

**Item 1 – Cover Page**

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**March 27, 2015**

This brochure (this “**Brochure**”) provides information about the qualifications and business practices of DBO Advisors LLC (the “**Adviser**”), an investment adviser registered with the United States Securities and Exchange Commission (the “**SEC**”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

If you have any questions about the contents of this Brochure, please contact the Adviser’s Chief Compliance Officer at the above phone number. 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 also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*This Brochure does not constitute an offer to sell or a solicitation of any offer to invest in any security. All descriptions of the fund in this Brochure, including, but not limited to, its investments, the strategies, fees and other costs associated with an investment in the fund, and any conflicts of interest faced by the Adviser in connection with management of the fund are qualified in their entirety by reference to the fund’s offering documentation.*

## **Item 2 – Material Changes and General Information**

DBO Advisors LLC amends its disclosure brochure on an annual basis. To receive a copy of our most recent brochure at any time during the year, please call DBO Advisors LLC at 367-6000 and a copy will be sent to you. You may also obtain a copy of the most current brochure and additional information on our firm from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under Investment Adviser Search. If applicable, this section will contain a summary of material changes to the information in our brochure since the last annual update of this brochure. There have not been any material changes since the last update to this brochure that was made on April 17, 2014.

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## Item 4 – Advisory Business

### The Adviser's Business

#### A. The Adviser and its Principal Owner

DBO Advisors LLC, a Delaware limited liability company (the “**Adviser**”) was formed in 2014 and is principally owned by Dean Bradley Osborne LLC (“**DBO**”). DBO is owned by Gordon Dean, Mark Bradley, and Nicholas Osborne.

For purposes of this Brochure (and the Adviser's Form ADV Part 1), all of those employees of DBO who perform services for the Adviser on behalf of the “Fund” (as defined below) are considered to be “employees” of the Adviser.

#### B. Advisory Services

The Adviser was formed for the purpose of providing investment advice on a non-discretionary basis to Fitness Capital Partners LP (the “**Fund**”), and may in the future provide investment advice on a non-discretionary and/or discretionary basis to additional client(s). The Fund was formed to invest in the equity and/or debt of a provider of health and fitness facilities (the “**Target**”) (see Item 8 below for further information). The Adviser's primary responsibilities in the context of providing investment advice to the Fund include some or all of the following: (i) monitoring the performance of the Fund's investment, (ii) monitoring, evaluating and making recommendations regarding the timing and manner of disposition of the Fund's investment; (iii) identifying sources of financing, if necessary, to make the Fund's investment; (iv) supervising the preparation and review of all documents required in connection with the acquisition, disposition or financing of the Fund's investment; (v) coordinating the services of other professionals and consultants and providing advice to the Fund regarding the performance of those persons; (vi) providing such other services related thereto for the Fund and the Fund's general partner as the general partner may reasonably request; and (vii) cooperating with any other investment managers engaged by the Fund's general partner on behalf of the Fund in performing the foregoing services.

An affiliate of the Adviser, Fitness Capital Partners GP LLC (“**FCP GP**”), will serve as the Fund's general partner. The Adviser will co-manage FCP GP with Global Leisure Capital Partners LLC (together with the Adviser, the “**Managers**”), an unaffiliated third party investment adviser.<sup>1</sup>

The Fund was formed earlier this year but does not currently have any investors or any assets. Therefore, any descriptions herein of the Fund's activities, fees, types of investors and other characteristics reflect the anticipated characteristics of the Fund once it begins operations.

#### C. Tailoring of Advisory Services

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<sup>1</sup> Both FCP GP and Global Leisure Capital Partners LLC are applying for investment adviser registration with the SEC. Upon the effectiveness of those registrations, additional information about those entities will be available through the SEC's website.

The Adviser's investment decisions and advice are subject to the Fund's investment objectives and guidelines, as set forth in the Fund's documentation.

In addition, subject to the terms of the Fund's documentation, as described below, the Adviser and/or FCP GP may in the future enter into agreements, such as side letters, with (and/or offer co-investment opportunities to) certain Fund limited partners (without the approval of any other limited partners). Side letters and co-investment opportunities may be granted to incent or permit limited partners to invest with the Adviser, invest certain amounts or invest with the Adviser or its affiliates in the future.

Side letters or other similar agreements have the effect of establishing rights under, altering or supplementing the terms of the Fund's documentation with respect to one or more such limited partners in a manner that could be more favorable to such limited partners than those applicable to other limited partners. For example, the side letters or other similar agreements have (or may in the future) waive or reduce fees charged to particular limited partners.

D. Wrap Fee Programs

The Adviser does not participate in wrap fee programs.

E. Assets Under Management

As of December 31, 2104, the Adviser managed \$183,784,726.00 on a non-discretionary basis and \$0 on a discretionary basis.

## **Item 5 – Fees and Compensation**

A. Compensation for Advisory Services

The Adviser and its affiliates will receive asset- and performance-based fees and allocations from the Fund.

The specific payment terms and other conditions of these fees and allocations are set forth in the Fund's documentation.

### **Management Fee**

The following is a summary of the terms of the management fees paid by the Fund to the Managers:

- fees are paid quarterly in advance; and
- the annual management fee is 2% of the aggregate capital invested by the Fund in the Target (after a "liquidity event," the basis of this fee will be adjusted to be the aggregate capital invested, or, if higher, the fair market value of the Fund's investment in the Target).

