

**Item 1.        Cover Page**

**Form ADV Part 2A  
Disclosure Brochure of**

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**November 12, 2015**

This brochure provides information about the qualifications and business practices of Drobny Capital, L.P. (“Drobny Capital”). If you have any questions about the contents of this brochure, please contact us at (310) 458-2915 or [thathaway@drobnycapital.com](mailto:thathaway@drobnycapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Drobny Capital is a registered investment adviser with the Securities and Exchange Commission (“SEC”); however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

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

## **Item 2. Material Changes**

The following is a summary of the material changes made to this Brochure since it was last updated and filed on June 12, 2015:

Item 4 – *Advisory Services* – updated to reflect that Drobny Capital provides services to affiliated private venture capital funds in addition to the affiliated private hedge funds of funds.

Item 5 – *Fees and Compensation* – updated to reflect that Drobny Capital’s affiliated private venture capital funds charge management and incentive fees, which are detailed in the funds’ offering documents.

Item 6 – *Performance Fees and Side by Side Management* – updated to reflect that Drobny Capital’s affiliated private venture capital funds charge management and incentive fees, which are detailed in the fund’s offering documents.

Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss* – updated to reflect that the venture capital funds mainly invest in privately held financial technology companies.

Item 10 – *Other Financial Activities and Industry Affiliations* – updated to reflect new ownership affiliations for Drobny Capital and Mr. Steve Drobny.

Drobny Capital encourages each client to read the Brochure carefully and to call us with any questions you may have.

Pursuant to SEC regulations, Drobny Capital will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Drobny Capital’s fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as Drobny Capital experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please visit [www.drobnycapital.com](http://www.drobnycapital.com). Additional information about Drobny and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4. Advisory Business**

Drobny Capital, L.P. (“Drobny Capital”) is currently registered with the SEC and is a Delaware limited partnership that has been in business since 2007. Drobny Capital provides non-discretionary investment consulting services to institutional clients, and also serves as the discretionary investment manager to affiliated investment limited partnerships that invests in unaffiliated private hedge funds (“Hedge Funds of Funds”) and venture capital master feeder funds (“Venture Capital Funds”) (together all limited partnerships are referred to as the “Clocktower Funds”). Effective as of January 1, 2012, Drobny Capital’s general partner is DGAM LLC, who also serves as the general partner to the Hedge Funds of Funds. Steven Drobny is Drobny Capital’s controlling owner and primary portfolio manager and the managing member of DGAM LLC. Please refer to Item 10 for additional information regarding affiliations. As of August 31, 2015, Drobny Capital had \$407,905,850 of discretionary assets under management.

##### ***Investment Consulting Services***

For the investment consulting services, Drobny Capital provides institutional clients with analysis and recommendations on various third party investment managers and private hedge funds that follow a global macro or commodity investment strategy. Global macro is an investment approach that uses macro-economic principles to identify trends and opportunities in any asset class around the world. Drobny Capital looks for global macro investment managers that seek to generate positive returns based on price movements in global equity, currency, interest rate and commodity markets. This generally includes investments in equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets, preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities and money market instruments. The investment managers also may engage in short selling, margin trading, hedging and other investment strategies. There are a number of risks surrounding investments in all these types of securities, including loss of principal. Please refer to Item 8 below for further information on the how these investment managers are selected and the applicable risks.

The analysis and recommendations are provided to clients in the form of sourcing of managers and private funds, written investment and due diligence reports, periodic teleconferences, and dinners and events. These services are customized in accordance with client needs and objectives.

Institutional clients are free at all times to accept or reject any of Drobny Capital’s investment recommendations and at all times retain authority and discretion over all implementation decisions.

##### ***Clocktower Funds***

Drobny Capital serves as investment manager to affiliated private funds, the Clocktower Funds. The Hedge Funds of Funds invest in unaffiliated private hedge funds and the Venture Capital

Funds are structured as a master feeder fund and investor in various private companies. Drobny Capital manages the assets of the Clocktower Funds based on the specific investment objectives and restrictions of each fund, which are outlined in the respective fund's offering documents, rather than on the individual needs and objectives of the individual investors in the Clocktower Funds.

