

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-1A/A

Initial registration statement filed on Form N-1A for open-end management investment companies  
[amend]

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### FILER

#### FlexShares Trust

CIK: **1491978** | IRS No.: **272560399** | State of Incorporation: **MD** | Fiscal Year End: **1031**  
Type: **N-1A/A** | Act: **33** | File No.: **333-173967** | Film No.: **111072105**

Mailing Address  
50 S. LASALLE STREET  
CHICAGO IL 60603

Business Address  
50 S. LASALLE STREET  
CHICAGO IL 60603  
(800) 595-9111

#### FlexShares Trust

CIK: **1491978** | IRS No.: **272560399** | State of Incorporation: **MD** | Fiscal Year End: **1031**  
Type: **N-1A/A** | Act: **40** | File No.: **811-22555** | Film No.: **111072106**

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM N-1A**  
**REGISTRATION STATEMENT**

*UNDER*  
*THE SECURITIES ACT OF 1933*  
Pre-Effective Amendment No. 2   
Post-Effective Amendment No.

and/or

**REGISTRATION STATEMENT**

*UNDER*  
*THE INVESTMENT COMPANY ACT OF 1940*  
Amendment No. 2

(Check Appropriate Box or Boxes)

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**FLEXSHARES TRUST**

(Exact Name of Registrant as Specified in Charter)

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50 South LaSalle Street  
Chicago, Illinois 60603

(Address of Principal Executive Offices)

800-595-9111

(Registrant's Telephone Number, including Area Code)

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**Name and Address of Agent for Service:**

Diana E. McCarthy, Esq.  
Drinker Biddle & Reath LLP  
One Logan Square, Ste. 2000  
Philadelphia, Pennsylvania 19103-6996

**with a copy to:**

Peter K. Ewing  
Craig R. Carberry, Esq.  
Northern Trust Investments, Inc.  
50 South LaSalle Street  
Chicago, Illinois 60603

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Approximate Date Of Proposed Public Offering: As soon as practicable after the effective date of this registration statement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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### FlexShares<sup>SM</sup> Trust Prospectus

<u>Fund</u>	<u>Ticker</u>	<u>Stock Exchange</u>
FlexShares <sup>SM</sup> Morningstar US Market Factor Tilt Index Fund	TILT	NYSE Arca
FlexShares <sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund	GUNR	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund	TDTT	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund	TDTF	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund	TDTS	NYSE Arca

Prospectus dated September , 2011.

An investment in a Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”), any other government agency, or The Northern Trust Company, or its affiliates, subsidiaries or any other bank. An investment in a Fund involves investment risks, including possible loss of principal.

The Securities and Exchange Commission (“SEC”) has not approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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### FUND SUMMARIES

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund

### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Morningstar<sup>®</sup> US Market Factor Tilt Index<sup>SM</sup> (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You will also incur usual and customary brokerage commissions when buying or selling shares of the Fund in the secondary market, which are not reflected in the example that follows:

**Shareholder Fees** (fees paid directly from your investment)

None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.27%
Distribution (12b-1) Fees	0.00%
Other Expenses <sup>(1)</sup>	<u>0.03%</u>
<b>Total Annual Fund Operating Expenses</b>	0.30%
Expense Reimbursement <sup>(2)</sup>	<u>0.03%</u>
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<u>0.27%</u>

<sup>(1)</sup> The Fund’s Investment Advisory Agreement provides that Northern Trust Investments, Inc. (“NTI” or “Investment Adviser”) will pay all operating expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business. Other Expenses are estimated as the Fund had not commenced operations as of the date of this prospectus.

<sup>(2)</sup> NTI has contractually agreed to reimburse the fees and expenses of the Trust’s independent trustees and their independent legal counsel until September 30, 2012. After this date, NTI and the Fund may mutually agree to extend the contractual arrangement. The Fund’s Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>
\$28	\$93

**PORTFOLIO TURNOVER.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. Portfolio turnover may vary from year to year, as well as within a year.