The Adviser does not currently have a fee schedule.

### **Performance Allocation**

The following is a summary of the terms of the performance-based allocations allocated by the Fund to FCP GP:

- after the Fund's limited partners receive a return of capital and a preferred return, FCP GP is allocated 20% of any proceeds distributable to limited partners that are received by the Fund; and
- all performance-based compensation will be effected consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder.

### **Related Conflicts**

The value of the Fund's investment is relevant to a number of aspects of that entity, including the calculation of the management fee after a "liquidity event" and periodic reporting to investors. Because higher valuations may result in higher management fees for the Fund (during a specified period of time, as referenced in the prior sentence) and more favorable reporting to investors (thereby potentially incenting them to invest in any new funds sponsored by the Adviser or the Managers), the Adviser has an inherent conflict of interest in connection with its valuation of Fund assets.

The Adviser maintains valuation policies, which provide guidelines for valuing the Fund's investment and serve to mitigate the above conflicts of interest.

The terms of the performance-based compensation could incent the Adviser to make decisions regarding potential investments and the timing and structure of realization transactions that may not be in the best interests of the Fund (and its investors). For example, the Adviser may be incented to make more risky or speculative investments than it would otherwise make in the absence of performance-based compensation. Further, FCP GP would be in a position to receive carried interest distributions earlier if profitable investments were liquidated prior to investments that were not profitable because, at the time proceeds from those profitable investments were realized, the Fund would not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments.

The Adviser believes that the fact that (i) the Fund was formed to invest primarily in the securities of a single company and (ii) the Fund documentation provides for a clawback of excess carried interest helps to mitigate these actual and potential conflicts of interest.

### **Other Compensation**

Besides the management and performance-based fees paid to FCP GP and the Managers by the Fund, it is anticipated that affiliates (including personnel) of FCP GP and the Managers will receive additional compensation from the Fund and the Target, which may include investment banking advisory fees, monitoring fees, break-up fees, organization and financing fees and similar fees for arranging acquisitions, dispositions or other major financial restructurings and directors' and other fees and annual retainers from the Target (or from a potential target of or potential purchaser of the Target). Neither FCP GP, the Managers nor their affiliates generally require their personnel to

return, or redirect, any such amounts to the Fund, nor does FCP GP or the Managers offset the advisory fees paid by the Fund by such amounts.

### **Fee Waivers/Reductions**

Fund limited partners may in the future negotiate different fee terms than those set forth in the Fund's documentation (through side letters).

### **Indemnification**

The Fund will be obligated to indemnify FCP GP, the Managers and certain of their respective affiliates and personnel under certain circumstances, as set forth in the Fund's documentation.

#### **B. Method of Fee Payments**

Pursuant to the terms of the Fund's documentation, unless otherwise waived, the Fund will pay management fees quarterly in advance.

Any performance-based allocation is generally re-allocated to FCP GP's capital account based on distributable cash related to the Fund's investment.

#### **C. Other Fees/Expenses**

### **Fund Expenses**

Except as otherwise set forth in the Fund's documentation, FCP GP and the Managers are responsible for their own operating and overhead costs and expenses, including rent and, in general, salaries and benefits.

The Fund will pay (or reimburse the Adviser or Managers) for all costs and expenses associated with the Fund's, the Adviser's or either of the Manager's (a) organization, initial offering, marketing and funding, including without limitation, all legal and accounting costs; regulatory costs, including costs and expenses with respect to the sale of interests in the Fund; filing, printing, travel and accommodation expenses; and placement agent fees and expenses, and (b) operation, including without limitation, those expenses set forth below, and other expenses associated with the Fund's administration and operation.

The Fund's operating expenses include, without limitation:

- management fees;
- expenses related to evaluating and negotiating an investment in the Target;
- expenses related to acquiring, holding, owning, maintaining, monitoring, hedging, or disposing of an investment in the Target (including any travel related expenses, brokerage commissions, clearing and settlement charges, private placement fees, syndication fees, solicitation fees, arranger fees, sales commissions, pricing and valuation fees (including appraisal fees) underwriting commissions and discounts, investment banking fees, advisory

fees, bank charges, other investment costs, and other closing, execution and transaction costs, broken deal costs, custodial, trustee, transfer agent, recordkeeping and other administrative fees costs and expenses);

- expenses associated with the engagement of professionals (attorneys, consultants, accountants, administrators, custodians, actuaries, advisers, auditors, administrators, and valuation experts) and other service providers that provide services to, or with respect to, the Fund);
- compensation and other similar expenses of professionals (including to affiliates of FCP GP or the Managers) and any industry executives, advisers, consultants, operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to the Fund related to, among other things (x) conducting due diligence on or analysis of industry, geopolitical or other operational issues, and (y) operational improvement initiatives relating to portfolio investments, and developing and implementing such initiatives;
- fees, costs and expenses incurred in obtaining research and other information for the benefit of the Fund, including information service subscriptions as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other information (such as phone and internet charges);
- fees, costs and expenses related to a default by a defaulting limited partner or a sale, assignment, pledge or transfer of an Interest or a limited partner's withdrawal or admission;
- fees, costs and expenses incurred in connection with distributions to the Fund's partners;
- expenses associated with tax and accounting reports;
- valuation expenses;
- tax payment obligations and other governmental charges levied against the Fund, including all transfer and withholding taxes;
- governmental fees, including all registration and filing fees;
- any regulatory or litigation expenses (and damages) including fees, costs and expenses (including legal fees, costs and expenses) incurred to comply with any applicable law, rule or regulation (including regulatory filing or other expenses of the Fund, FCP GP or the Managers and regulatory expenses of FCP GP and the Managers (including, without limitation, any expenses incurred in connection with registration of FCP GP, the Managers or their affiliates as an investment adviser under the Advisers Act), compliance with such registration including the Managers' Form PFs) or incurred in connection with any