Due to the possible volatile nature and risks involved with the investments made by the Clocktower Funds, the actual return and value of each fund's assets may fluctuate and at any point in time be worth more or less than the amount originally invested. Prospective investors are provided with confidential offering documents that detail the investment objectives, risks, fees, and other important information about the Clocktower Funds. It is important that each potential qualified investor fully read the offering materials prior to investing.

### ***Wrap Programs***

Drobny Capital does not participate in any wrap fee programs.

## **Item 5. Fees and Compensation**

### ***Clocktower Funds Fees***

The Clocktower Funds are separate limited partnerships and each has written offering documents, which detail the fees and charges, services, and rights, and are provided to prospective investors before any investment is made. The Venture Capital Funds charge a 2% annual management fee of the current value of each investor's (partnership) interest in the funds, which is charged quarterly in advance. Investments in these funds are also subject to an additional incentive fee, which is described in the offering documents for the Venture Capital Funds. Please also refer to Item 6 below.

For the Hedge Funds of Funds, one fund does not charge a management fee at this time (Drobny Capital receives fees through its advisory contract – see Investment Consulting Services below) and the other fund charges an annual flat management fee of 0.50% of the fund's assets, which is paid quarterly in advance. The Hedge Funds of Funds does not charge any performance fee at this time.

Fees are generally non-negotiable, but the Clocktower Funds' general partners may, in their discretion, waive or reduce any fee with respect to the capital account of any investor during any period.

The Hedge Fund of Funds also receive a portion of the management fees and performance fees paid to the underlying hedge fund investments. This revenue sharing arrangement is fully disclosed to investors via the offering documents and other agreements provided to investors prior to making investments in the Hedge Funds of Funds. It is very important that each investor read such documents carefully to fully understand all fees paid to Drobny Capital and its affiliates.

### ***Investment Consulting Services***

Drobny Capital's compensation is negotiable and varies depending on the needs of the institutional client, but typically, it charges a flat annual fee of \$100,000 to \$1,000,000 to each investment consulting client. In addition, Drobny Capital typically receives a fee of \$50,000 to \$100,000 for each investment that a client makes based on Drobny Capital's recommendation. However, this additional fee will not be charged if the Hedge Fund of Funds have a revenue sharing agreement with the hedge fund manager, which is fully disclosed in the Hedge Fund of Funds offering documents.

Investment consulting fees are payable monthly or quarterly and in advance or arrears, as negotiated with the client. Drobny Capital typically bills clients directly for its investment consulting fees.

### ***General***

Drobny Capital believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees. The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in any Clocktower Funds to use the "alternative reporting option" to report Drobny Capital's compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

### ***Fees Payable to Third Party Investment Managers***

The third party managers, including the managers of private hedge funds recommended to Drobny's institutional clients typically receive significant management fees and performance-based fees or allocations from their clients and investors, including Drobny Capital's investment consulting clients that invest with such managers either directly or through the investment in a private hedge fund. As a result, investment consulting clients will be subject to these fees and allocations, in addition to the investment consulting fees paid to Drobny Capital, as described above. The investment consulting fees paid to Drobny Capital are not reduced by any fees or allocations paid to the third party investment managers.

### ***Fees Relating to Termination***

Investors in the Clocktower Funds are subject to the withdrawal restrictions outlined in the applicable fund's offering documents, which are provided to investors prior to investing. It is very important that each investor read such documents carefully to fully understand all fee charges and withdraw restrictions. For investment consulting clients, upon termination of an investment consulting account, Drobny Capital refunds all prepaid but unearned investment consulting fees, and provides an invoice for any unpaid earned investment consulting fees.

### ***Additional Expenses***

Each institutional client account is responsible for its own costs and expenses, including custodian fees and trading costs and expenses (such as brokerage commissions, transaction fees,

expenses related to short sales, and clearing and settlement charges). These fees and charges are in addition to the fees charged by Drobny Capital. Drobny Capital does not receive any portion of these fees.

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

Drobny Capital does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of a client) to advisory clients. However, the Venture Capital Funds do charge both management and incentive fees, for which Drobny Capital receives as the funds' investment manager.

Also, some of the third party managers and private hedge funds recommended by Drobny Capital to its institutional clients do charge performance/incentive based fees. Except as described in Item 5 above, Drobny Capital does not generally receive any portion of these fees.

Detailed information regarding the management and performance based fees charges are outlined in the Venture Capital Funds' offering documents and other agreements provide to investors, which should be read carefully prior to investing so investors can fully understand the fees being paid.

