

Form ADV Part 2A: Firm Brochure

Item 1 – Cover Page

Freestate Investments LLC

5350 College Boulevard

Overland Park, KS 66211

913-890-2066

www.freestateinvestments.com

Date of Disclosure Brochure: February 2014

This disclosure brochure provides information about the qualifications and business practices of Freestate Investments LLC (also referred to as we, us and Freestate Investments throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Brett Conley at 913-890-2066 or brett@freestateadvisors.com. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Freestate Investments is also available on the Internet at www.adviserinfo.sec.gov. You can view our firm's information on this website by searching for Freestate Investments LLC or our firm's CRD number, 170198.

*Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

Freestate Investments is a newly registered investment adviser, and this disclosure brochure dated February 2014 is the first disclosure brochure prepared by our firm. In the future, this item will discuss only specific material changes that are made to the disclosure brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of this disclosure brochure.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Freestate Investments is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Delaware and domiciled in Kansas.

- Brett Conley is the Chief Compliance Officer (CCO) and Managing Member of Freestate Investments. Brett Conley owns 100% of Freestate Investments.
- Freestate Investments filed its initial application to become registered as an investment adviser in January 2014.

Introduction

Freestate Investments was created in 2014 as a spin-off from our affiliated investment advisory firm, Freestate Advisors LLC. Freestate Advisors has been registered since January 2008 to provide value-added financial advisory and investment management services to individuals and institutions.

Freestate Investments operates as an independent, privately owned investment management firm that provides fee-only discretionary investment management to individuals, charitable organizations, corporations, and other types of clients.

Freestate Investments LLC was formed to begin offering investment programs and services based on the application of its risk managed investment approach. Although our investment adviser representatives may refer clients directly to our firm, Freestate Investment was established to primarily work with clients of outside investment adviser firms that are not affiliated with our firm.

This disclosure brochure provides important information about our firm, our services, and fee arrangements. If you have received this disclosure brochure, it is Freestate Investments has been recommended as a money manager or sub-adviser to manage a portion of your investable assets. It is important that you read the information contained within this disclosure brochure carefully and speak with your investment advisor representative if you have any questions about our services or arrangements.

Description of Advisory Services

The following are descriptions of the primary advisory services of Freestate Investments. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Freestate Investments before we can provide you the services described below.

Separately Managed Accounts (SMA)

Clients may be referred to Freestate Investments by one of our investment adviser representatives or through unaffiliated independent investment advisors contractually engaged by Freestate Investments (also referred to as “Solicitors” throughout this brochure). We can also serve as sub-advisor to an unaffiliated independent investment advisor.

We are responsible for directing the investment of the portion of your funds and securities assigned to our firm using a limited power of attorney granted to Freestate Investments by you in our Investment Management Agreement. We do not receive compensation from commissions or other charges

levied by the account's brokerage or custodial firm. We are compensated solely by the investment management fee as detailed in our Investment Management Agreement (see Item 5 of this brochure for more details regarding our fee procedures).

Typically this service is structured so that Freestate Investments will serve as the sole investment advisor to the account. However, Freestate Investments may act as sub-advisor to an unaffiliated independent investment advisor.

Tailoring Advisory Services to Individual Needs of Clients

The investment strategy and management program used to manage your account is always based on each your unique and individual investment needs, as expressed in our Client Questionnaire and portfolio strategy selection or selections. We will collect financial and demographic information and assist you with identifying your financial objectives by filling out our Client Questionnaire. Your investment advisor representative or unaffiliated Solicitor will describe the investment programs available from Freestate Investments that may be most beneficial and appropriate given your objectives in light of your responses. Your investment advisor representative or unaffiliated Solicitor will then forward the Client Questionnaire and all associated paperwork to Freestate Investments. Freestate Investments will conduct a final review of the client's selection to assess whether it is appropriate given the client's stated risk tolerance and objectives. Freestate Investments is expressly authorized to rely on the information provided in the Client Questionnaire without further verification. You must notify your investment advisor representative or unaffiliated Solicitor of material changes in financial circumstances or investment goals that warrant changes to the portfolio strategy selected for an account.

Although the investment portfolios offered via SMA are designed to meet the objectives of general investment strategies (i.e. aggressive versus conservative strategies), clients have the ability to impose reasonable restrictions on the accounts we manage.