governmental inquiry, investigation, or proceeding involving (including litigation expenses, the amount of any judgments, settlements or fines paid in connection therewith);

- legal fees and expenses of the Fund;
- costs and expenses that are classified as extraordinary expenses under U.S. GAAP;
- research expenses (including research-related conferences);
- fees and expenses (including interest, fees and expenses) related to leverage incurred by the Fund (including any credit facility, guarantee, letter of credit or similar credit support or one or more other similar financing transactions);
- expenses incurred in connection with the restructuring of the Fund's investment in the Target;
- expenses for forming operating or reorganizing any entity through which the Fund makes its investment in the Target, including the creation of special purpose vehicles;
- expenses incurred in connection with temporary investments;
- the costs of any limited partners and Fund advisory committee meetings (including accommodations, meals, events, entertainment and other similar fees, costs and expenses in connection with such meetings), reimbursement of the reasonable expenses of the Fund's advisory committee to its members and the costs of preparation and delivery of all reports to limited partners or the Fund's advisory committee;
- Fund indemnification obligations;
- Premiums and fees for D&O and any other insurance for protecting FCP GP, the Managers or any other covered person from liabilities to third parties in connection with the affairs of the Fund or for protecting the Fund and any entity through which the Fund invests in the Target;
- expenses of liquidating the Fund; and
- expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of the Fund, FCP GP and the Managers.

## **Reserves**

The Fund may, subject to the terms of the Fund's documentation, retain previously contributed funds (that would otherwise be distributed to the Fund's limited partners) in amounts deemed in FCP GP's sole discretion to be reasonable and appropriate for actual or contingent liabilities.

### **D. Prepayment of Fees**

The Fund will pay management fees quarterly in advance. In the event of the termination of the advisory relationship before the end of a fee period, a *pro rata* portion (based on the number of days remaining in the applicable fee period) of prepaid management fees, less any Fund expenses that are reimbursable to FCP GP and/or the Managers (subject to the terms of the Fund's documentation as well as any limitations imposed by the Advisers Act), would be returned to the Fund.

E. Compensation for the Sale of Securities

Certain of the Adviser's supervised persons will receive compensation for the sale of securities or other investment products (including interests in the Fund and interests in the Target) in respect of their broker-dealer activities on behalf of the Adviser's broker-dealer affiliate, Dean Bradley Osborne Partners LLC ("**DBO Partners**"). This practice presents a conflict of interest and gives DBO Partners an incentive to recommend securities or other investment products based on the compensation received, rather than on a potential limited partner's or the Fund's needs. Where DBO Partners is not the exclusive selling agent(s), clients have the option to purchase securities or other investment products that the Adviser recommends through other brokers or agents that are not affiliated with the Adviser. The Adviser does not reduce its advisory fees to offset the commissions or markups paid to DBO Partners.

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

### Generally

As described in Item 5, FCP GP receives performance-based compensation from the Fund.

### Conflicts

See Item 5 above for potential conflicts of interest related to FCP GP's receipt of performance-based compensation.

## **Item 7 – Types of Clients**

As noted in Item 4 above, the Adviser provides investment advisory services (on a non-discretionary basis) to the Fund. Fund investors are required to be "accredited investors" (as defined in Rule 501 under the U.S. Securities Act of 1933 (the "**Securities Act**")) and "qualified purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (the "**Investment Company Act**")). Fund investors are primarily institutional investors, high net worth individuals and other private investment funds.

Interests in the Fund and the Fund itself are not registered under the Securities Act or the Investment Company Act, respectively. Accordingly, interests in the Fund are offered exclusively to investors satisfying the applicable eligibility requirements either in private placement transactions

within the United States or in offshore transactions, and the Fund is excepted from the definition of an “investment company” under the Investment Company Act.

Investors in the Fund are required to complete and submit a subscription agreement binding them to the terms of the Fund’s documentation. The minimum capital commitment for the Fund is \$5 million (subject to the FCP GP’s right to accept lesser amounts).

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

The following is a summary of (i) the strategies and methods of analysis that the Adviser uses in formulating advice on a non-discretionary basis for the Fund (and related material risks) and (ii) certain material risks associated with the types of securities that the Adviser primarily recommends to the Fund.

