

**Form ADV Part 2A – Firm Brochure
Item 1 – Cover Page**

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Date of Brochure: February 2021

This brochure provides information about the qualifications and business practices of Freestate Advisors LLC. If you have any questions about the contents of this brochure, please contact Melinda Parks at 913-890-2065 or via email: melinda.parks@freestateadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Freestate Advisors LLC 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 Advisors LLC. You may search for information by using the firm's CRD number. The CRD number for Freestate Advisors LLC is **145800**.

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



Item 2 – Material Changes

Since our last annual update was filed in January 2020, there have been no material changes to our 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

General Description of Advisory Firm

Freestate Advisors LLC (Freestate) is an investment advisory firm serving individuals, trusts, estates, charitable organizations, foundations, endowments, retirement plans, and other business entities. In our Advisory Services, we use proprietary processes to assess investment conditions, guide investment decisions and manage portfolio risk.

Our investment approach is the result of more than 30 years of research and experience in finance and economic modeling. We have conducted extensive independent research into the economic, fundamental, and behavioral factors that impact capital markets. Understanding and modeling risk is a research priority. In managing investment portfolios, we believe it is important to focus on both returns and the risk taken to achieve those returns.

Assets held in Freestate-managed client accounts are invested primarily in exchange-traded funds (“ETFs”), exchange-listed securities, mutual funds, and from time to time include other securities.

Typically, a client, in consultation with Freestate, will select one of four strategies (“SmartRisk Income”, “SmartRisk Balanced”, “SmartRisk Growth Plus” or “SmartRisk Core”), a combination of strategies or a personalized portfolio strategy based on that client’s objectives, risk tolerance, and other factors relevant to that client’s circumstances. Clients can impose reasonable restrictions on the management of the account subject to the approval of Freestate. Clients pay an investment advisory fee to Freestate as well as the expenses attributable to the ETFs and other securities, and the transaction expenses charged by the account custodian for executing trading transactions in the clients’ accounts.

Our Firm is a limited liability company formed under the laws of the State of Delaware and headquartered in Overland Park, Kansas, a suburb in metropolitan Kansas City. We also maintain an office in Wichita, Kansas. The Firm is owned 50% by a founder, Brett Conley, 25% by Nathan Haskins and 25% by Melinda Parks. Freestate has been registered as an investment advisor since March 20, 2008.

Clients are advised that the investment recommendations and advice offered by Freestate do not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform Freestate promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify Freestate of any such changes could result in investment recommendations not meeting the needs of the client.

Description of Primary Services

Advisory Services

Freestate provides investment advisory services defined as giving continuous investment advice to a client (or making investments for the client). Our goal is to help clients pursue better wealth outcomes through advanced investment strategies. As part of our advisory service, clients can receive financial planning services. Financial planning provides a comprehensive evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information, and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. We gather information through

in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, return objectives and attitudes toward risk.

Our services are provided through accounts maintained at a qualified custodian, such as a registered broker/dealer or registered bank that we recommend. You can direct Freestate to manage an account at a qualified custodian of your own choosing contingent upon our approval. Through this program, Freestate will be granted either discretionary or non-discretionary trading authorization on the client's account. Please refer to Item 16 – Investment Discretion for more information.

We recommend use of the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), or the Fidelity Institutional Wealth Services division of Fidelity Investments (Fidelity), both registered broker-dealers and members of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. See Item 12 – Brokerage Practices of this document for more details regarding Freestate's arrangements with these Companies. Freestate will have limited power of attorney on accounts held through Schwab or Fidelity. Through a limited power of attorney, Freestate's access to client accounts is restricted to implementing trades in the account, deducting advisory fees from the account when authorized by the client, and receiving duplicate statements, confirmations and other documents related to the account. Please refer to Item 15 – Custody for more information.

On a select basis, Freestate also provides Advisory Services on accounts in which trading authorization is not granted. Through this service, Freestate will provide ongoing review services of the client's assets; however, the client must implement all trades in the account and Freestate will not have direct access to the account. The client-selected qualified custodian will maintain custody of all funds and securities.

