

**FLI INVESTORS, LLC**

**Regulation Best Interest Disclosure Statement**

*Please retain for your records*

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This Regulation Best Interest Disclosure Statement (“**Disclosure Statement**”) provides information about the scope and terms of the services that FLI Investors, LLC (“**FLI**”) provides to retail clients. It will help you understand our approach, services, fees, compensation, and conflicts of interest.

The information in this Disclosure Statement is current as of the date above. We reserve the right to change our programs, fees and payment structures at any time. We will notify you of any material changes we make. You should review this Disclosure Statement carefully, retain it with your records and refer to it when you receive recommendations from us.

You can obtain a paper copy of this Disclosure Statement and any other referenced disclosures free of charge by calling us at **516.935.1200**.

FLI is registered with the U.S. Securities and Exchange Commission (the “**SEC**”) as a broker-dealer and is also a member of the Financial Industry Regulatory Authority (“**FINRA**”). As a registered broker-dealer, FLI is permitted to, among other things, refer individuals and organizations to invest in certain privately offered hedge and private equity funds (or related feeder funds), LLCs, managed accounts, partnerships, or similar investment vehicles that are sponsored, managed, distributed, or offered by unaffiliated third-party fund managers (collectively, “**Third-Party Managed Funds**”).

Unless otherwise indicated, the terms “FLI”, “we”, “our” or “us” in this Disclosure Statement refer to FLI Investors, LLC.

## Introduction

**About Regulation Best Interest and this Disclosure Statement.** Regulation Best Interest under the Securities Exchange Act of 1940, as amended, establishes an enhanced standard of conduct for broker-dealers and their associated persons when recommending certain investments to retail customers. Under Regulation Best Interest, when we make recommendations to you in our capacity as a broker-dealer regarding securities transactions or investment strategies involving securities, we must act in your best interest at the time the recommendation is made. This means we cannot place our or a Financial Professional's financial or other interests ahead of yours. Our recommendations are based on, among other things, your investment profile and other information that you provide to us. Our duty to act in your best interest when making a securities recommendation relates solely to our obligation under Regulation Best Interest.

When recommending a Third-Party Managed Fund or related feeder fund, FLI is required, among other things, to provide retail customers a written disclosure – such as this Disclosure Statement – of all material facts relating to the scope and terms of the relationship with FLI and conflicts of interests associated with any such recommendation. In this Disclosure Statement, we provide information to you consistent with our disclosure obligation under Regulation Best Interest. This information includes:

- The capacity in which we act in connection with your investments.
- Material fees and other costs that you pay when investing in a recommended fund.
- Material facts regarding the limitations placed on our recommendations and the basis for, and risks associated with, our recommendations.
- Disclosures of potential conflicts of interest associated with our recommendations.

We provide other disclosures to you regarding your account, including:

- The Client Relationship Summary (Form CRS), which contains certain SEC-required information about us and our services, fees, and conflicts of interest.

- Other specific fund-related disclosures that may be listed in an Appendix hereto.
- Offering and disclosure documents, (together with any accompanying subscription documents, supplements, and signature pages, collectively, “**Offering Documents**”).

You can request paper copies of any of these documents free of charge by calling your representative or our main number: **4**.

**Account Types; Relationship with Affiliates.** *FLI does not accept customer funds or securities and does not maintain possession of any customer funds or securities in connection with its activities. There are no customer accounts at FLI.*

FLI is an affiliate of First Long Island Investors, LLC (“**FLII**”), which is registered as an investment adviser with the U.S. Securities and Exchange Commission (the “**SEC**”). FLII, through its investment adviser representatives, provides investment advisory and other services to help you meet your investment and wealth management objectives. It is important to note that you have a contractual relationship with FLII (an investment adviser), and not with FLI (a broker-dealer). Investment advice is given to you in your capacity as an FLII client. Investing in a fund or strategy through FLII is not the same as having a brokerage relationship with, or investing in a Third-Party Managed Fund recommended by, FLI. Please refer to the Form CRS for more information.