*The information included in this Brochure does not include every potential risk associated with each investment strategy or security. Investors and prospective investors in the Fund are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Fund’s offering memorandum) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss that investors should be prepared to bear.*

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND INSTRUMENTS**

The Adviser’s investment analysis methods may include fundamental, technical and cyclical research. Initially, the Adviser will advise the Fund with respect to the acquisition of an interest in the Target (which is anticipated to be made alongside established private equity investors who will maintain majority control of the Target). The Adviser’s advice will pertain to the acquisition valuation and investment merits, risks and potential returns of such an investment, and due diligence will include meetings with the investment target’s management team, detailed review and analysis of the Target’s financial statements, preparation and/or review of detailed financial models, review of publicly available information, Target site visits, discussions with industry experts, review of financial and/or commercial due diligence reports and meetings with commercial and/or financial due diligence providers. The Adviser will also utilize due diligence information prepared by the other private equity firm intending to co-invest in the transaction.

After the Fund’s initial investment in the Target, the Adviser will provide advice to the Fund with respect to:

- potential acquisition or merger opportunities (that may dilute the Fund’s initial equity holding);
- potential exit events, which may include sale of the Target or of the Fund’s interest in the Target, or sell-down events of the Fund’s interest in the Target or the public registration and of the common stock of the Target and subsequent public market sale of the Fund’s holdings in the Target; and

- the impact of recapitalizations or opportunities to acquire the debt of the Target as an investment strategy.

Any investments by the Fund after its initial investment in the Target will generally be made in connection with acquisitions, dispositions, restructurings, workouts, management acquisitions, public or private securities offerings and other similar situations that may utilize some degree of leverage.

The Fund's investment will likely take the form of equity and equity-related securities in conjunction with a privately negotiated transaction.

The Adviser will monitor the Fund's investment through analysis of information such as Target financial statements, management reports and other information which is periodically made available by the Target to its investors. The Adviser will also monitor news flow and other external factors which may impact the investment such as regulatory changes, significant actions of competitors and other key industry developments.

## CERTAIN RELATED RISKS

### Lack of Diversification

The Fund will invest primarily in the securities of a single company (the Target). Poor performance by that company will result in poor performance by the Fund, and a partial or total loss of investments by limited partners in the Fund. Unlike other private equity funds, the Fund is not at all diversified in its investments and its performance will rise and fall based on the performance of the Target.

### Failure to Achieve Purpose

Because the Fund is formed to invest primarily in the securities of a single company, if the Fund's investment in the Target is not consummated, the capital commitments of the Fund's limited partners will be cancelled (subject to the limited partners' obligations to cover Fund expenses) and the Fund will not achieve its stated purpose.

### Risks Associated with Deadlock

GLP and DBO equally control all important decisions affecting FCP GP's governance and its operations (including the investment decisions that will be implemented by the Fund) and may fail to agree on important matters. Although deadlocks between GLP and DBO are expected to be resolved by a person who may be selected jointly by DBO and GLP, and who is expected to either be associated with FCP GP or be a representative of the Fund's limited partners, if an agreement cannot be reached, inaction or disputes may result, which could, among other things, result in the Fund losing important opportunities and failing to achieve its investment objective. In addition, the fact that the person who is intended to resolve deadlocks has not as yet been selected (and possibly may not be selected unless and until a dispute arises) means that the Fund's investors will not be afforded the opportunity to assess the background and qualifications of such person prior to investing in the Fund.

### Risk of Conflicts Within FCP GP

Although FCP GP will endeavor to act in the best interests of the Fund, conflicts of interest may arise within FCP GP as between GLP and DBO when they are faced with decisions that could have different implications for GLP and DBO, including investment decisions, employment matters, service provider selection, compensation issues and other matters. GLP and DBO may also take or fail to take action (or seek to cause FCP GP to take or fail to take action) that favors their respective businesses and the interests of their owners over the interests of the Fund. Any of the foregoing could impede GLP and DBO's ability to manage FCP GP and the FCP GP's ability to act in the best interests of the Fund. Each of the Managers may face similar conflicts with respect to their determination of the advice they choose to provide to the Fund.

### Risks Associated with Co-Investment Structures

The Fund will invest together with third parties in the Target (together, the “**Investor Group**”). The members of the Investor Group have not previously entered into co-investment arrangements with each other. Investments involving multiple co-investors may involve risks not present in investments where third parties are not involved, including the possibility that a co-investor may experience financial, legal or regulatory difficulties, may at any time have economic or business interests or goals which are inconsistent with those of the Fund, may take a view that is different from the Fund as to the appropriate strategy for an investment, or may be in a position to take action contrary or harmful to the Fund's investment objectives. Moreover, as a result of co-investment arrangements, the Fund may be liable for the actions of third-party co-investors under certain circumstances.

### Failure of the Target's New Operating Strategy

The Fund's investment in the Target is premised upon the successful implementation and execution of a new operating strategy for the Target. If that new operating strategy is not successfully implemented and executed, or is not otherwise successful, then the Fund may experience poor performance.

### Reliance on Company Management

The Target's success is dependent on the efforts and skills of its senior management team. The loss of one or more of such officers could have a material adverse impact on the company (and hence, the Fund). In addition, the development and expansion of the Target's business may require additional experienced management and operations personnel. If the Target is unable to retain existing management and recruit additional management, it may have a material adverse effect on the company's performance, financial condition and results of operations (and hence, the Fund).