Retirement Plan Services

Freestate offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. Freestate's retirement plan services can include, but are not limited to the following Fiduciary Consulting Services:

- Investment Policy Statement preparation. Freestate will review the Plan's investment objectives, risk tolerance and goals with the plan sponsors. We will help the sponsor develop an investment policy statement that establishes the investment policies and objectives for the Plan.
- Non-Discretionary Investment Advice. Freestate will provide investment advice on a non-discretionary basis regarding asset classes and investment options, consistent with the Plan's investment policy. Through this service, we are available to recommend changes to the investment options in their Plan.
- Investment Selection Services. Freestate will provide recommendations of self-directed investment options consistent with ERISA section 404(c).
- Investment Due Diligence Review. Freestate will provide you with periodic due diligence review of the Plan's reports, investment options and recommendations.
- Investment Monitoring. Freestate will provide assistance in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and make recommendations to maintain or remove and replace investment options.

- Default Investment Alternative Advice. Freestate will provide investment advice on a non-discretionary basis to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.
- Participant Level Advice. Freestate will provide non-discretionary investment advice to an individual participant and will make recommendations to assist a participant with selection and monitoring specific investment options or models. We will provide a participant with investment options established by the Plan and consider participant's risk tolerance and investment time horizon.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to the plan sponsor or plan participant for their ultimate approval or rejection. The retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions unless we have agreed otherwise to assist with the implementation of investment options in your Plan.

Fiduciary Consulting Services are not management services, and Freestate does not serve as administrator or trustee of the plan. Freestate does not act as custodian for any client account or have access to client funds or securities (with the exception of some accounts having written authorization from the client to deduct our fees).

Freestate acknowledges that in performing the Fiduciary Consulting Services listed above it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. Freestate will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Freestate to be a fiduciary as a matter of law. However, in providing Fiduciary Consulting Services, Freestate (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

Additional Retirement Plan Services

In addition to the services above, Freestate also offers the following Non-Fiduciary services to the Plan sponsors and participants:

- Participant Education. Freestate will provide education services to the Plan participants at least annually, about general investment principles and the investment alternatives available under the Plan. Freestate's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Freestate may assist in the group enrollment meetings, designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

- Qualified Plan Development. Freestate will assist with the establishment of a qualified plan by working with Client and a selected Third-Party Administrator. If Client has not already selected a Third-Party Administrator, Advisor will assist Client with the review and selection of a Third-Party Administrator for the Plan.
- Due Diligence Review. Provide periodic due diligence reviews of the Plan's fees and expenses and the Plan's service providers. Freestate will conduct plan reviews with Plan sponsors annually at a minimum but may conduct reviews more frequently as needed.
- Fiduciary File Set-up. Freestate will help establish a "fiduciary file" for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, and the investment policy statement.
- Benchmarking. Freestate will periodically provide benchmarking services and will provide analysis concerning the operations of the Plan.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, Freestate cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

Freestate will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Arrangements with Third-Party Investment Advisor Firms serving as Introducing Advisors

Clients of third-party investment advisory firms can gain access to Freestate's portfolio management services detailed above if we have an arrangement with the client's primary investment advisor firm (referred to as the "Introducing Advisor"). When working with an Introducing Advisor, we serve as the client's Co-Advisor or Sub-Advisor. Through these arrangements, Freestate will be recommended to clients by their Introducing Advisor. Freestate is then available to clients for selection as an independent Co-Advisor or Sub-Advisor to manage the client's accounts or a portion of the client's account (as designed by the Introducing Advisor and/or client) using our Advisory Services program.

All applicable agreements and account paperwork will be completed by the client with the assistance of the Introducing Advisor who 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 Introducing Advisor will then provide all necessary information to Freestate. The Introducing Advisor will meet with the client periodically to review the client's financial situation, investment objectives, and current portfolios and then make any necessary changes to our portfolio strategy selection and notify Freestate of any changes to be made. The Introducing Advisor will be responsible for providing a copy of this disclosure brochure. Clients will need to execute an agreement to formally hire our firm as a Co-Advisor or Sub-Advisor. Depending on the program, our client agreement will be required, or our responsibilities will be outlined in the client's agreement with their Introducing Advisor.

Depending on the program, Freestate will or will not be responsible for executing transactions in the client's account. When Freestate is not granted trading authorization, Freestate will provide all trade instructions to the Introducing Advisor who will be responsible for executing the recommendations of Freestate. When Freestate is given trading authorization, such authorization must be provided on a discretionary basis and will be granted by the client through the written agreement. We will then make investment decisions over the portion of the client's assets delegated to Freestate.

Accounts will be established at a broker/dealer-custodian selected by the Introducing Advisor or by Freestate. Please refer to Item 12 of this brochure for information about Freestate's brokerage practices.