## **Item 7. Types of Clients**

Drobny Capital provides investment consulting services to institutional clients, including unaffiliated investment advisers, endowments, banks, family offices and pension plans. Drobny Capital generally requires a minimum of \$25,000,000 to open an investment consulting account. Drobny Capital may waive this minimum at its sole discretion. The minimum investment into a Clocktower Funds is outlined in each fund's offering documents, which is provided to investors prior to making the investment.

The Clocktower Funds will only be offered and sold to persons that are (i) "accredited investors" as defined under Rule 501(a) of Regulation D, and (ii) "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940.

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

### ***General***

Drobny Capital employs substantially the same investment strategy in selecting third party managers for investment consulting clients and for the Hedge Funds of Funds, which is outlined below. The Venture Capital Funds mainly invest in privately held financial technology companies. The investment strategies for the Hedge Funds of Funds and the Venture Capital Funds are outlined in their respective offering documents, which are provided to investors prior to making the investment.

### ***Investment Strategy***

Drobny Capital selects third party managers and private hedge funds who follow a global macro or commodity investment strategy. Global macro is an investment approach that uses macro-

economic principles to identify trends and opportunities in any asset class around the world. Drobny Capital expects the global macro third party managers and private hedge funds to seek to generate positive returns based on price movements in global equity, currency, interest rate and commodity markets. Such macro-oriented managers and funds may concentrate their investments in particular investment types, industries or geographic locations. Moreover, Drobny Capital does not control the third party managers' or private hedge funds' investment strategies and cannot assure clients or fund investors that such managers or funds will continue to use a global macro strategy or that other strategies will not be used. However, Drobny Capital performs initial and periodic due diligence on the third party managers and private hedge funds and provides institutional clients with written reports.

Global macro strategies attempt to identify extreme price valuations in stock markets, interest rates, foreign exchange rates and physical commodities, and make leveraged bets on the anticipated price movements in these markets. To identify extreme price valuations, managers generally employ a top-down global approach that concentrates on forecasting how global macroeconomic and political events affect the valuations of financial instruments. These approaches may be systematic, trend-following models or discretionary models. Such strategies have a broad investment mandate, with the ability to hold positions in practically any market with any instrument, including futures. The managers typically seek to make profits by correctly anticipating price movements in global markets and having the flexibility to use any suitable investment approach to take advantage of extreme price valuations. Managers may use a focused approach or diversify across approaches.

The Managers and private hedge funds that Drobny Capital analyses and in some cases recommends to institutional clients may use strategies that include trading, investing and short selling of any securities, which may include, without limitation:

- equity and equity-related securities traded privately and publicly in U.S. and non-U.S. markets;
- any debt obligations, commodities, commodity futures and currencies;
- any derivative instruments of any kind pertaining to, or providing investment exposure with respect to, any of the foregoing, whether relating to a specific security, debt instrument, commodity, commodity futures or currency, or relating to a basket or index comprised of, or based on changes in the level of prices, rates or values of, any group or combination thereof;
- any other instruments or contracts of a kind dealt in by security or commodity brokers or dealers, futures commission merchants or other financial institutions; and
- puts, calls or other options (including the writing of such options), contracts for forward or future delivery and any other contracts of any kind relating to any of the foregoing or any combination of any of the foregoing (including, without limiting the generality of the foregoing, capital stock; private securities; shares or other units of mutual funds and investment companies; pre-organization certificates and subscriptions; warrants; partnership interests or units; bonds, notes and debentures, whether subordinated,



convertible or otherwise, and whether issued by a governmental or private issuer; commercial paper; certificates of deposit; bankers acceptances; trade acceptances; trust receipts; depository receipts; assignments of or participation in bank loans; trade credit claims; equity swaps, commodity swaps and interest rate swaps; equity index contracts; interest rate index contracts; repurchase agreements and reverse repurchase agreements; and guaranties, in each case whether now existing or hereafter developed), and whether the transaction is effected on any securities or futures exchange, board of trade or contract market or through any inter-dealer or other over-the-counter market in any jurisdiction or location.

In general, there are no limits on the types of securities in which the managers or private hedge funds may take positions, the types of positions that they may take, the concentration of their investments or the amount of leverage that they may use. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Drobny Capital may pursue any objectives, use any techniques or make any recommendations that it considers appropriate and in its clients' interests.