### Conflicting Duties Based on Board Representation

FCP GP personnel will likely represent the Fund on the board of directors of the Target and, as such, have duties to persons other than the Fund. Although holding board positions will be important to the Fund's investment strategy, director positions may also have the effect of impairing the FCP GP's (or the Adviser's) ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Fund and FCP GP (or the Adviser) to claims they would not otherwise be subject to if they did not hold such positions, including claims of breach of duty of

loyalty, securities claims, and other director-related claims. The insurance that the Target does obtain may be insufficient to adequately protect the Fund from such liability. In general, to the extent not covered by the Target, the Fund will indemnify FCP GP and the Adviser (or its affiliates, as applicable) from those claims.

#### Inability to Influence Management

Although the Fund anticipates nominating three (of ten) seats on the Target's board of directors and will seek to obtain appropriate shareholder rights to protect the Fund's investment, it may not be possible to obtain such rights in all cases. If the Fund does not have shareholder rights to protect its interests, it is possible the Target or other shareholders could take actions that negatively impact the value of the Fund's investments or that prevent the Fund from disposing of its investments in the Target.

#### Leverage

After completing the transaction, the Target will be highly leveraged. The Target's substantial indebtedness could have important consequences to the Fund's limited partners. For example, the high level of indebtedness may:

- increase the Target's vulnerability to general adverse economic and industry conditions and adverse changes in government regulation;
- require the Target to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to use for working capital, capital expenditures and other general corporate purposes;
- limit the Target's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- place the Target at a competitive disadvantage compared to its competitors that are less highly leveraged and therefore may be able to take advantage of opportunities that the Target cannot explore due to its leverage;
- result in higher interest expense if interest rates increase on the Target's floating rate borrowings;
- limit the Target's ability to borrow additional funds; and
- cause the Target's ratings to be downgraded, which could exacerbate the risks listed above.

The Target's ability to satisfy its debt obligations and to reduce its total debt depends on its future operating performance and on economic, financial, competitive and other factors, many of which are beyond its control. The Target's business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute its business strategy.

#### Ability to Attract and Retain Members

The performance of the Target's fitness clubs is highly dependent on its ability to attract and retain members, and the Target may not be successful in these efforts. Most of the Target's members hold

month-to-month memberships and, accordingly, most members can cancel their club membership at any time. In addition, there are numerous factors that have in the past and could in the future lead to a decline in membership levels or that could prevent the Target from increasing its membership, including a decline in the Target's ability to deliver quality service at a competitive cost, the presence of direct and indirect competition in the areas in which the clubs are located, the public's interest in fitness clubs and general economic conditions.

Negative economic conditions, including increased unemployment levels and decreased consumer confidence, have contributed and in the future could lead to significant pressures and declines in economic growth, including reduced consumer spending. In a depressed economic and consumer environment, consumers and businesses may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for the Target's services and products and such decline in demand may continue as the economy continues to struggle and disposable income declines. Other factors that could influence demand include increases in fuel and other energy costs, conditions in the residential real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. Challenges to the global economy during the past several years have adversely affected the Target's business and its revenues and profits and continuing challenges may result in additional adverse effects. As a result of these factors, membership levels might not be adequate to maintain the Target's operations at current levels or permit the expansion of the Target's operations.

In addition, to the extent the Target's corporate clients are adversely affected by negative economic conditions, they may decide, as part of expense reduction strategies, to curtail or cancel club membership benefits provided to their respective employees. Any reductions in corporate memberships may lead to membership cancellations as the Target cannot assure that employees of corporate customers will choose to continue their memberships without employer subsidies. A decline in membership levels may have a material adverse effect on the Target's business, financial condition, results of operations and cash flows.

#### Risk of Geographic Concentration

The Target's geographic concentration heightens its exposure to adverse developments, including those related to economic and demographic changes, competition and severe weather, natural or other unforeseen events. The Target cannot predict the impact that any severe weather, natural or other events will have on its ability to avoid wide-spread or prolonged club closures. Any such events affecting the areas in which the Target operates might result in a material adverse effect on the Target's business, financial condition, cash flows and results of operations in the future.

#### Industry Competition

The fitness club industry is highly competitive and continues to become more competitive. In each of the markets in which the Target operates, the Target competes with other fitness clubs, private studios, physical fitness and recreational facilities established by local governments, hospitals and businesses for their employees, amenity and condominium clubs, the YMCA and similar organizations and, to a certain extent, with racquet and tennis and other athletic clubs, country clubs, weight reducing salons and the home-use fitness equipment industry. The Target also

competes with other entertainment and retail businesses for the discretionary income in its target demographics. The Target might not be able to compete effectively in the future in the markets in which it operates. Competitors may include companies that are larger and have greater resources than the Target and also may enter these markets to the Target's detriment. These competitive conditions may limit the Target's ability to increase dues without a material loss in membership, attract new members and attract and retain qualified personnel. Additionally, consolidation in the fitness club industry could result in increased competition among participants, particularly large multi-facility operators that are able to compete for attractive acquisition candidates or newly constructed club locations, thereby increasing costs associated with expansion through both acquisitions and lease negotiation and real estate availability for newly constructed club locations.

The number of competitor clubs that offer lower pricing and a lower level of service continue to grow in the Target's markets. These clubs have attracted, and may continue to attract, members away from both the Target's fitness-only clubs and its multi-recreational clubs, particularly in the current consumer environment. Furthermore, smaller and less expensive weight loss facilities present a competitive alternative for consumers.