Investment advisers like FLII, and broker-dealers like FLI, are distinct and governed by different laws and regulations. FLII charges asset-based fees for its investment advisory services as further described in Form CRS and FLII's Form ADV (available upon request or online at <https://adviserinfo.sec.gov/firm/summary/167212>). FLI, as a broker-dealer, offers limited services, which principally consist of facilitating investments in certain Third-Party Managed Funds and assisting you with obtaining life insurance, as described in the Form CRS.

Before you invest in any strategy or fund, you should carefully consider the costs and services associated with that product and other investment solutions available. In addition, certain investment products have threshold eligibility or “sophistication” requirements that you can

discuss with your Financial Professional (as defined below). You can speak with your Financial Professional about what is most appropriate for your needs.

**Our Financial Professionals.** Although FLI and FLII are separate entities, in most cases you will have access to all FLII proprietary equity and debt investment strategies as well as Third-Party Managed Funds offered through FLI. All products and strategies are available via a single point of contact who is affiliated with FLI and FLII and has complete knowledge of your financial circumstances and needs (a “**Financial Professional**”).

Our Financial Professionals hold educational or professional credentials. Holding a professional designation indicates that the Financial Professional has completed certain courses or continuing education, but it does not change the obligations we have as a firm in providing investment advisory or brokerage services to you. You can research us and our Financial Professionals for free at [investor.gov](http://investor.gov) and [brokercheck.finra.org](http://brokercheck.finra.org).

**Our Services and those of our Affiliates.** FLI provides its clients with the limited services described in this Disclosure Statement and the Form CRS. It is important to understand that we do not provide you with trade execution, access to securities research, cash sweep arrangements, banking, or lending services. FLI and FLII also do not custody any client assets. Instead, as part of your relationship with FLII, FLII generally directs client assets in separately managed accounts to the custodian and brokerage firms UBS Financial Services Inc. or J.P. Morgan Securities LLC. You will bear the cost to trade securities in your accounts, which are managed by FLII. See the Form CRS for additional information regarding FLII’s custodial arrangements, including fees and your options regarding custody of assets in separately managed accounts. If your assets are invested in a partnership, the qualified custodians used to custody assets of certain partnerships we manage charge the partnerships custody fees.

**Material Facts Relating to the Scope and Terms of Our Relationship with You**

*Capacity and General Basis for Recommendations*

As discussed above, FLI is a broker dealer, whereas FLII is an investment adviser. Although you have a contractual relationship with FLII, and not with FLI, your primary contact is affiliated with both entities and acts in dual capacities – as an investment adviser representative (when providing advice through FLII) and as a broker-dealer registered representative (when recommending direct or indirect investment in Third-Party Managed Funds through FLI). Our Financial Professionals may use the term “Advisor” or identify themselves with a corporate or executive officer title. These titles do not necessarily indicate the capacity in which they may offer investment recommendations or advice to you. Generally speaking, because your Financial Professional will likely have a dual affiliation with FLI and FLII, our recommendations of Third-Party Managed Funds will be made in both a brokerage and an investment advisory capacity.

This means that recommendations regarding Third-Party Managed Funds are made through FLI in its capacity as a broker-dealer, and all recommendations will be made with your best interest in mind as required under Regulation Best Interest based on our reasonable belief, after reasonable diligence, that a particular Third-Party Managed Fund is suitable for you in light of various factors including, but not limited to, your specific investment and risk profile, income, education, financial sophistication, age, risk tolerance, investment preferences, investment allocation, liquidity, and any specific investment and wealth management goals you have discussed with your Financial Professional.

*Material Fees and Costs*

FLI may refer you to invest in certain Third-Party Managed Funds or FLII-advised feeder funds. FLI is compensated for such referrals by sharing in the compensation received by the managers of such Third-Party Managed Funds. FLI therefore has a financial incentive to refer you to these managers.