### PRINCIPAL INVESTMENT STRATEGIES

The Underlying Index reflects the performance of a selection of U.S. equity securities that is designed to provide broad exposure to the overall U.S. equities market, with a slightly weighted tilt to small-capitalization stocks and value stocks. Small-capitalization and value stocks in the Underlying Index are weighted slightly more than such stocks would be in an index that is solely market-capitalization weighted, all as determined by the Index Provider pursuant to its index methodology. In addition to tracking the

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performance of the Underlying Index, the Investment Adviser seeks to minimize portfolio turnover and tax inefficiencies. As of September 30, 2011, the Underlying Index comprised [ ] stocks with market capitalizations ranging from [ ] to [ ]. As of the same date, the Underlying Index' s three largest constituents (by weighting) were [ ], [ ], and [ ] and its three largest industries were [ ], [ ], and [ ]. The Underlying Index is governed by published, objective rules for security selection, exclusion, rebalancing and adjustments for corporate actions. It is reconstituted on a semi-annual basis and is rebalanced quarterly.

NTI uses a “passive” or indexing approach to try to achieve the Fund’ s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. NTI uses a representative sampling strategy to manage the Fund. “Representative sampling” is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index. Funds that employ a representative sampling strategy may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

The Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of the Underlying Index. The Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, futures contracts, options on futures contracts, options and swaps, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

The Underlying Index is sponsored by the Index Provider, an organization that is independent of the Fund and NTI. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’ s Index Provider is Morningstar, Inc. Additional information regarding the Index Provider is provided in the “More Information about Underlying Indexes and Index Providers” section of the Prospectus.

The Fund is “non-diversified” under the Investment Company Act of 1940, as amended, and may invest more of its assets in fewer issuers than “diversified” funds.

**INDUSTRY CONCENTRATION POLICY.** The Fund will concentrate its investments (*i.e.*, hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the Underlying Index is concentrated.

### **PRINCIPAL RISKS**

As with any investment, you could lose all or part of your investment in the Fund, and the Fund’ s performance could trail that of other investments. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund’ s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective.

**ASSET CLASS RISK** is the risk that securities in the Underlying Index or the Fund’ s portfolio may underperform in comparison to the general securities markets or other asset classes.

**CONCENTRATION RISK** is the risk that, to the extent the Fund’ s investments are concentrated in the securities of issuers in a particular market, industry, sector or asset class, the Fund may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that market, industry, sector or asset class.

**DERIVATIVES RISK** is the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

**EQUITY SECURITIES RISK** is the risk that the values of the equity securities owned by the Fund may be more volatile than other asset classes.

**ISSUER RISK** is the risk that changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security’ s or instrument’ s credit quality or value.

**MANAGEMENT RISK** is the risk that the representative sampling strategy used by NTI may fail to produce the intended results.



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**MARKET RISK** is the risk that the Fund could lose money over short periods due to short-term market movements and over longer periods during market downturns.

**MARKET TRADING RISKS** are the risks that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND' S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**MID CAP STOCK RISK** is the risk that stocks of mid-sized companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Mid-sized companies may have limited product lines or financial resources, and may be dependent upon a particular niche of the market.

**NEW FUND RISKS** are the risks that the Fund faces because it is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate. The Fund' s Distributor does not maintain a secondary market in the shares.

**NON-DIVERSIFICATION RISK** is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers.

**PASSIVE INVESTMENT RISK** is the risk that the Fund is not actively managed and NTI does not attempt to take defensive positions in declining markets.

**SMALL CAP STOCK RISK** is the risk that stocks of smaller companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Small companies may have limited product lines or financial resources, or may be dependent upon a small or inexperienced management group, and their securities may trade less frequently and in lower volume than the securities of larger companies, which could lead to higher transaction costs. Generally the smaller the company size, the greater the risk.