Limits Advice to Certain Types of Investments

Freestate provides investment advice on the following types of investments.

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)

Freestate does not provide advice on interests in partnerships investing in real estate or oil and gas interests.

Tailor Advisory Services to Individual Needs of Clients

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors.

Clients are advised to promptly notify the Firm if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon the Firm's management services.

Client Assets Managed by Freestate Advisors LLC

Regulatory assets under management by Freestate Advisors LLC totaled \$134,957,517 as of November 30, 2020. Of that total, \$96,516,459 is managed on a discretionary basis, \$38,441,058 is managed on a non-discretionary basis. In addition, Freestate Advisors had \$154,875,908 as of November 30, 2020, in managed retirement plan assets. Please refer to Item 16 – Investment Discretion.

Item 5 – Fees and Compensation

Management Fees for Advisory Services

Clients are charged for our Advisory Services based on a percentage of total assets under management in accordance with the following fee schedule. The fee schedule below is a generic fee schedule and is not specific to every client.

Annual Fee Schedule – Advisory Services

1.95% of the first \$2 million plus:
1.50% of the next \$3 million plus:
1.00% of the next \$5 million plus:
0.85% of amounts over \$10 million

Fees for Freestate Advisors LLC's services are divided and calculated quarterly in advance based on the total assets under management at the beginning of the quarter. The initial and final fee charged under an agreement for services will be pro-rated based on the number of days services are provided in the initial and final quarters. Although fees are calculated on a quarterly basis, fees are collected monthly. This means the quarterly fee is divided into three payments and collected monthly in advance. Generally, fees are deducted directly from the client's account. Clients must provide the qualified custodian with written authorization to have fees deducted from the account and paid to Freestate. The Firm sends a bill to the custodian detailing the amount of the fee to be deducted from the client's account and paid to Freestate. Freestate and the client are both responsible for verifying the accuracy of the fee calculation, and the custodian will not determine whether the fee is properly calculated. Please refer to Item 15 – Custody for more information.

Upon discretion of Freestate, clients will pay fees directly to Freestate. For clients that pay directly, payment is due upon the client's receipt of a billing statement. The qualified custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian will be billed directly to the client. Freestate does not receive any portion of such commissions or fees from the custodian or client. In addition, clients will incur certain charges imposed by third parties other than Freestate in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Descriptions of these fees and expenses are available in each investment company security's prospectus. Management fees charged by Freestate are separate and distinct from the fees and expenses charged by investment company securities recommended to clients. In order to avoid conflicts of interest in providing investment advice to clients, Freestate does not accept and never receives any fees from a third-party in connection with the investments recommended to clients or implemented in client accounts.

Freestate's services and fee arrangements will be described in the Client Service Agreement which all clients must sign prior to services being provided. It should be noted that lower fees for comparable management or account review services may be available from other sources.

Either party can terminate the Agreement at any time. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and a refund of any fees paid in advance will be provided. If services are terminated after the initial five-day period, Freestate will provide a refund pro-rated based on the number of days elapsed in the quarter. In the event a client terminates services, termination will be effective from the time Freestate receives written notification or such other time as mutually agreed upon, subject to the settlement of transactions in progress and the final refund of any advisory fees due. There will be no penalty charge upon termination. In the event Freestate terminates the relationship, the agreement will be terminated on the fifth (5th) day after written notification is delivered to the client or such time as mutually agreed upon, also subject to the settlement of transactions in progress and the final refund of any advisory fees due.

Arrangements with Third-Party Investment Advisor Firms serving as Introducing Advisors

Clients using Freestate as a Co-Advisor or Sub-Advisor are subject to the same fee schedule detailed in the previous section, *Management Fees for Advisory Services*. Freestate's fee will be charged to the client by the Introducing Advisor.

Freestate's investment management fees will be calculated and collected in accordance with the Introducing Advisor's billing arrangements. Freestate's fees will be billed and collected by the Introducing Advisor and remitted directly to Freestate. Fees are calculated on a quarterly basis. Clients should refer to the Introducing Advisor's disclosure brochure and the service agreement for a full description of all fees and billing arrangements.

The process for removing Freestate as a Co-Advisor or Sub-Advisor must comply with the procedures established in the client agreement. Typically, Freestate's services can be terminated by providing notice of termination directly to Freestate.