You do not pay any sales charges or placement fees when you are referred to or recommended to invest in a Third-Party Managed Fund. With respect to Third-Party Managed Funds managed by Sandalwood Securities Inc. or its affiliates (“**Sandalwood**”) and feeder funds investing in Third-Party Managed Funds sponsored by Galaxy Realty Capital, LLC or its affiliates

("Galaxy", and together with Sandalwood, "Fund Sponsors"), FLI has entered into agreements whereby each of the Fund Sponsors, respectively, pays FLI an agreed upon amount as compensation for recommending, offering, servicing, and/or directly or indirectly selling interests in their Third-Party Managed Funds to you. Sandalwood pays FLI 33 1/3% of the total fees Sandalwood receives from limited partners referred by FLI to Sandalwood-advised Third-Party Managed Funds. Galaxy pays FLI 33 1/3% of the management fees and carried interest Galaxy receives that are attributable to each FLII-advised feeder fund's interest in Galaxy-sponsored Third-Party Managed Funds.

The fees received by FLI from Fund Sponsors serve as a replacement for FLI or FLII charging a fee directly to you. (Note: other investment funds typically charge a direct fee.) The total amount of the management fee you pay is NOT increased as a result of these arrangements, nor will you be charged any other fees on account of such arrangements that are not already disclosed in the offering materials for the relevant Third-Party Managed Fund. Further, the fact that a Fund Sponsor is obligated to pay FLI a fee for introducing you to the Fund Sponsor or their Third-Party Managed Fund will not result in you being charged investment advisory or other fees in excess of the rate or level of advisory fees customarily charged by the Fund Sponsor to its introduced investors for similar services to comparable accounts. You will not be charged other amounts or fees for the purpose of offsetting a Fund Sponsor's cost of obtaining your account through an introduction by FLI.

If you are an investor in a feeder fund sponsored or advised by FLII that invests its assets in a Third-Party Managed Fund, you will NOT bear any direct management fees or pay a carry or "promote" to the general partner of that feeder fund. However, you will bear (or be required to reimburse FLI or FLII, as applicable, for) various organizational, offering, and ongoing operating costs and expenses of the feeder fund, as further set forth in the feeder fund's offering documentation. Also, if you are an investor in such a feeder fund, a proportionate amount of the underlying Third-Party Managed Fund's organizational, offering, and ongoing operating costs that were initially borne by the feeder fund will typically be allocated to you and deducted from your capital account.

If you are a direct investor in a Third-Party Managed Fund (and not a feeder fund), you will typically bear a proportionate amount of that Third-Party Managed Fund's organizational, offering, and operating costs as well as annual management, administrative, and other fees and costs payable to the manager of such funds or its affiliates. Such fees and expenses are discussed in more detail in the offering documentation for the relevant Third-Party Managed Fund.

The exact percentages, costs, expenses, and methods of calculation regarding fees and expenses are disclosed in the offering documentation for each Third-Party Managed Fund.

*Material Risks Associated with Investment Recommendations*

While we will take reasonable care in making recommendations to you, all securities and investments involve risk, the degree of which varies significantly, and you may lose money. There is no guarantee that you will meet your investment goals or that our recommended investments will perform as anticipated.

Investment performance can never be predicted or guaranteed, and the value of your capital account in a Third-Party Managed Fund or FLII-advised feeder fund will fluctuate due to market conditions and other factors. Investments that we recommend are subject to various market, liquidity, currency, economic, geographic and political risks and are not necessarily profitable. You assume the risks of investing directly or indirectly in Third-Party Managed Funds, and you could lose all or a portion of the value of such investment.

FLI and FLII principals invest side-by-side with FLII clients in every recommended strategy (other than fixed income, which is personalized to each FLII client). Where a strategy is offered through different investment vehicles, FLI and FLII principals invest in the vehicle suitable for them, but not in every vehicle available. This longstanding practice demonstrates our belief in the investments we recommend and our willingness to assume the same investment risks.

We typically recommend that FLII clients diversify their investments to reduce the additional investment risk frequently associated with concentrated investments. You should

understand that decreased diversification resulting from holding concentrated positions in a single security, sector or asset class typically results in increased risk and volatility, which can result in losses. Please consult the offering documents available for the Third-Party Managed Funds you are considering to review the associated risks. Your Financial Professional can provide them for your review and answer any questions.