### ***Risk Factors***

Investing in securities and commodities involves risk of loss that clients should be prepared to bear. Below are brief summaries of some of the risks pertaining to a global macro strategy that clients and investors should consider before investing. Any or all of such risks could materially and adversely affect investment performance and the value of any account or any security or commodity held in an account, and could cause investors to lose substantial amounts of money. Potential investors in a private fund should review such fund's offering circular carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to separately managed accounts. A potential client should discuss with Drobny Capital's representatives any questions that such person may have before opening an account or investing in a fund that Drobny Capital manages.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Drobny Capital has limited operating history on which prospective clients and investors may evaluate its performance.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is unpredictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- Drobny Capital, a third party manager, or a private hedge fund may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive.

- Drobny Capital, a third party manager, or a private hedge fund also may receive material, non-public information about an issuer that prevents trading in securities of that issuer for a client when the client could make a profit or avoid losses.
- A third party manager or private hedge fund may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- A third party manager or private hedge fund may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument.
- A third party manager or private hedge fund may have higher portfolio turnover and transaction costs than having a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- A third party manager or private hedge fund may sell securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- A third party manager or private hedge fund may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- A third party manager or private hedge fund may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which a third party manager or private hedge fund does business on behalf of clients/investors may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- A third party manager or private hedge fund may enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies, which could cause large losses.
- A third party manager or private hedge fund may invest in stock index futures on behalf of its clients/investors. Price movements in the stock index and the underlying securities do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. There may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the third party manager or private hedge fund may not be able to liquidate unfavorable positions promptly and clients/investors may lose money.

- A third party manager or private hedge fund may invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- A third party manager or a private hedge fund may acquire a large position in an issuer's securities but nevertheless is unlikely to have any control over the issuer's management. In addition, if a third party manager or private hedge fund holds a large position in an issuer's securities, its subsequent sale of all or any portion of that position could depress the market for those securities.
- Some investments made by a third party manager or private hedge fund may be or become illiquid, in which case they may not be able to sell those positions.
- A third party manager or private hedge fund may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- As third party manager or private hedge fund may not utilize a strategy of investment diversification. Therefore, a loss in any one position, industry or sector may cause significant losses.
- Drobny Capital and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached Drobny Capital's fiduciary duty to the client or investor.
- Drobny Capital is not registered with the SEC or FINRA as a broker-dealer. The equity interests in the Clocktower Funds that Drobny Capital manages are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. Drobny Capital believes that none of these registrations are required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Drobny Capital and any Clocktower Fund could be subject to expensive and distracting legal action and potential termination. In addition, clients and investors in the Clocktower Funds do not have certain regulatory protection that they would have if these registrations were in place.
- Drobny Capital and its affiliates may spend time on activities that compete with a client without accountability to that client, including making investment recommendations to

other clients and investing for their own accounts. If Drobny Capital receives better compensation and other benefits from managing other assets or advising other client accounts compared to managing or advising a client, it has incentive to allocate more time to those other activities. These factors could influence Drobny Capital not to recommend investments to a client even if such investments would benefit the client.

- Drobny Capital may advise one or more third party managers, and Drobny Capital may recommend such managers to institutional clients. While Drobny Capital does not intend to recommend third party managers to clients on the basis of Drobny Capital's relationships with such Managers, Drobny Capital may be influenced in selecting managers for clients by such relationships. To address this conflict, Drobny Capital discloses to its client any relationship it has with a manager before recommending that manager, to any client.
- Drobny Capital may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal rights that it does not provide to other investors or clients.

The following are additional risks associated with the Clocktower Funds that Drobny Capital manages:

- There is not and will not be an active market for the funds' interests. It may be impossible to transfer any such interests, even in an emergency.
- A Clocktower Fund may not be able to generate cash necessary to satisfy investor withdrawals. Substantial withdrawals in a short period could force Drobny Capital to liquidate investments too rapidly, and may adversely affect the allocation of the fund's investments. This is particularly true when a fund has a limited number of investors and withdrawals by one investor represent a significant part of the fund's assets.
- A Clocktower Fund may limit or suspend withdrawals of an investor's assets from the fund.
- A Clocktower Fund may establish a reserve for contingencies if Drobny Capital considers it appropriate. Investors may not withdraw assets covered by that reserve until it is lifted.
- A Clocktower Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- The Hedge Funds of Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gains. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- If any Clocktower Fund becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.