**TRACKING ERROR RISK** is the risk that the Fund' s performance may vary substantially from the performance of the Underlying Index. The Fund employs a representative sampling strategy, and may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

**VALUE INVESTING RISK** is the risk that the Fund' s investment in companies whose securities are believed to be undervalued, relative to their underlying profitability, will not appreciate in value as anticipated.

**It is possible to lose money on an investment in the Fund. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.**

## **FUND PERFORMANCE**

As of the date of this Prospectus, the Fund has not yet commenced investment operations.

## **MANAGEMENT**

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Fund. Chad M. Rakvin, Senior Vice President of Northern Trust Investments, Inc., Shaun Murphy, Senior Vice President of Northern Trust Investments, Inc., and Jordan Dekhayser, Vice President of Northern Trust Investments, Inc., have each been managers of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

The Fund is an exchange-traded fund (commonly referred to as an "ETF"). Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The

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Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares or multiples thereof (“Creation Units”) to authorized participants who have entered into agreements with the Fund’s distributor. The Fund will issue or redeem Creation Units in return for a basket of assets that the Fund specifies each day.

### **TAX INFORMATION**

The Fund’s distributions are generally taxable to you as ordinary income, capital gains, or a combination of the two, unless you are investing through a tax-exempt or tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Distributions may be taxable upon withdrawal from tax-deferred accounts.

### **PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), NTI and its related companies may pay the intermediary for activities related to the marketing and promotion of the Fund. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s Web site for more information.

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FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund

### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Morningstar<sup>®</sup> Global Upstream Natural Resources Index<sup>SM</sup> (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You will also incur usual and customary brokerage commissions when buying or selling shares of the Fund in the secondary market, which are not reflected in the example that follows:

**Shareholder Fees** (fees paid directly from your investment)

None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.48%
Distribution (12b-1) Fees	0.00%
Other Expenses <sup>(1)</sup>	0.03%
<b>Total Annual Fund Operating Expenses</b>	<b>0.51%</b>
Expense Reimbursement <sup>(2)</sup>	0.03%
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<b>0.48%</b>

<sup>(1)</sup> The Fund’s Investment Advisory Agreement provides that Northern Trust Investments, Inc. (“NTI” or “Investment Adviser”) will pay all operating expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business. Other Expenses are estimated as the Fund had not commenced operations as of the date of this prospectus.

<sup>(2)</sup> NTI has contractually agreed to reimburse the fees and expenses of the Trust’s independent trustees and their independent legal counsel until September 30, 2012. After this date, NTI and the Fund may mutually agree to extend the contractual arrangement. The Fund’s Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>
\$49	\$161

**PORTFOLIO TURNOVER.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. Portfolio turnover may vary from year to year, as well as within a year.

### PRINCIPAL INVESTMENT STRATEGIES

The Underlying Index reflects the performance of a selection of equity securities that are traded in or are issued by companies domiciled in global developed or emerging markets (including the U.S.), as determined by the Index Provider pursuant to its index methodology. The companies included in the Underlying Index have significant business operations in the ownership, management and/or production of natural resources in energy, agriculture, precious or industrial metals, timber and water resources sectors, as determined by the Index Provider pursuant to its index methodology. In addition to tracking the performance of the Underlying Index, the Investment Adviser seeks to minimize portfolio turnover and tax inefficiencies. As of September , 2011, the Underlying Index comprised [ ] stocks with market capitalizations ranging from [ to ]. As of the same date, the Underlying Index' s three largest constituents (by weighting) were [ , , and ]. As of [ ], the top five

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countries (by weighting) represented in the Underlying Index were [ , , , and ], and in the aggregate represented [ ]% of the Underlying Index. The Underlying Index is governed by published, objective rules for security selection, exclusion, rebalancing and adjustments for corporate actions and is reconstituted on an annual basis.