### **Certain Conflicts of Interest**

This Disclosure Statement discusses certain material facts about conflicts of interest associated with our recommendations. We provide you additional information about these conflicts in Form CRS, offering documents for Third-Party Managed Funds and/or their related feeder funds, subscription documents, and other materials.

The Financial Professionals that recommend Third-Party Managed Funds or related feeder funds to you are generally paid a salary as employees of FLII. They do not receive any other sales-, rewards-, or transaction-based compensation. However, these Financial Professionals are also beneficial equity owners of FLI and FLII and have multiple responsibilities. First, when acting as investment adviser representatives through FLII, they provide investment advice, family office services, and financial, retirement, and wealth planning to entities and individuals that are FLII's clients. Second, as registered representatives of FLI, they are authorized to "sell", or recommend, Third-Party Managed Funds or FLII-advised feeder funds to you in order to provide access to certain investment strategies and sectors that are not directly available through FLII. As discussed above, these Third-Party Managed Funds and related feeder funds are only recommended to an FLII client when the Financial Professional determines, based on reasonable diligence, that an investment in such fund is in the best interest of the client in light of his, her, or its entire investment profile.

Financial Professionals, as beneficial owners of FLI and FLII, have a theoretical or actual conflict of interest in recommending a Third-Party Managed Fund or FLII-advised feeder fund because their compensation is indirectly tied to the revenues generated by either (i) the contractual fee sharing arrangements between

FLI and the advisers of the Third-Party Managed Funds recommended to you or (ii) in some cases, direct management fees, advisory fees, or carried interest allocations generated by feeder funds made available to FLII clients. This indirect interest that each Financial Professional has in such compensation derives from their right to receive equity cash distributions from FLI and FLII that can fluctuate depending on annual revenue. Although this is a potential conflict of interest, it is balanced by the fact that each Financial Professional must act in accordance with fiduciary principles due to their affiliation with FLII. Further, the financial incentive to recommend Third-Party Managed Funds or their feeders represents only a small component of each Financial Professional's annual compensation. As a result, our Financial Professionals are motivated exclusively by fiduciary, professional, and best interest considerations rather than personal pecuniary interests when recommending Third-Party Managed Funds.

In addition, we only offer and recommend to FLII clients Third-Party Managed Funds and feeder funds where we or our affiliates are entitled to receive a portion of the management fees or other compensation from such funds' investment advisers or their affiliates. (See, "**Material Fees and Costs**" above.) Among other things, our receipt of these payments: (1) defray costs incurred in connection with, and in consideration of, certain marketing, operational, reporting, monitoring, and investor relations services; and (2) compensate us for the service of acting as a marketing or placement agent on behalf of these funds. In addition, certain executive officers of FLI have had longstanding social or business relationships with the advisers of such Third-Party Managed Funds and their affiliates.

The relationships that we and our executive officers have with the advisers of Third-Party Managed Funds that are recommended to you present a potential or theoretical conflict of interest, because they act as an incentive to recommend these funds over other funds, products and strategies available in the general marketplace. In addition to the compensation we receive, these advisers may direct their clients' business to us or simply be favored over other managers who do not have a similar historical relationship with us or FLII's clients. To mitigate these potential or theoretical conflicts, FLI maintains policies and procedures

requiring our Financial Professionals to discuss alternative investment options to diversify your holdings.

## Appendix

### **ADDITIONAL DISCLOSURE REGARDING STERLING REALTY FINANCE III, LP**

As a result of certain U.S. regulations applicable to Galaxy Realty Capital, LLC, the following disclosure statement is required:

- A) FLI INVESTORS, LLC (THE “**AGENT**”) IS DISTRIBUTING THESE MATERIALS IN CONNECTION WITH ITS ROLE AS A SERVICE PROVIDER TO GALAXY REALTY CAPITAL, LLC (THE “**FIRM**”) IN CONNECTION WITH RAISING NEW CAPITAL COMMITMENTS FOR STERLING REALTY FINANCE III, LP (THE “**FUND**”). THE AGENT IS NOT A CURRENT DIRECT CLIENT OF THE FIRM OR A CURRENT DIRECT INVESTOR IN THE FUND OR ANY PRIVATE FUND OR OTHER INVESTMENT VEHICLE (COLLECTIVELY, THE “**FUNDS**”) ADVISED BY THE FIRM. HOWEVER, AFFILIATES OF THE AGENT AND/OR ACCOUNTS OR INVESTMENT VEHICLES SPONSORED OR CONTROLLED BY THE AGENT OR ITS AFFILIATES HAVE FROM TIME TO TIME, AND MAY IN THE FUTURE BE, CLIENTS OF THE FIRM OR INVESTORS IN THE FUNDS, OR OTHERWISE ENGAGED IN BUSINESS WITH THE FIRM OR ITS AFFILIATES.
  