The above is only a brief summary of some of the important risks that a client or fund investor may encounter. Before deciding to become a Drobny Capital client or invest in a Clocktower Fund that Drobny Capital manages, you should consider carefully all applicable risk factors.

### **Item 9. Disciplinary Information**

There is no disciplinary information to report.

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

Drobny Capital is a limited partnership and its general partner is DGAM LLC, who also serves as the general partner to one of the affiliated Hedge Funds of Funds, Clocktower Strategic Fund Management LP (“CSFM 1”). DGAM LLC also serves as the general partner to two affiliated special purpose vehicles, Clocktower Seeding 1 LP (“Clocktower Seeding 1”) and MIA Experience LP (“MIA”). Drobny Capital is a limited partner with majority ownership in both Clocktower Seeding 1 and MIA and also serves as the investment adviser for the firm’s affiliated Clocktower Funds. Clocktower Seeding 1 is an investor in the Hedge Funds of Funds (please refer to item 11 for further information on the firm’s policies and procedures regarding employee investing and the conflicts surrounding such activity).

Mr. Steven Drobny is the majority owner, limited partner, and Chief Executive Officer of Drobny Capital and serves as portfolio manager. Mr. Drobny also is the managing member and majority owner of DGAM LLC, a majority owner of CSFM 2 GP LLC (“CSFM 2 GP”) and Clocktower Technology Ventures LLC (“Clocktower Ventures”). CSFM 2 GP serves as the General Partner of Clocktower Strategic Fund Management 2 LP (“CSFM 2”). Clocktower Ventures serves as the General Partner of both Clocktower Technologies I LP (“CT I”) and Clocktower Technologies Feeder I LP (“CT Feeder I”).

While Mr. Drobny devotes as much time to the business and affairs of Drobny Capital as is reasonably necessary to perform his duties as senior manager of Drobny Capital and ensure the delivery of the services described in this Form ADV Part 2A, he does devote a portion of his time (approximately 5%) providing services for these other affiliated firms. . This creates a conflict of interest due to the fact that Mr. Drobny’s obligations to these entities take time away from his obligations at Drobny Capital. However, since Mr. Drobny spends the majority of that time on DGAM LLC, which provides services to Drobny Capital, the conflict is believed to not be material. In addition, Drobny Capital have adopted certain written policies and procedures to help mitigate conflicts and as fiduciaries, both Drobny Capital and Mr. Drobny strive to always put the interest of Drobny Capital clients first and foremost. As a majority owner of DGAM LLC, CSFM 2 GP, and Clocktower Ventures, Mr. Drobny shares in each firm’s profit and losses, along with the fees and revenue sharing that is received by DGAM LLC as general partner to the Hedge Funds of Funds and any that is received by Clocktower Seeding 1 and MIA as investors in the Hedge Funds of Funds. Please refer to Form ADV Part 2B for Mr. Drobny for further details regarding his outside business activities and compensation.

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

Drobny Capital has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes standards of conduct for Drobny Capital's supervised persons. The Code of Ethics requires Drobny Capital's supervised persons to comply with their fiduciary obligations to clients and applicable securities laws, and includes specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Drobny Capital's Chief Compliance Officer, and requires the Chief Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of Drobny Capital receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of Drobny Capital's Code of Ethics by contacting Tyler Hathaway at (310) 458-2915 or [thathaway@drobnycapital.com](mailto:thathaway@drobnycapital.com).

Under Drobny Capital's Code of Ethics, Drobny Capital and its partners, officers and employees may personally invest in the same securities and commodities that a third party manager or private hedge fund purchases for clients/investors and may own the same securities and commodities that are subsequently purchased for clients/investors by the managers or private hedge funds. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities or commodities transactions and recommendations by a Manager for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, Drobny Capital and its partners, officers and employees typically must obtain pre-approval from Drobny Capital's compliance officer before engaging in certain securities and commodities transactions, other than transactions in mutual funds, exchange traded funds, U.S. government securities, money market instruments and shares of money market funds. Drobny Capital and its partners, officers and employees may also buy or sell specific securities or commodities for their own accounts (including interests in securities and commodities hedge funds) based on personal investment considerations aside from company or industry fundamentals, which Drobny Capital does not believe appropriate to buy or sell for clients.