NTI uses a “passive” or indexing approach to try to achieve the Fund’ s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. NTI uses a representative sampling strategy to manage the Fund. “Representative sampling” is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index. Funds that employ a representative sampling strategy may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

The Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of the Underlying Index and in American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”) (collectively “Depositary Receipts”) based on the securities in its Underlying Index. The Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, futures contracts, options on futures contracts, forward currency contracts, options and total return swaps, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

The Underlying Index is sponsored by the Index Provider, an organization that is independent of the Fund and NTI. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’ s Index Provider is Morningstar, Inc. Additional information regarding the Index Provider is provided in the “More Information about Underlying Indexes and Index Providers” section of the Prospectus.

The Fund is “non-diversified” under the Investment Company Act of 1940, as amended, and may invest more of its assets in fewer issuers than “diversified” funds.

**INDUSTRY CONCENTRATION POLICY.** The Fund will concentrate its investments (*i.e.*, hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the Underlying Index is concentrated.

### **PRINCIPAL RISKS**

As with any investment, you could lose all or part of your investment in the Fund, and the Fund’ s performance could trail that of other investments. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund’ s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective.

**ASSET CLASS RISK** is the risk that securities in the Underlying Index or the Fund’ s portfolio may underperform in comparison to the general securities markets or other asset classes.

**COMMODITIES RISK** is the risk that companies engaged in commodities-related industries, such as natural resources, are especially affected by fluctuations in the value of those commodities (that may be due to market events or regulatory developments) and these companies may lack the resources and the broad business lines to weather market downturns. This risk is exacerbated for those natural resources companies that own the underlying commodity.

**CONCENTRATION RISK** is the risk that, to the extent the Fund’ s investments are concentrated in the securities of issuers in a particular region, country, market, industry, sector or asset class, the Fund may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that region, country, market, industry, sector or asset class.

**CURRENCY RISK** is the risk that foreign currencies will fluctuate in value relative to the U.S. dollar, adversely affecting the value of the Fund’ s investments and its returns. Because the Fund’ s NAV is determined on the basis of U.S. dollars, you may lose money if the local currency of a foreign market depreciates against the U.S. dollar, even if the market value of the Fund’ s holdings appreciates.

**DERIVATIVES RISK** is the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

**EMERGING MARKETS RISK** is the risk that markets of emerging market countries are less developed and less liquid, subject to greater price volatility and generally subject to increased economic, political, regulatory and other uncertainties than more developed markets.

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**EQUITY SECURITIES RISK** is the risk that the values of the equity securities owned by the Fund may be more volatile than other asset classes.

**FOREIGN SECURITIES RISK** is the risk that investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to less liquid markets, and adverse economic, political, diplomatic, financial, and regulatory factors. Foreign governments also may impose limits on investment and repatriation and impose taxes. Any of these events could cause the value of the Fund' s investments to decline. To the extent that the Fund' s assets are concentrated in a single country or geographic region, the Fund will be subject to the risks associated with that particular country or region.

**GLOBAL NATURAL RESOURCE INDUSTRY RISK** is the risk that the Fund is subject to the risks associated with investment in the global natural resources sector in addition to the general risk of the stock market. These risks include, but are not limited to, commodity price volatility, world economic growth, depletion of natural resources, technological progress, and government regulations and special risks associated with natural or man-made disasters. As the demand for, or prices of, natural resources increase, the value of the Fund' s equity investments generally would be expected to also increase. Conversely, declines in the demand for, or prices of, natural resources generally would be expected to contribute to declines in the value of such equity securities. Such declines may occur quickly and without warning and may negatively impact the value of the Fund and your investment.

**ISSUER RISK** is the risk that changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security' s or instrument' s credit quality or value.

**MANAGEMENT RISK** is the risk that the representative sampling strategy used by NTI may fail to produce the intended results.

**MARKET RISK** is the risk that the Fund could lose money over short periods due to short-term market movements and over longer periods during market downturns.