The Target also faces competition from competitors offering comparable or higher pricing with higher levels of service or offerings and niche specialty businesses, which offer targeted fitness alternatives.

In addition, competitors could enter the urban markets in which the Target operates to open a chain of clubs in these markets through one, or a series of, acquisitions.

#### Risks upon Disposition of Investment

In connection with the disposition of its investment, the Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of the disclosure documents under applicable securities laws. The Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Fund's limited partners, subject to the limits described in the Fund's documentation.

#### Illiquidity of Fund Interests

There is no established market for Fund interests and such a market is not expected to develop. An investment in a Fund requires a long-term subscription, with no certainty of any return. In addition, Fund limited partners may not withdraw from the Fund prior to its dissolution, and transferability of Fund interests are significantly limited by the terms of the applicable Fund documentation.

#### Market Risk - Generally

Investment markets and economic conditions fluctuate substantially over time. Performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets which the Adviser manages that may be out of the Adviser's control. The Adviser cannot guarantee any level of performance or that investors in the Fund will not experience a loss of their account assets. There is



no assurance that the Fund will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of the Fund. The expenses of the Fund may exceed its income, and an investor in the Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in the Fund if the investor can withstand a total loss of its investment.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of its management.

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

The Adviser has a number of material relationships with its affiliates, and various potential and actual conflicts of interest may arise from the overall investment activities of the Adviser and its affiliates. The following briefly summarizes those relationships and the material conflicts associated with those relationships, but is not intended to be an exclusive list of all such conflicts. Unless the context requires otherwise, any references to the "Adviser" in this section will be deemed to include its affiliates, partners, members, shareholders, officers, directors and employees.

### Affiliated Investment Advisers

As described in Item 4 above, FCP GP (in which DBO has a controlling interest) will be the general partner of (and provide investment advice on a non-discretionary basis to) the Fund (and, as described in Item 5 above, FCP GP receives a performance-based fee from the Fund for providing that service).

### Affiliated Broker-Dealer

DBO Partners (a wholly-owned subsidiary of DBO) is a broker-dealer registered with the SEC and a member of FINRA.

### Potential Conflicts of Interest

*The Adviser may engage in investment activities which could conflict with the interests of the Fund.*

The Adviser may invest or otherwise hold an interest, on behalf of themselves, in securities and other instruments that may be adverse to or have an adverse effect on the Fund or its investment (for example, the Adviser may make proprietary investments in certain portfolio companies of its clients, either directly or through an investment in the client). The Adviser may give advice or take action for their own accounts that may differ from, conflict with, or be adverse to, advice given to or action taken for the Fund. The Fund and its investors will not have an interest in such investments

or other investment funds organized or sponsored by the Adviser by virtue of its status as a client or investor (notwithstanding the fact that those investments may be in competition with those of the Fund).

As part of their regular business, DBO provides a range of investment banking, advisory, placement agent services and other services (to persons such as companies in which the Fund is invested or limited partners in the Fund). In addition, DBO and its affiliates may provide services in the future beyond those currently provided. For example, (i) it is anticipated that the Fund will invest its assets in the securities of a company that receives broker-dealer services from DBO (the Target), (ii) DBO may represent a potential purchaser of a company in which the Fund is invested and/or (iii) DBO (or its affiliates) may provide monitoring services to the Target (in exchange for a monitoring fee and other compensation). These other activities would cause the Adviser (and its affiliates) to have conflicting duties to the Fund as well as another non-advisory client, and the Adviser may be incented to favor itself (or its affiliates) and/or the non-advisory client over the Fund (in order to maximize the compensation paid to the Adviser either in respect of the Fund or in future deals). The Fund (and its limited partners) will not receive a benefit from any fees received by DBO or its affiliates in respect of those services.

*These other activities may place limits on the Fund's activities.*

In the regular course of its investment banking and advisory businesses, DBO represents potential purchasers, sellers and other parties, including corporations, financial buyers, management, shareholders and institutions, with respect to transactions that could give rise to transactions that are suitable for the Fund (or the Target). In such a case, a brokerage client may require DBO (and its affiliates), as applicable, to act exclusively on its behalf, thereby precluding the Fund (or the Target) from participating in such transactions. DBO will be under no obligation to decline any such engagements in order to make an investment opportunity available to the Fund (or the Target).

In connection with its investment banking, advisory and other businesses (for example, as agent for a counter-party or a competitor in a transaction with the Fund), DBO may come into possession of information that limits its and its affiliates' ability to engage in potential transactions. The Fund's activities may be constrained as a result of the inability of DBO personnel to use such information. For example, certain employees may be prohibited by law or contract from sharing information with other employees who participate in the Fund's investment team. Additionally, there may be circumstances in which one or more of certain individuals associated with DBO will be precluded from providing services related to the Fund's activities because of certain confidential information available to those individuals or to other parts of DBO.

In certain sell-side and fundraising assignments, the seller may permit the Fund to act as a participant in such transactions, which would raise certain conflicts of interest inherent in such a situation (including as to the negotiation of the purchase price).

*Adviser Personnel will have conflicts in allocating their time and services.*

Adviser personnel will have certain conflicts in allocating their time and services among the Fund and their other activities. Adviser personnel will work on multiple endeavors, including management of the Fund, brokerage activities on behalf of DBO Partners and Adviser personnel's other existing and potential business activities (as well as any personal activities, within the parameters of any employment agreement and the Fund's documentation).