Prior to Freestate Investments providing investment management services, you are required to enter into a formal Investment Management Agreement with Freestate Investments setting forth the terms and conditions under which we will manage your assets and a separate custodial/clearing agreement with the broker-dealer/custodian.

Freestate Investments will allocate investment management assets of its client accounts, on a discretionary basis (refer to Item 16 for more information), among one or more of its proprietary investment management portfolio strategies.

Additional details and disclosures regarding Freestate Investments' investment management portfolio strategies are provided to clients via separate documentation prior to or at the time a portfolio strategy is determined. Freestate Investments' proprietary portfolio strategies have been designed to comply with the provisions set forth under Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Freestate Investments' strategic allocation program, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to Freestate Investments' management of client assets:

1. *Initial Interview* – at the opening of the account, Freestate Investments, through our investment advisor representative or unaffiliated Solicitor, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;

2. *Individual Treatment* - every client's account is managed on the basis of the client's financial situation and investment objectives;

3. *Quarterly Notice* – at least quarterly Freestate Investments, through our investment advisor representative or unaffiliated Solicitor, shall notify the client to advise Freestate Investments whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the client's account;

4. *Annual Contact* – at least annually, Freestate Investments, through our investment advisor representative or unaffiliated Solicitor, shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the client's account.

5. *Consultation Available* – Freestate Investments and our investment advisor representative or unaffiliated Solicitor shall be reasonably available to consult with the client relative to the status of client's account;

6. *Quarterly Statement* – clients are provided with a statement, at least quarterly, that is prepared by the account custodian and delivered to the client directly from the custodian. That statement shall contain a description of all activity in the client's account during the preceding period. The client may also receive a quarterly performance report from Freestate Investments. All clients are responsible, and therefore urged by Freestate Investments, to compare performance reports received from Freestate Investments against the account statements prepared and delivered by the custodian;

7. *Ability to Impose Restrictions* – clients have the ability to impose reasonable restrictions on the management of his/her/its account, including the ability to instruct Freestate Investments not to purchase certain specific securities;

8. *No Pooling* – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;

9. *Separate Account* - a separate account is maintained for the client with the Custodian; and

10. *Ownership* – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

In order to access Freestate Investments' investment management services through an SMA, clients must generally establish accounts at a qualified custodian approved for that purpose by Freestate Investments. Please refer to Item 12 for more details.

In performing its services, Freestate Investments is not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely on the information provided. It remains the client's responsibility to promptly notify Freestate Investments if there is ever any change in the client's financial situation or investment objectives for the purpose of

reviewing, evaluating, or revising Freestate Investments' previous recommendations and/or services. A copy of this Brochure will be provided to each client before, or at the same time, the Investment Management Agreement is executed. Freestate Investments' clients are advised to promptly notify Freestate Investments if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon Freestate Investments' management services.

Sponsored Investment Management Platforms or Investment Wrap Programs (Platform)

Clients may also gain access to Freestate Investments' management services through programs or investment platforms sponsored by unaffiliated investment advisors and/or broker-dealers. These programs may be wrap-fee programs, lists of available investment managers, or general asset allocation programs. Through these programs or platforms, clients must establish an account directly with the program sponsor. Freestate Investments is then available to clients for selection as an independent money manager. Many of the terms and conditions of these programs are determined by the program sponsor. Through these programs, Freestate Investments will be available to clients for selection as an independent money manager.

Clients must establish an account directly with the program sponsor. All applicable contracts and account paperwork will be completed by the client with the assistance of the program sponsor representative. The program sponsor representative will obtain the necessary financial data from the client, assist the client in determining suitability, and help the client to set the appropriate investment objectives. The program sponsor will then provide all necessary information to Freestate Investments. The program sponsor representative will meet periodically to review the client's financial situation, investment objectives, and current portfolios and then make any necessary changes to the Freestate Investments portfolio strategy selection, and notify Freestate Investments of any changes to be made. A representative of the program sponsor will be responsible for providing the Freestate Investments disclosure brochure. Depending on the money manager program, a Freestate Investments client agreement may also be provided to the client.