Retirement Plan Services

For retirement plan sponsor clients, Freestate will charge a fee based on a percentage of the total assets held in the Plan. Fees are specific to each client and will range from 20 basis points (0.20%) to 100 basis points (1.00%) based on the complexity of the plan, the size of the plan assets, and the actual services

requested. Freestate has also taken into consideration special situations or conflicts of interest where charging a fee to Client is prohibited under ERISA laws.

Fees for Freestate Advisors LLC's services are specified in each agreement for services and are generally calculated and collected quarterly in arrears. The Plan custodian is responsible for fee calculations based on the total assets held in the Plan at the end of the specified period, and remits fees to Freestate after deducting them from the Plan participant accounts. The initial and final fee charged under an agreement for services will be pro-rated based on the number of days services are provided in the initial and final periods. Clients must provide the qualified custodian with written authorization to have fees deducted from the Plan and paid to Freestate. Freestate and the client are both responsible for verifying the accuracy of the fee calculation, and the custodian will not determine whether the fee is properly calculated. Please refer to Item 15 – Custody for more information.

Upon discretion of Freestate, clients can pay fees directly to Freestate. For clients that pay directly, payment is due upon the client's receipt of a billing statement. The qualified custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the services fee, if deducted directly from the account.

Fees and expenses charged by Plan administrators, custodians and platform providers will be billed directly to the client. Freestate does not receive any portion of such fees from any third party or client. In addition, clients will incur certain charges imposed by third parties other than Freestate in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees, surrender charges, and qualified retirement plan fees. Fees charged by Freestate are separate and distinct from the fees and expenses charged by investment company securities recommended to clients. In order to avoid conflicts of interest in providing investment advice to clients, Freestate does not accept and never receives any fees from a third-party in connection with the investments recommended to clients or implemented in client accounts. Freestate does not reasonably expect to receive any other compensation, direct or indirect, for its services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

Freestate's services and fee arrangements will be described in the Retirement Plan Services agreement which all clients must sign prior to services being provided. It should be noted that lower fees for comparable services may be available from other sources.

The services will terminate upon thirty (30) days following either party providing the other party with written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

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

Freestate Advisors does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

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

- Individuals
- High-Net Worth Individuals
- Trusts, estates, charitable organizations, or other entities
- Retirement plan sponsors

All clients are required to execute an agreement for services in order to establish a client arrangement with Freestate and/or the sponsor of third-party money manager platforms.

Minimum Investment Amounts Required

- All clients are required to enter into a written investment advisory agreement prior to the establishment of an investment advisor relationship.
- The minimum total investment assets for Advisory Services is \$500,000. Exceptions are made at our discretion.

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

Within our Advisory Services, Freestate has constructed four model portfolios with the following investment strategies:

SmartRisk Growth Plus

The Freestate SmartRisk Growth Plus strategy strives to take advantage of appreciation in U.S. capital markets while exhibiting less volatility and drawdown than conventional equity portfolios over full economic cycles. The strategy seeks to achieve its investment objective by investing in stocks and bonds via ETFs which provide low-cost exposure to the desired asset class. The strategy is dynamically managed to take advantage of conditions identified as high opportunity for excess returns. The Growth Plus strategy also manages for reduced risk when conditions indicate a higher probability for recession.

SmartRisk Balanced

The Freestate SmartRisk Balanced strategy strives to deliver growth and income with less volatility and drawdown than conventional portfolios over full economic cycles. The strategy seeks to achieve its investment objective by investing in stocks and bonds via ETFs which provide low-cost exposure to the desired asset class. Targeted asset allocation can include as much as 70% stocks when the firm views market conditions as favorable. The strategy is dynamically managed to take advantage of favorable conditions, while being more risk averse when conditions are less favorable. The Balanced strategy is also managed for substantially lower risk when conditions indicate a higher probability for recession.

SmartRisk Income

The Freestate SmartRisk Income strategy seeks income and capital appreciation over full economic cycles with a focus on capital preservation. The strategy seeks to achieve its investment objective by investing in U.S. stocks and bonds via ETFs. Targeted asset allocation

will be 40% stocks and 60% bonds when the firm views market conditions as favorable. The strategy is dynamically managed to increase income and appreciation when risk is low, and to be more defensive when conditions are unfavorable. The Income strategy may be 100% allocated to bonds and cash equivalent assets when conditions indicate a higher probability for recession.