Drobny Capital solicits investors who may or may not be Drobny Capital's clients to invest in the Clocktower Funds that it manages. Drobny Capital has an incentive to cause a client to invest in such funds instead of opening a separately managed account because of the reduced expenses and administrative burdens of managing a fund compared to a separately managed account. Additionally, and as authorized by the organizational agreements related to the Clocktower Funds, certain affiliated companies and employees of Drobny Capital invest in the Funds along with other investors. This activity creates a conflict of interest due to the fact that offerings in the Clocktower Funds are limited in number and investments by affiliates and employees can be taking away an investment opportunity for a non-employee client or prospective investor. To address this conflict of interest, Drobny Capital has a written Code of

Ethics as described in this section. There also are disclosures in Clocktower Funds offering documents, which are provided to investors prior to investing.

Because Drobny Capital manages and advises more than one account, there may be conflicts of interest over its time devoted to managing or advising any one account and allocating investment opportunities among all accounts that it manages and advises. For example, Drobny Capital selects or recommends investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies. Drobny Capital may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. Drobny Capital is not obligated to acquire for any Clocktower Funds any security or commodity that Drobny Capital or its partners, officers or employees may acquire for or recommend to its or their own accounts or for any other client, if in Drobny Capital's absolute discretion, it is not practical or desirable to acquire a position in such security for the funds.

## **Item 12. Brokerage Practices**

Drobny Capital has retained Citco Bank Canada to serve as the custodian for the Hedge Funds of Funds that it manages, although Drobny Capital would be able to replace Citco or appoint an additional custodian at any time. The custodian's address is 2 Bloor Street Suite 2700, Toronto, Ontario M4W 1A8, Canada.

An investment fund's obligations to any custodian (and their affiliates) are secured by a first priority perfected security interest over all of their assets held in custody by that custodian. A custodian may transfer to itself or an affiliate all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes. If any such transfer occurs, the fund will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the fund may not be able to recover such equivalent securities in full. In addition, the fund's cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the fund will therefore rank as an unsecured creditor in relation thereto.

If any of an investment fund's investments are registered in the name of a custodian or its affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or its affiliate's own investments and if such custodian or affiliate becomes insolvent and the investment fund may not be able to recover such equivalent investments in full.

Drobny Capital does not perform any trading and does not select brokers or futures commission merchants for client transactions. Trading is performed by the third party managers and the private hedge fund managers, who have complete discretion in selecting the broker or futures commission merchant that it uses for traded execution and negotiating the commission rates paid to such brokers and futures commission merchants. Each manager's selection process, along with the factors considered when selecting brokers or futures commission merchants are described in their respective Form ADV Part 2A and fund offering documents (as applicable)

and should be fully reviewed prior to opening an account with a third party manager or investing in a private hedge fund.

For the Hedge Funds of Funds, each fund invests in other private hedge funds (“Underlining Funds”), which generally employ a global macro strategy. The managers of the Underlining Funds have complete discretion in selecting the broker or futures commission merchant that it uses for trade execution and negotiating the commission rates paid to such brokers and futures commission merchants. In selecting a broker or futures commission merchant for any transaction or series of transactions, the Underlining Funds’ managers may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- the availability of stocks to borrow for short trades;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering on-line access to computerized data regarding clients’ accounts;
- economic and market information;
- portfolio strategy advice;
- industry and company comments;
- technical data;
- performance measuring data; and
- on-line pricing.

These managers also may purchase from a broker or futures commission merchant or allow a broker or futures commission merchant to pay for the following (each a “soft dollar” relationship):

- research reports, services and conferences, including third-party research fees;
- custody, recordkeeping and similar services;
- proxy voting services;
- periodical subscription fees;
- news wire and data processing charges;
- quotation services;
- computer hardware and software;
- office rent;
- office equipment;
- supplies;
- salaries;
- secretarial, clerical and administrative services and assistance;
- telephone and utility charges;



- accounting and bookkeeping services (including the fees and expenses of third parties that provide such services); and
- legal fees.