Freestate Investments will have the power and authority, as granted by the client through the program sponsor contract, to make investment decisions over the portion of the client's assets delegated to Freestate Investments. However, Freestate Investments will not be responsible for executing transactions in the client's account. Freestate Investments will provide all trade instructions to the sponsor of the program who will be responsible for executing the recommendations of Freestate Investments.

Accounts established through a program sponsored by an unaffiliated investment advisor and/or broker-dealer will be held and cleared through a broker-dealer selected by the program sponsor, pursuant to a relationship between the sponsor and the clearing broker-dealer. The program sponsor reserves the right to designate alternative clearing and custody arrangements similar to those of its preferred clearing broker-dealer. Physical custody of funds and securities is maintained by the various clearing firms, not by Freestate Investments. As is the case with SMA accounts, clients accessing Freestate Investments through a Platform have the ability to impose reasonable restrictions on their accounts.

Specialization

Freestate Investments specializes in providing portfolio management in separately managed accounts. We provide two strategies. The first strategy is a full diversified portfolio strategy that invests primarily in

stocks, bonds and cash which adjusts the portfolio allocation based on market conditions. The second strategy is primarily a stock strategy that invests in stocks within the S&P 500 during bullish market conditions and which invests in bonds and cash during bearish market conditions.

Limits Advice to Certain Types of Investments

As detailed above, we typically construct each client's account holdings using stocks, bonds and cash while adjusting the portfolio allocation based on market conditions. However, we may also select and provide advice on the following types of investments:

- Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Commercial Paper
- Certificates of Deposit
- Options Contracts on Securities
- Interests in Partnerships Investing in Real Estate
- Interests in Partnerships Investing in Oil and Gas Interests

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

Tailor Advisory Services to Individual Needs of Clients

When managing client accounts through our firm's programs, we will manage a client's account in accordance with one or more investment models. Because client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates. Your investment adviser representative will work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information. Therefore, our services are always based on your individual needs as we select strategies and models most appropriate for you.

When we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. However, will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Client Assets Managed by Freestate Investments

As a newly registered investment adviser, Freestate Investments has no assets under management to report as of the date of this Brochure.

Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other

sources. The exact fees and other terms will be outlined in the agreement between you and Freestate Investments.

Fees for Separately Managed Accounts (SMAs)

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is based on the value of the Account when services commence and is due immediately and will be deducted from Account when services commence.

The asset management services continue in effect until terminated. You may terminate the services by providing Freestate Investments with notice. Freestate Investments may terminate the services by providing you with written notice effective 30 days after you receive the written notice. Any prepaid, unearned fees will be promptly refunded by Freestate Investments to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the type of client, the composition of the client's account (i.e., equities versus mutual funds), and the total amount of assets under management for the client.

For our asset management services, clients will be charged management fees within the following standard fee schedule.

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0 – \$2,999,999	1.95%
\$3,000,000 – \$4,999,999	1.50%
\$5,000,000 – \$9,999,999	1.00%
\$10,000,000 and Above	0.85%

For clients that are referred to Freestate Investments by an affiliated person of Freestate Investments, we will retain the entire portion of client's management fees. For clients referred by an outside Solicitor, the outside Solicitor will receive a portion of the overall management fee. The exact fee will be negotiated with the client and Solicitor based on the type of client, the composition of the client's account (i.e., equities versus mutual funds), and the total amount of assets under management for the client. Our portion of the fee charged to Solicitor introduced clients is non-negotiable. Solicitor clients will be charged a management fee within the following standard fee schedule.

<u>Assets Under Management</u>	<u>Total Annual Fees</u>	<u>Portion Retained by Freestate Investments</u>
\$0 – \$2,999,999	1.95%	0.95%
\$3,000,000 – \$4,999,999	1.50%	0.80%
\$5,000,000 – \$9,999,999	1.00%	0.65%
\$10,000,000 and Above	0.85%	0.55%

There is a minimum account size of \$100,000.