SmartRisk Core

The Freestate SmartRisk Core strategy strives to take advantage of appreciation in capital markets while exhibiting less volatility and drawdown than conventional equity portfolios over full economic cycles. The Core strategy is targeted to accredited investors and seeks to achieve its investment objective by investing in stocks and bonds via ETFs. The targeted asset allocation may be greater than 100% through use of leveraged ETFs when the firm views market conditions as favorable. The Core strategy is actively managed to take advantage of conditions the firm views as favorable for excess returns.

For client portfolios using one of the four model portfolios (SmartRisk Income, SmartRisk Balanced, SmartRisk Growth Plus, or SmartRisk Core), Freestate employs proprietary measures of market and economic conditions combined with a disciplined review process to guide investment decisions and manage portfolio risk. Freestate believes that “macro-level” investing provides the greatest chance to discover and capitalize on trends in financial markets. Accordingly, we seek to add value through asset allocation decisions and portfolio construction and not through individual securities selection. Investments are allocated across asset classes based on our proprietary framework, and exchange-traded funds (ETFs) are the principal investment vehicles used to implement the asset allocation strategies. Freestate’s model portfolios employ a long-term approach to investing, seeking to maximize portfolio risk-adjusted returns while minimizing the maximum drawdown (peak-to-trough decline) of the investment strategy.

In some instances, personalized portfolios are created for individual clients based on their preferred investment portfolio structure. These portfolio recommendations are based on each client’s objectives, risk tolerance, trading frequency preferences, preferred asset classes, volatility measures (e.g. beta) and other client specific criteria. Personalized client portfolios will involve different levels of risk compared to Freestate’s model portfolios depending on the composition of investment selections.

Freestate’s risk-management process includes an effort to monitor and manage risk, but should not be confused with, and does not imply, low risk, or the ability to control risk. The tactical allocations can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform Freestate’s expectations.

Freestate uses published information from a large number of public data sources including but not limited to Chicago Board Options Exchange, IEX Group, Federal Reserve Economic Data, Bloomberg, MSCI Barra, The Economist, The Wall Street Journal, Barron’s, The Financial Times of London, and Recession Alert.

Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear. The following is a sample of the types of risks clients should be aware of when their assets are managed by the Advisor:

- **Management Risks:** Freestate applies its investment methodology and risk analyses in making investment decisions or recommendations for its clients, but there can be no guarantee that they

will produce the desired results. In addition, there is no guarantee that a strategy based on historical information will produce the desired results in the future and, if market dynamics change, the effectiveness of the strategy may be limited. Each strategy runs the risk that the Advisor's investment methodology will fail to produce the desired results.

- **Model Risks:** Freestate uses quantitative analyses and/or models. Any imperfections, limitations or inaccuracies in its analyses and/or models could affect its ability to implement strategies. By necessity, these tools make simplifying assumptions that may limit their effectiveness. Models and analyses that appear to explain prior market data can fail to explain future market events. Further, the data used in models and/or analyses may be inaccurate and/or it may not include the most current information available.
- **Systematic or Market Risks:** Freestate's portfolios are invested in the global capital markets and are exposed to these markets which rise and fall daily. The performance of client investments are, to varying degrees, tied to these markets. When markets fall, the value of a client's investments will fluctuate, which means a client could lose money. For example, if U.S. stocks decline, the portion of the Freestate portfolios invested in the U.S. stock market will decline.
- **Asset Allocation/Strategy Risks:** The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. The asset allocation decisions may result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform expectations. The more aggressive the Freestate strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.
- **Counterparty Risks:** Freestate makes use of exchange-traded funds (ETFs) as a principal vehicle to implement its asset allocation strategies. ETFs can have some "product" or "structural" risk associated with underlying derivatives, as they will sometimes provide market exposure through indirect means, like futures, options, and forward contracts.
- **Custodial Risks:** If the custodian of the account were to go out of business, client assets may only be protected up to the SIPC limits.
- **Tax Risks:** Freestate investment strategies are not designed to address specific tax objectives. Please consult your professional tax advisor for help with your unique situation.

Item 9 – Disciplinary Information

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 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 Advisors LLC is an independent investment advisory firm and only provides investment advisory services. The Firm is not engaged in any other business activities and offers no services other than those

described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor.

Freestate Advisors LLC **is not and does not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, and offshore fund), (3) futures commission merchant, commodity pool operator, or commodity trading advisor, (4) banking or thrift institution, (5) accountant or accounting firm, (6) lawyer or law firm, (7) insurance company or agency, (8) pension consultant, or (9) real estate broker or dealer.