- B) THE AGENT RECEIVES COMPENSATION IN CONNECTION WITH ITS SERVICES PROVIDED TO THE FIRM. THE COMPENSATION IS A PERCENTAGE OF THE MANAGEMENT FEE AND CARRIED INTEREST PAID BY INVESTORS INTRODUCED BY AGENT (THE “**AGENT’S INVESTORS**”) TO THE FUND (AND IN CONNECTION WITH ANY INVESTMENT IN ANY CO-INVESTMENT). THE COMPENSATION IS AN AMOUNT EQUAL TO 33.33% OF ALL BASE MANAGEMENT FEES (AS HEREINAFTER DEFINED) ACTUALLY PAID, IF ANY, TO THE FIRM (OR ITS AFFILIATES) SOLELY ATTRIBUTABLE TO THE AGENT’S INVESTORS, AND (II) 33.33% OF THE CARRIED INTEREST (AS DEFINED IN THE OFFERING DOCUMENTATION FOR THE FUND) ACTUALLY PAID, IF ANY, TO THE FIRM (OR ITS AFFILIATES) SOLELY ATTRIBUTABLE TO THE AGENT’S INVESTORS. BASE MANAGEMENT FEES SHALL MEAN (X) DURING THE INVESTMENT PERIOD (AS DEFINED IN THE OFFERING DOCUMENTATION FOR THE FUND, THE “**INVESTMENT PERIOD**”), EQUAL TO THE PRODUCT OF (A) 2.0% MULTIPLIED BY (B) THE AGENT’S INVESTORS’ CAPITAL COMMITMENT AND (Y) FOLLOWING THE EXPIRATION OF THE INVESTMENT PERIOD, EQUAL TO THE PRODUCT OF (A) 2.0% MULTIPLIED BY (B) THE SUM OF (I) THE AGGREGATE AMOUNT OF CAPITAL (INCLUDING AGGREGATE FUNDED AGENT’S INVESTORS’ CAPITAL COMMITMENT AND AGGREGATE INDEBTEDNESS) THAT HAS BEEN INVESTED BY THE FUND IN INVESTMENTS (AS DEFINED IN THE OFFERING DOCUMENTATION FOR THE FUND) THAT HAVE NOT BEEN FULLY REALIZED. NO ADDITIONAL FEES OR OTHER AMOUNTS ARE ADDED TO THE BASE MANAGEMENT FEES OR CARRIED INTEREST CHARGED BY THE FIRM TO THE FUND AS A RESULT OF THE PLACEMENT ACTIVITIES OF THE AGENT.
  
- C) THE RELATIONSHIP BETWEEN THE AGENT AND THE FIRM CREATES CERTAIN ACTUAL AND POTENTIAL CONFLICTS OF INTEREST, INCLUDING THE FACT THAT THE COMPENSATION RECEIVED BY THE AGENT CREATES AN ECONOMIC INCENTIVE TO RECOMMEND AND OFFER INTERESTS IN THE FUND. FURTHERMORE, THE RECEIPT OF SUCH COMPENSATION MAY INCENTIVIZE THE AGENT TO RECOMMEND THE INTERESTS OF THE FUND OVER OTHER INVESTMENTS FROM WHICH THE AGENT WOULD NOT RECEIVE COMPENSATION OR WOULD RECEIVE LESS COMPENSATION. THE AMOUNTS PAID TO THE AGENT GENERALLY WILL NOT REDUCE OR OFFSET THE FEES OR EXPENSES PAYABLE BY INVESTORS TO THE FIRM.