Freestate Investments believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Freestate Investments does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Freestate Investments in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Freestate Investments are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

Sponsored Investment Management Platforms

Participants in a platform program will pay an annualized investment management fee to Freestate Investments generally not to exceed 0.95% of the assets under Freestate Investments' management. Depending on the program, Freestate Investments' fee will either be charged in addition to the overall program fee charged to a client or included in the program fee charged to the client. When Freestate Investments' annual fee for investment management services is separate from and in addition to the program fee, the fee rate is determined by the fee table shown in each client's Investment Management Agreement with Freestate Investments. Freestate Investments' investment management fees are non-negotiable. The following is our standard, maximum fee schedule for such services.

<u>Assets Under Management</u>	<u>Freestate Investments Annual Management Fee</u>
\$0 – \$2,999,999	0.95%
\$3,000,000 – \$4,999,999	0.80%
\$5,000,000 – \$9,999,999	0.65%
\$10,000,000 and Above	0.55%

In accordance with the program sponsor's billing arrangements, Freestate Investments may provide the program sponsor, broker-dealer, or account custodian a quarterly invoice. Freestate Investments' fees are then billed and collected by the program sponsor, broker-dealer, or account custodian and remitted directly to Freestate Investments. Clients should refer to the program sponsor's disclosure brochure and contract for a full description of all fees and billing arrangements related to the program.

Fees for accounts managed by Freestate Investments on a broker-dealer's or custodian's platform will be calculated and collected by the platform sponsor and remitted to Freestate Investments. In those cases, any other fees or costs, such as a platform fee or trading costs, is deducted and retained by the sponsor. Freestate Investments is not a party to, and does not participate in, such fees.

The process for removing Freestate Investments as a sub-advisor or money manager on a Platform must comply with the procedures established by the Platform sponsor. Typically, such procedures will be detailed in the Platform client agreement. Therefore, please refer to the Platform agreement and other materials for specific procedures to remove Freestate Investments as a sub-advisor.

Wrap-Fee Arrangements

To the extent Freestate Investments portfolios are offered by a custodian or on a platform where some portion of the custodian's fees are wrapped (or bundled), including transaction fees, and Freestate Investments cannot determine the portion of the wrapped fee that represents transaction fees, the entire wrapped fee reduces both net of fee and gross of fee performance. Freestate Investments does not estimate trading fees in such cases. Freestate Investments does not currently sponsor or participate in any wrapped fee arrangements in which Freestate Investments' management fee cannot be identified as a charge separate from the bundled fee.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

Item 7 – Types of Clients

Freestate Investments generally provides investment advice to the following types of clients:

- Individuals
- Trusts, estates, or charitable organizations
- Corporations and other business entities

You are required to execute a written agreement with Freestate Investments specifying the particular advisory services in order to establish a client arrangement with Freestate Investments.

Minimum Investment Amounts Required

Freestate Investments requires a minimum of \$100,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts.

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

Methods of Analysis

Freestate Investments uses the following methods of analysis in formulating investment advice:

Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to

make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then

there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

Investment Strategies

All accounts are invested in exactly the same manner depending on the specific strategy selected. The firm reviews all account allocations directly after strategy trading occurs and on a weekly basis to make sure that all accounts have the same target allocation. The firm maintains the current asset allocation for each strategy as well as a set of target allocation bands for each security. After trading and every Wednesday the firm prints out the current allocation for each account and compares it to the targeted allocation bands for every security to make sure all accounts are correctly allocated. Accounts that have asset allocations that fall outside the target allocation bands are appropriately reallocated.

Freestate Investments utilizes our Conditions Based Asset Management (CBAM) approach to select specific securities for each of our strategies. This approach has identified a universe of eight types of possible business conditions. Based on historical analysis, we have identified the expected performance (return, volatility and asset cross-correlation) of all major asset types within each of the eight business conditions. The CBAM approach identifies the current business condition based on economic and asset based indicators and then selects the specific assets that are expected to perform best in the current business condition. The specific mix of assets held is determined by the guidelines of the specific investment strategy. When business conditions change, the asset mix within each portfolio will change to reflect the proper asset mix for the new business conditions.