The Underlining Funds' managers may cause the Underlining Funds to pay brokerage commissions in excess of that which another broker or futures commission merchant might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships provided by that broker or futures commission merchant. This is commonly referred to as "soft dollars". These managers also may direct Underlining Funds' transactions to brokers and futures commission merchants who refer prospective investors or clients to them.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If the Underlining Funds' managers use commission dollars to pay for products or services that provide administrative or other non-research assistance to the managers or their affiliates, such payments may not fall within the safe harbor of section 28(e). In addition, the Underlining Funds' managers may receive soft dollar credits on principal, as well as agency, securities transactions with brokers and futures commission merchants. Drobny Capital generally does not require the Underlining Funds' managers to comply with section 28(e) or otherwise restrict their use of soft dollars.

Drobny Capital expects that Underlining Funds' managers will generally consider the amount and nature of research, execution and other services provided by brokers and futures commission merchants as well as the extent to which the Underlining Funds rely on such services, and attempt to allocate a portion of the brokerage transactions of the Underlining Funds on the basis of that consideration. The managers may use the investment information and other services received from brokers and futures commission merchants, however, in servicing all of their accounts (including the Underlining Funds), but they may not use all such information and services for the Underlining Funds.

The managers' relationships with brokerage firms and futures commission merchants that provide soft dollar services to these managers and their affiliates influence the managers' judgment in allocating brokerage transactions and create a conflict of interest in using the services of those brokers and futures commission merchants to execute transactions. The brokerage fees that the Underlining Funds pay benefit the managers at the expense of the Underlining Funds, to the extent that soft dollars are used to pay the expenses of the managers that are not otherwise reimbursable by the Underlining Funds. Trades executed for the Underlining Funds through these firms or any other brokerage firm or futures commission merchant may or may not be at the best price otherwise available.

Underlining Funds' managers may aggregate sale and purchase orders of securities held by the Underlining Funds with similar orders being made simultaneously for their other clients' accounts. Such transactions may be made at slightly different prices, because of the volume of

securities purchased or sold. In such event, the Underlining Funds may be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transactions. As a result, the price may be less favorable to the Underlining Funds than it would be if similar transactions were not being executed concurrently for other accounts.

Drobny Capital performs periodic due diligence on all the Underlining Funds' managers, which includes reviews of each manager's Form ADV and its best execution policy and procedures.

### **Item 13. Review of Accounts**

Drobny Capital does not manage institutional client assets, so it does not have separately managed accounts to review. Each institutional client that receives investment consulting services from Drobny Capital has full discretion on whether or not to open accounts with third party managers or invest in any private hedge funds that Drobny Capital may recommend. Additionally, Drobny Capital does not provide any account statements to its institutional clients.

For the Hedge Funds of Funds, Drobny Capital's investment personnel, Lawrence Loughlin and Steve Drobny perform reviews on each Fund's investments on an ongoing basis. Such reviews are undertaken to ascertain whether the goals and objectives of the Funds are being achieved, not the needs and objectives of the individual investors in such Funds. For the Venture Capital Funds, Steve Drobny reviews each fund's investments on an ongoing basis.

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

Drobny Capital does not currently, but may in the future enter into contractual agreements ("solicitation agreements") with unaffiliated individuals and organizations that solicit potential clients for us. All such agreements are made in writing and comply with the requirements of Rule 206(4)-3 of the Investment Advisers Act (the "Act"). While the specific terms of each solicitation agreement may differ, generally, a solicitor's compensation will be based upon Drobny Capital's engagement of new clients and the retention of those clients and is calculated using a varying percentage interest in the fees paid to us by such clients. In all solicitation agreements, each solicitor must represent that they have not been: 1) subject to an order of the Securities and Exchange Commission issued under Section 203(f) of the Act, 2) convicted within the last ten years of any felony or misdemeanor involving conduct described in Section 203(e)(2)(A) – (D) of the Act, 3) found by the Commission to have engaged, or convicted of engaging, in any of the conduct specified in paragraphs (1), (5) or (6) of Section 203(e) of the Act; nor 4) subject to an order, judgment or decree described in Section 203(e)(4) of the Act. Each solicitor must agree to advise Drobny Capital immediately of any change in such representations. In addition, the solicitor is to provide the prospective client with a copy of our "Disclosure Brochure," which is a copy of ADV Part 2, in addition to a document disclosing the form of payment the solicitor is receiving for referring the prospective client to Drobny Capital. The solicitor is required to obtain the client's signature acknowledging receipt of the Disclosure Brochure and the written document.