Insurance Agent

One of our employees, LaSandra Rice, is a licensed insurance agent with the ability to sell insurance products such as life, health, disability, long-term care, and group employee benefits. She devotes substantially all of her time to her responsibilities at Freestate Advisors and very little of her time to activities as a licensed insurance agent.

LaSandra Rice receives other incentive awards for the recommendation/sale of insurance products. The receipt of compensation and other incentive benefits can affect her judgment when recommending products to her clients. While she endeavors at all times to put the interest of her clients first as a part of Freestate's overall fiduciary duty to clients, clients should be aware that the receipt of commissions and additional compensation itself creates a conflict of interest and can affect their decision-making process when making recommendations.

Clients are never obligated or required to purchase insurance products from or through LaSandra Rice and can choose any independent insurance agent and insurance company to purchase insurance products. Regardless of the insurance agent selected, the insurance agent or agency will receive normal commissions from the sale.

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

Code of Ethics Summary

Freestate Advisors LLC has established a Code of Ethics that applies to all its associated persons. It is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Freestate Advisors LLC has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the Firm's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. Freestate Advisors LLC requires all its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with the Firm's Code of Ethics. Freestate Advisors LLC has the responsibility to make sure that the interests of all clients are placed ahead of the Firm or its supervised person's own investment interest. Full disclosure of all material facts and conflicts of interest will be provided to clients prior to any services being conducted. Freestate Advisors LLC and its supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is

provided to give all clients a summary of the Firm's Code of Ethics. However, if a client or a potential client wishes to review the Firm's Code of Ethics in its entirety, a copy will be provided promptly upon request.

Affiliate and Employee Personal Securities Transactions Disclosure

Freestate Advisors LLC or its associated persons can buy or sell for their personal accounts investment products identical to those recommended to clients. This creates a conflict of interest. It is the express policy of Freestate Advisors LLC 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 Advisors LLC 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 Advisors LLC 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

Clients are under no obligation to act on the financial planning or financial advisory recommendations of Freestate. Clients wishing to implement the advice of Freestate are free to select any broker/dealer or investment advisor they wish and are so informed.

The primary factor in suggesting a broker/dealer is that the services of the broker/dealer are provided in a cost-effective manner. Best execution of client transactions is an obligation Freestate takes seriously and is a catalyst in the decision of suggesting a broker/dealer. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer suggested by Freestate must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors considered when suggesting a broker/dealer.

Please note that costs associated with using brokerage platforms we recommend may be higher than other brokerage platforms and therefore more expensive to you. We cannot guarantee you will receive the best execution possible through a broker/dealer we select.

Client Directed Brokerage Arrangements

While Freestate recommends broker/dealers, clients are free to select any broker/dealer of their own choosing. When a client directs the use of a particular broker/dealer or other custodian, Freestate may not be able to obtain the best prices and execution for the transaction and may not be able to effectively implement the investment strategy selected by the client. Clients who direct the use of a particular broker/dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker/dealer or custodian.

Further, clients with directed brokerage arrangements or with personalized portfolio strategies will not be able to participate in aggregate trades (i.e. block trades) and directed trades are most commonly placed by Freestate after effecting non-directed trades.

Advisory Services

For clients that wish to have the associated persons of Freestate Advisors LLC implement its advice through Freestate's Advisory Services, the Firm will recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), or Fidelity Institutional Wealth Services, a division of Fidelity Investments ("Fidelity"), registered broker-dealers and members SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

Schwab and Fidelity provide the Firm with access to their institutional trading and custody services, which are typically not available to retail investors. Freestate is independently owned and operated and is not affiliated with either firm. The services provided by Schwab and Fidelity are generally 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 Freestate's clients' assets are maintained in accounts and is not otherwise contingent upon Freestate committing to any specific amount of business (assets in custody or trading). Services provided by Schwab and 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. For Freestate's clients' accounts maintained in their

custody, Schwab and Fidelity generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades.

Schwab and Fidelity also make available to Freestate other products and services that benefit the Firm but not benefit its clients' accounts. Some of these other products and services assist Freestate in managing and administering clients' 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 the Firm's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services are generally used to service all or a substantial number of Freestate's accounts, including accounts held at other custodians. Schwab and Fidelity also make available to Freestate other services intended to help the Firm manage and further develop its business enterprise. These services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, they make available, arrange, and/or pay for these types of services rendered to Freestate by independent third parties providing these services to the Firm. While as a fiduciary, Freestate endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab or Fidelity is based in part on the benefit to Freestate 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, which is a conflict of interest.