Freestate Investments currently offers two separate portfolio strategies as explained below:

- Freestate Fully Diversified Program - The benchmark return for this strategy is a 60% stock (S&P 500 index) and 40% bond (Barclays U.S. Aggregate Bond Index) portfolio. This strategy invests in a mix of equities and bonds with the goal of delivering returns equal to or better than the benchmark portfolio but with significantly lower risk in the form of smaller account losses in periods of market declines. This strategy primarily utilizes ETFs (exchange traded funds) to gain exposure to targeted asset classes. The allocation in this strategy will range from 0% stocks and 100% bonds or cash to 70% stocks and 30% bonds.
- Freestate Large Stock Program – The benchmark return for this strategy is the S&P 500 index. The goal of this strategy is to generate long term returns that exceed those of the S&P 500 while incurring significantly lower risk in the form of smaller account losses in periods of market declines. When business conditions are favorable, the strategy will invest in approximately 40 stocks from within the S&P 500. These stocks are selected based on specific characteristics that are expected to lead to superior performance within the existing business conditions. During periods of unfavorable business conditions the strategy will reduce its holding of stocks and invest in a combination of U.S. Treasury bonds and cash. In significantly unfavorable conditions this strategy will hold no equities.

Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If

our investment strategies do not produce the expected returns, the value of the investment will decrease.

- **Margin Risk** - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Freestate Investments and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

Item 9 – Disciplinary Information

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

Freestate Investments is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

Freestate Advisors LLC

Freestate Investments is under common ownership with a retail investment advisor firm, Freestate Advisors LLC which is 50% owned and controlled by Brett Conley. Other than Brett Conley working for both firms, we do not share personnel with Freestate Advisors. Further, the investment strategies and recommendations provided by Freestate Investments are very similar to Freestate Advisors LLC and are shared across firms. However, Freestate Advisors LLC retains a higher overall fee for its services than does Freestate Investments for its services. In addition, Freestate Advisors LLC does not rely on Introducing Advisors or Solicitors to attain new clients and assist it with delivering investment advice to clients. Therefore, a conflict of interest exists between our interests and the interests of Freestate Investments clients in that we may be more attentive to clients of Freestate Advisors LLC. However, generally speaking, the types of investment recommendations and methods of formulating investment advice for Freestate Advisors LLC clients are the same as those provided to Freestate Investments clients.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Freestate Investments has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons”. All employees, officers, directors and investment adviser representatives are classified as supervised persons. Freestate Investments requires its supervised persons to consistently act in your best interest in all advisory activities. Freestate Investments imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Freestate Investments. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

Affiliate and Employee Personal Securities Transactions Disclosure

Freestate Investments or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Freestate Investments that all persons associated in any manner with the firm must place the interests of our clients ahead of their own when implementing personal investments. Freestate Investments and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, from information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Freestate Investments are widely held and

publicly traded. As stated in our Code of Ethics section above, we have implemented policies and procedures reasonably designed to monitor the personal trading activities of our personnel.

Item 12 – Brokerage Practices

Freestate Investments has formed brokerage arrangements with the institutional platforms of Charles Schwab & Company, Inc. ("Schwab") and Fidelity Institutional Wealth Services ("Fidelity"). Therefore, clients opening accounts through our Separately Management Accounts program have the option to open account(s) at either Schwab or Fidelity. Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Freestate Investments may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Freestate Investments has decided to require our clients to use broker/dealers and other qualified custodians determined by Freestate Investments.

We do not receive client referrals from Schwab or Fidelity. Further, we have not entered into a formal soft dollar benefits agreement with either firm.

Brokerage Arrangement with Charles Schwab & Company, Inc.

Schwab is a FINRA-registered broker-dealer, member SIPC. As broker/dealer, Schwab has been selected as one option to maintain custody of clients' assets and to effect trades for their accounts. Freestate Investments is independently owned and operated and not affiliated with Schwab. Freestate Investments may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Schwab provides Freestate Investments with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained at Schwab Institutional. These services are not contingent upon Freestate Investments committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

For Freestate Investments' clients' accounts maintained in its custody, Schwab generally not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to Freestate Investments other products or services that benefit Freestate Investments but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of Freestate Investments' accounts, including accounts not maintained Schwab.

Schwab's products and services that assist Freestate Investments in managing and administering clients' accounts include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate

payment of Freestate Investments' fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help Freestate Investments manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Freestate Investments. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of Freestate Investments personnel. While as a fiduciary, Freestate Investments endeavors to act in its clients' best interests, Freestate Investments' recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Brokerage Arrangement with Fidelity

For clients selecting Fidelity, accounts will be held at National Financial Services, LLC, which is a Fidelity affiliated broker/dealer, member SIPC. Fidelity provides Freestate Investments with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to Freestate Investments other products and services that we benefit from but may not benefit your accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to Freestate Investments by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a potential conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than Fidelity, although in this case we cannot assist you with asset management services.