*The duties of Adviser personnel serving on the board of a company in which the Fund has an interest may conflict with the Adviser's duties to the Fund.*

Conflicts of interest may arise because Adviser personnel (specifically, representatives of the Fund) anticipate serving as directors of the Target. In addition to any fiduciary duties that the Adviser and its personnel owe to the Fund, as directors of the Target, those Adviser personnel will owe fiduciary duties to the Target. Those positions may place Adviser personnel in a position where they must make a decision that is either not in the best interests of the Fund (and its investors) or not in the best interests of the Target.

*The Adviser may be incented to retain affiliates as service providers for the Fund (over more qualified and/or less costly unaffiliated service providers).*

DBO Partners has (and will in the future) act as the placement agent for the Fund in certain jurisdictions, or provide investment banking advisory services where required in relation to M&A opportunities, the eventual sale of the Target or otherwise. While fees, commissions and other compensation paid to these affiliated broker-dealers are generally believed by the Adviser to be reasonable, such compensation is not in each case negotiated at arm's length and from time to time may be in excess of fees, commissions or other compensation that would be charged for comparable services by an unaffiliated third party (who may be more qualified to provide those services). The Fund's limited partners will not receive the benefit of fees or other compensation received by the Adviser or its affiliates in connection with the provision of services by them to the Fund or third parties.

*Disputes between the Adviser and the members of the Investor Group may adversely affect the Fund's investment.*

To the extent a dispute arises between the Adviser and members of the Investor Group, the Adviser may be incented to resolve the dispute in a manner that is adverse to the Fund in order to preserve its long-term relationship with members of the Investor Group.

#### *Allocation Policy*

Because the Fund invests primarily in the securities of a single company, and the Adviser currently only has one advisory client (the Fund), it is not typical for the Adviser to have to allocate investment opportunities amongst its clients. However, the Adviser maintains allocation policies and procedures to be utilized in the case that it is required to determine how to allocate investments among the Fund and any other advisory clients. These policies and procedures generally require the Adviser to allocate investment opportunities in a fair and equitable manner in

the best interests of the relevant clients and based on the suitability of the opportunity and the available capital of the relevant client for such investment.

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

### **Code of Ethics**

The Adviser's Code of Ethics provides a standard of conduct for, among other things, the personal trading of covered Adviser personnel. Under the Code of Ethics, certain Adviser personnel must provide the Adviser with initial and annual holdings reports (excluding accounts holding certain securities or discretionary accounts) and quarterly transactions reports. Adviser personnel must also obtain preapproval from the Adviser's Chief Compliance Officer (or his designee) prior to investing in any private placement or participating in any initial public offering. The Adviser's Chief Compliance Officer will review violations of its Code of Ethics to determine appropriate internal sanctions.

The Fund, prospective clients and investors in the Fund may obtain a complete copy of the Adviser's Code of Ethics free of charge by submitting a written request to the Adviser's Chief Compliance Officer at One Embarcadero Center, Suite 3700, San Francisco, CA 94111.

### **General Conflicts**

The Adviser's personnel may have multiple advisory, transactional, financial and other interests in securities, instruments, companies or investment vehicles that may be purchased or sold for the Fund (see Item 10 above). The Adviser has established a variety of procedures and disclosures designed to address conflicts of interest arising between the Fund, on the one hand, and the Adviser and its personnel, on the other.

### **Affiliated Investments, Cross Trades and Principal Trades**

#### *The Fund may engage in principal transactions*

In accordance with the anti-fraud provisions of the Advisers Act and the Adviser's policies and procedures, neither the Adviser nor its related persons will, as a principal, sell a security to, or buy a security from, the Fund, without providing appropriate disclosure to and obtaining the prior consent of an appropriate person acting on behalf of the Fund prior to the settlement of that transaction.

#### *Adviser personnel have financial interests in Fund transactions*

As described in Item 5 and Item 10 above, certain Adviser personnel receive fees and other compensation for services provided to the Target. As described in Item 5 above, those fees are generally not shared with the Fund and its investors.

## *Cross Trades*

In accordance with the Adviser's cross trading policy, the Adviser may advise that a security may be sold or bought by the Fund to or from another advisory client when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the clients involved. Further, DBO Partners may act as broker on behalf of the Fund and, in the same transaction, on behalf of a counterparty to the Fund (or on behalf of another advisory client), subject to compliance with Section 206(3) of the Advisers Act (such as obtaining appropriate prior consent in compliance with the requirements of Rule 206(3)-2 under the Advisers Act).

In recommending any of such transactions, the Adviser may have a conflict between the best interest of the Fund to the price at which the security will be bought or sold and the interest of the other client with respect to the price at which the security will be bought or sold and the determination to recommend the transaction. There could also be an incentive on the part of the Adviser to benefit itself in connection with such a transaction if the management fees payable to the Adviser would be increased as a result of the change in ownership of the security (e.g., if the Adviser would receive a higher management or performance fee as a result of the security's change in ownership). If DBO Partners is involved in the transaction, it may also earn a commission in connection with the transaction.