Handling of Trade Errors.

Freestate has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Freestate to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Freestate if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Freestate will also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons). Freestate will never benefit or profit from trade errors.

Block Trading Policy

Transactions are typically implemented by Freestate for client accounts by purchasing or selling the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading. When Freestate aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done because client portfolios are being managed according to a common investment strategy. Aggregation is utilized to improve speed of execution in adjusting client portfolios and to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Freestate determines to aggregate client orders for the purchase or sale of securities,

including securities in which Freestate invests, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted that Freestate does not receive any additional compensation or remuneration as a result of aggregation.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Freestate reviews client accounts regularly for consistency with the applicable model portfolio. The Portfolio Management Team comprised of the principals of the firm conduct the reviews. The Portfolio Management Team makes any required changes to bring an account in line with its model portfolio. A client's personalized portfolio strategy is usually reviewed by the investor advisor representative with the client annually, with the Portfolio Management Team making any required changes based on such review.

Statements and Reports

Clients will receive statements, at least quarterly, from the qualified custodian at which their accounts are maintained. In addition, clients can elect to receive on-demand position and performance reports from Freestate. Such reports are written and there is no additional fee for this service.

From time to time, we will provide newsletters or other general communication which are always free of charge to all clients. Newsletters discuss specific investments or market trends but are impersonal in nature.

Item 14 – Client Referrals and Other Compensation

Client Referrals

Freestate Advisors LLC has entered into referral arrangements with independent Investment Advisor Representatives (independent IARs). In these cases, independent IARs are licensed as investment advisor representatives of Freestate Advisors. Through these arrangements, independent IARs will refer clients to our Firm that may be candidates for the Firm's investment advisory services and will provide ongoing client services if those referrals become clients of the Firm. In return for their services, we have agreed to compensate them with an agreed percentage of the total investment advisory fee charged to the client.

Freestate's referral program is in compliance with federal and state regulations, and the independent IARs are considered to be Affiliated Solicitors. The solicitation/referral fee is paid pursuant to a written agreement retained by both Freestate and the independent IAR. The referral arrangement is disclosed to the prospective client at the time of solicitation or at the time of executing the Client Service Agreement. Freestate is responsible for accepting all investment advisory clients. The advisory fee charged to clients will not increase as a result of compensation being paid to an independent IAR.

Other Compensation

- Our Firm does not receive any compensation from advisory services other than the fees outlined in Item 5 of this Disclosure Brochure.
- However, please refer to Item 12 – Brokerage Practices for the various benefits we receive from the Schwab Institutional platform and Fidelity Institutional Wealth Services platform.

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 advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

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

For accounts in which Freestate is deemed to have custody, the firm has 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 Advisors. When clients have questions about their account statements, they should contact Freestate or the qualified custodian preparing the statement.

For Advisory Services, Freestate is responsible for calculating the fee and delivering instructions to the custodian for deduction from accounts as authorized in advance by the client. For Retirement Plan Services, the Plan custodian is generally responsible for calculating the fee and remitting fees to Freestate as authorized in advance by the client.

Item 16 – Investment Discretion

Advisory Services

Through its asset management services and upon receiving written authorization from a client, Freestate will maintain trading authorization over client accounts. Upon receiving written authorization from the client in our agreement for services, Freestate implements trades on a **discretionary** basis. When discretionary authority is granted, Freestate 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.

For clients who decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact the client prior to implementing changes in the client's account. Therefore, the client will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, Freestate will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If client

accounts are managed on a non-discretionary basis, clients need to know that if they are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that are purchased in an account. Clients can 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.

Retirement Plan Services

Freestate does not have investment discretion or any authority to add or remove investment options or trade securities of retirement plans or its participants. Retirement plan sponsor clients are responsible for reviewing, approving, and implementing investments recommended by Freestate. Participants in retirement plans are responsible for executing any trades in their accounts. Freestate does not have trading access for retirement plan or their participant accounts.

Item 17 – Voting Client Securities

Freestate will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients 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 accounts managed by our firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

Item 18 – Financial Information

This item is not applicable to this brochure. Freestate does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our 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 Advisors LLC has not been the subject of a bankruptcy petition at any time.

CUSTOMER PRIVACY POLICY NOTICE

Commitment to Your Private Information: Freestate Advisors 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 gather and the situations under which we 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 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.