Block Trading Policy

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Freestate Investments believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Freestate Investments uses the average price allocation method for transaction allocation. Under this procedure Freestate Investments will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Freestate Investments or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Brett Conley, with reviews performed in accordance with your investment goals and objectives.

Statements and Reports

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, Freestate Investments provides annual, written performance reports with additional reports available at your request.

You are encouraged to always compare any reports or statements provided by us against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

Item 14 – Client Referrals and Other Compensation

As a third-party investment advisor providing asset management services, Freestate Investments relies primarily on client referrals from unaffiliated investment advisors and their representatives ("Solicitors"). Details of the compensation provided to solicitors that refer clients to Freestate Investments are provided at Item 5 of this brochure. All of our referral arrangements are in compliance with federal or state

regulations (as applicable). Solicitation/referral fees are paid pursuant to a written agreement retained by both the firm and the Solicitor. Solicitors are required to provide clients with several documents, including a copy of this Form ADV Part 2 Disclosure Brochure and a Solicitor Disclosure Document prior to or at the time of entering into any investment advisory contract with Freestate Investments.

Clients that engage Freestate Investments' services will pay more or less to obtain Freestate Investments' investment management services than do other clients, since a portion of the overall fee is determined by the Solicitor. Variations in the Solicitor's compensation may be due to the Solicitor's role as an unaffiliated investment adviser or investment adviser representative for the consulting and monitoring services the Solicitor may provide to the client on an ongoing basis relative to the client's engagement of Freestate Investments. Such arrangements, and their terms and conditions, are exclusively determined between the client and the Solicitor, and Freestate Investments is not a party to these arrangements.

Freestate Investments pays to some broker-dealers and investment advisor firms a fixed annual participant provider fee to be listed on the broker-dealer or investment advisor's platform of approved third party managers. The platform listing permits the broker-dealer or investment advisor's representatives to recommend Freestate Investments' investment management services to their clients. The fixed annual participant fee is payable regardless of the number, if any, of a broker-dealer or investment advisor's clients that engage Freestate Investments' services. Freestate Investments may enter into similar arrangements with additional broker-dealers or investment advisors, pursuant to which Freestate Investments will be added to the respective firm's third party manager platforms. Freestate Investments may also agree to serve as sub-advisor to an unaffiliated investment advisor.

Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Freestate Investments is deemed to have custody of client funds and securities whenever Freestate Investments is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Freestate Investments will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Freestate Investments is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Freestate Investments. When clients have questions about their account statements, they should contact Freestate Investments or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

Upon receiving written authorization from a client, Freestate Investments will maintain trading authorization over client accounts and implement trades on a discretionary basis (which shall be granted in our client services agreement). When discretionary authority is granted, Freestate Investments will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Freestate Investments does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

Item 18 – Financial Information

This *Item 18* is not applicable to this brochure. Freestate Investments does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Freestate Investments has not been the subject of a bankruptcy petition at any time.

Customer Privacy Policy Notice

Commitment to Your Private Information: Freestate Investments LLC has developed a policy of protecting the confidentiality and security information we collect about our clients. We do not, and will not, share nonpublic personal information about you ("Information") with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information we may gather and the situations under which we may need to share it.

Why We Collect and How We Use Information. We limit the collection and use of Information within our firm to only those individuals associated or employed with us that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial planning, financial advisory, and other services described in our Form ADV.

How We Gather Information. We get most Information directly from you when you provide us with information from any of the following sources:

- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

How We Protect Information. Our employees and affiliated persons are required to protect the confidentiality of Information and to comply with our stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with us. We also maintain physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

Sharing Information with Other Companies Permitted Under Law. We do not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing services to you. Unrelated third parties may include broker/dealers, mutual fund companies, insurance companies, and the custodian with whom your assets are held. In such situations, we stress the confidential nature of information being shared.

Former Customers. Even if we cease to provide you with financial products or services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.