## **Item 12 – Brokerage Practices**

### **Selection of Intermediaries**

As a general matter, the Fund's business does not involve investing in or trading securities or other assets on an active basis. Rather, its business primarily involves investing in the securities of a single company. Occasionally, the Fund will use broker-dealers to liquidate securities of the Target (or the Target may use broker-dealers to sell itself).

The Adviser does not have the authority to determine without client consultation or consent the broker, consultant or other intermediary (each, an "**intermediary**") through which the Fund purchases or sells investments, and the compensation at which such transactions are effected.

In recommending intermediaries to provide services in connection with transactions, the Adviser's policy is to seek the best execution, which means that it seeks to ensure that the client's total cost or proceeds is the most favorable under the circumstances. Accordingly, transactions will not always be effected at the best price or the lowest available compensation.

The Adviser does not adhere to any rigid formulas in recommending intermediaries on behalf of the Fund, but instead weighs a combination of factors or criteria. For example, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including:

- reliability;
- reputation;

- industry knowledge and expertise;
- ability to provide access to potential counterparties;
- efficiency;
- ability to keep activities confidential;
- idea generation;
- competitive compensation;
- brokerage and research; and
- general responsiveness.

Where permitted by applicable law and regulation, the Adviser reserves the right to recommend DBO Partners, its affiliated broker-dealer, to the Fund.

The SEC views soft dollar practices as arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. The Adviser does not currently participate in soft dollar arrangements.

The Adviser does not consider, in recommending intermediaries, whether it or a related person receives client referrals from such intermediaries. The Adviser does not enter into directed brokerage arrangements.

### **Item 13 – Review of Accounts**

#### **A. Review- Risk Management**

The Fund's investment is monitored on a regular basis (at least monthly). The Fund's investment team meets frequently as appropriate to review market events and their effect on the Fund's investment, debate ideas, commercial developments, current events, investment strategies and issues related to the current and follow on investment and potential exits (in whole or in part) of the Fund. The investment team is responsible for monitoring and managing the Fund's investment portfolio appropriately in accordance with the Fund's investment objectives, margins and guidelines.

#### **B. Reports to Clients**

On an annual basis, the Fund sends to its limited partners a Schedule K-1 and such other information as is reasonably requested for the limited partners to comply with their income tax returns for that year. Fund limited partners will also receive annual audited financial statements.

Subject to FCP GP's discretion to withhold such information, the Adviser may provide additional information on an ad hoc basis to investors (such as reports from the Target).

The reports provided to Fund investors are written.

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

The Adviser has and may in the future enter into arrangements with third parties (including affiliated third parties- see Item 4 and Item 10 above) whereby such third parties receive fees for referring investors to the Fund. Any such compensation is only paid if the investor is aware of the fee arrangement and the arrangement complies with applicable rules and regulations.

## **Item 15 – Custody**

To the extent required by applicable law, the Fund's securities and funds are held by qualified custodians. As noted in Item 13 above, Fund investors will receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review such statements.

## **Item 16 – Investment Discretion**

The Adviser does not exercise discretion in managing the Fund (however, the Adviser provides advice on a non-discretionary basis to the Fund based on its investment objectives, policies and strategies disclosed in its documentation and the terms of any side letters between the Adviser and the Fund limited partners).

## **Item 17 – Voting Client Securities**

The Adviser does not have authority to vote client securities. The Fund (and its investors, as applicable) will receive proxies or other solicitations directly from FCP GP, and any questions regarding a particular solicitation should be directed to FCP GP's Chief Compliance Officer at 525 Okeechobee Blvd, Suite 1650, Palm Beach, Florida 33401.

## **Item 18 – Financial Information**

Form ADV Part 2 requires investment advisers such as the Adviser to disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients. At this time, the Adviser has no information to report that is applicable to this Item 18.

## **Privacy Statement**

*The following privacy statement applies to DBO Advisors LLC and our affiliates (“we” or “our”) for current and former natural person limited partners in our fund (“you”).*

*Our Commitment to Your Privacy:* we are sensitive to your privacy concerns. We have a policy of protecting the confidentiality and security of information we collect about you. We are providing you this notice to help you better understand why and how we collect certain personal information, the care with which we treat that information, and how we use that information.

*Sources of Non-Public Information:* In connection with forming and operating our private investment fund, we collect and maintain non-public personal information from the following sources:

- Information we receive from you in conversations over the telephone, in voicemails, through written correspondence, via e-mail, or on subscription agreements, investor questionnaires, applications or other forms, and
- Information about your transactions with us or others.

*Disclosure of Information:* We do not disclose any non-public personal information about you to anyone, except as permitted by law or regulation and to service providers.

*Former Limited Partners and Clients:* We maintain non-public personal information of our former limited partners and clients and apply the same policies that apply to current limited partners and clients.

*Information Security:* We consider the protection of sensitive information to be a sound business practice, and to that end we employ physical, electronic and procedural safeguards to protect your non-public personal information in our possession or under our control.

*Further Information:* We reserve the right to change our privacy policies and this Privacy Notice at any time. The examples contained within this notice are illustrations only and are not intended to be exclusive. This notice complies with the privacy provisions of the Gramm-Leach-Bliley Act. You may have additional rights under other foreign or domestic laws that may apply to you.

For further information regarding our privacy policies, please contact our Chief Compliance Officer at (415) 367-6000.