Drobny Capital and certain of its affiliates have revenue sharing arrangements in place with certain managers of the private hedge funds invested in by the Hedge Funds of Funds. Revenue sharing arrangements create a conflict of interest due to the fact Drobny Capital can receive a

larger amount of compensation than just charging management fees and performance fees to investors. This conflict is addressed mainly by disclosing such arrangements to investors in the Hedge Funds of Funds prior to investment and is outlined in each fund's offering documents. It is very important that investors carefully read the offering documents prior to investing.

### **Item 15. Custody**

Pursuant to Rule 206(4)-2 of the Advisers Act, Drobny Capital is deemed to have custody of the Clocktower Funds assets due to the ownership affiliation with DGAM LLC.

As outlined in Rule 206(4)-2 of the Investment Advisers Act of 1940, investment advisers that are deemed to have custody of client assets (other than through the ability to debit fees) are generally required to have an annual independent verification of those assets. The verification must be in the form of a surprise examination performed by an independent non-affiliated certified public accountant. However, an exception applies in the case of private investment funds, so long as the private fund is receiving annual audits of their financial statements performed by an independent public accountant, which is registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). In addition, the audited financial statements must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and distributed to all investors within 120 days of the end of the private fund's fiscal year (or 180 days in the case of a fund of funds). The private funds also must receive an audit upon full liquidation and the audited financial statements must be distributed to all of a fund's investors promptly after the completion of such audit.

Currently, Drobny Capital does not have annual surprise audits performed since each of the Hedge Fund of Funds is receiving annual audits of their financial statements by a public accounting firm that is registered with and subject to regular inspection by PCAOB. Drobny Capital also assist the Clocktower Funds with the distribution of the audited financial statements to all its investors and ensure such distributions are made within 180 days of each Fund's fiscal year end. Should the Clocktower Funds liquidate their pooled assets, Drobny Capital will ensure the financial statements of each Fund are audited at that time and distributed to investors.

### **Item 16. Investment Discretion**

Drobny Capital has been provided in writing the discretionary authority to manage the assets in the Clocktower Funds, which includes the determination of the investments to be made by those Funds. Drobny Capital does not have discretion over the assets of its institutional clients.

### **Item 17. Voting Client Securities**

Drobny Capital has proxy voting authority for voting proxies on behalf of the Clocktower Funds. Drobny Capital does not have proxy voting authority for its institutional client accounts.

It is only on rare occasions that Drobny Capital receives a proxy for voting on behalf on the Clocktower Funds. Upon receipt, Drobny Capital decides whether to vote the proxy after considering whether the proposal will have a material effect on the Fund's investment strategy.

In determining whether a proposal serves a Fund's best interests, Drobny Capital considers a number of factors, including:

- the proposal's economic effect on investor value;
- the threat that the proposal poses to existing rights of investors;
- the dilution of existing investors that would result from the proposal;
- the effect of the proposal on management or director accountability to investors; and
- if the proposal is an investor initiative, whether it wastes time and resources of the company or Portfolio Fund or reflects the grievance of one individual.

Drobny Capital abstains from voting proxies when Drobny Capital believes that it is appropriate and in the best interest of the Fund to do so.

If a material conflict of interest over proxy voting arises between Drobny Capital and a Clocktower Funds, Drobny Capital will vote all ballots and proxies in accordance with the policy described above. If Drobny Capital determines that this policy does not adequately address the conflict of interest, Drobny Capital will notify the investors of the conflict and request that the investors consent to Drobny Capital's intended response to the ballot or proxy solicitation. If the investors consents to Drobny Capital's intended response or fails to respond to the notice within a reasonable time specified in the notice, Drobny Capital will vote the ballot or proxy as described in the notice. If a majority of investors object in writing to Drobny Capital's intended response, Drobny Capital will vote the ballot or proxy as the majority directs.

A copy of Drobny Capital's proxy voting policy and a record of votes cast by Drobny Capital on behalf of the Clocktower Funds can be obtained by fund investors by contacting Drobny Capital.

## **Item 18. Financial Information**

Drobny Capital has discretionary authority over client funds or securities, but does not require or solicit prepayment of \$1,200 or more in fees per client six months in advance. Drobny Capital has not been subject to a bankruptcy petition at any time during the past ten years.