item 15: Custody**

The Adviser is deemed to have custody of the Fund assets by virtue of the fact that affiliates of the Adviser serve as the general partner or manager to the Fund. The Fund is audited annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, in accordance with its rules. Additionally, the audited financial statements of the Fund are prepared in accordance with United States generally accepted accounting principles and are distributed to each Investor within 90 days of the end of the relevant Fund's fiscal year.

### **Item 16: Investment Discretion**

NightDragon has discretionary authority to manage investment portfolios on behalf of the Fund. NightDragon is authorized to make transaction recommendations for the Fund, subject to the terms of the Governing Documents.

### **Item 17: Voting Client Securities**

NightDragon primarily invests in issuers that are not publicly traded, so NightDragon rarely has the opportunity to vote proxies on behalf of the Fund. However, to the extent NightDragon does vote proxies, NightDragon understands and appreciates the importance of proxy voting. If a voting opportunity does arise where NightDragon has discretion to vote the proxies of the Fund, NightDragon will vote with diligence, care, and loyalty in the best interests of the Fund and the Investors.

The Chief Compliance Officer or their designee coordinates NightDragon's proxy voting process. NightDragon has adopted proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately. In the presence of a conflict of interest, NightDragon will either abstain from voting, or will ensure that it can demonstrate that the vote was cast in the best interests of the Fund.

Although not intended to be used on a regular basis, NightDragon may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

If you would like detailed information on NightDragon's status as a voter of proxies or the manner in which any proxies were actually voted, please contact the Chief Compliance Officer using the information provided in Item 1: Cover Page.

#### **Item 18: Financial Information**

Not applicable to NightDragon. The Adviser does not require prepayment of fees in excess of \$1,200, six months or more in advance and has never filed for bankruptcy.