**MARKET TRADING RISKS** are the risks that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND' S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**MID CAP STOCK RISK** is the risk that stocks of mid-sized companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Mid-sized companies may have limited product lines or financial resources, and may be dependent upon a particular niche of the market.

**NEW FUND RISKS** are the risks that the Fund faces because it is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate. The Fund' s Distributor does not maintain a secondary market in the shares.

**NON-DIVERSIFICATION RISK** is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers.

**PASSIVE INVESTMENT RISK** is the risk that the Fund is not actively managed and NTI does not attempt to take defensive positions in declining markets.

**SMALL CAP STOCK RISK** is the risk that stocks of smaller companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Small companies may have limited product lines or financial resources, or may be dependent upon a small or inexperienced management group, and their securities may trade less frequently and in lower volume than the securities of larger companies, which could lead to higher transaction costs. Generally the smaller the company size, the greater the risk.

**TRACKING ERROR RISK** is the risk that the Fund' s performance may vary substantially from the performance of the Underlying Index. The Fund employs a representative sampling strategy, and may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

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**It is possible to lose money on an investment in the Fund. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.**

### **FUND PERFORMANCE**

As of the date of this Prospectus, the Fund has not yet commenced investment operations.

### **MANAGEMENT**

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Fund. Chad M. Rakvin, Senior Vice President of Northern Trust Investments, Inc., Shaun Murphy, Senior Vice President of Northern Trust Investments, Inc., and Jordan Dekhayser, Vice President of Northern Trust Investments, Inc., have each been managers of the Fund since its inception.

### **PURCHASE AND SALE OF FUND SHARES**

The Fund is an exchange-traded fund (commonly referred to as an “ETF”). Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares or multiples thereof (“Creation Units”) to authorized participants who have entered into agreements with the Fund’s distributor. The Fund will issue or redeem Creation Units in return for a basket of assets that the Fund specifies each day.

### **TAX INFORMATION**

The Fund’s distributions are generally taxable to you as ordinary income, capital gains, or a combination of the two, unless you are investing through a tax-exempt or tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Distributions may be taxable upon withdrawal from tax-deferred accounts.

### **PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), NTI and its related companies may pay the intermediary for activities related to the marketing and promotion of the Fund. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s Web site for more information.



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FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund

### INVESTMENT OBJECTIVE

The Fund seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the iBoxx 3-Year Target Duration TIPS Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You will also incur usual and customary brokerage commissions when buying or selling shares of the Fund in the secondary market, which are not reflected in the example that follows:

**Shareholder Fees** (fees paid directly from your investment)

None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.20%
Distribution (12b-1) Fees	0.00%
Other Expenses <sup>(1)</sup>	0.03%
<b>Total Annual Fund Operating Expenses</b>	<b>0.23%</b>
Expense Reimbursement <sup>(2)</sup>	0.03%
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<b>0.20%</b>

<sup>(1)</sup> The Fund’s Investment Advisory Agreement provides that Northern Trust Investments, Inc. (“NTI” or “Investment Adviser”) will pay all operating expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business. Other Expenses are estimated as the Fund had not commenced operations as of the date of this prospectus.

<sup>(2)</sup> NTI has contractually agreed to reimburse the fees and expenses of the Trust’s independent trustees and their independent legal counsel until September 30, 2012. After this date, NTI and the Fund may mutually agree to extend the contractual arrangement. The Fund’s Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>
\$20	\$71

**PORTFOLIO TURNOVER.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. Portfolio turnover may vary from year to year, as well as within a year.

### PRINCIPAL INVESTMENT STRATEGIES

The Underlying Index reflects the performance of a selection of inflation protected public obligations of the U.S. Treasury, commonly known as “TIPS,” with a targeted average duration of approximately three years. The Underlying Index includes publicly issued TIPS that have

maturity dates of at least one year but not more than ten years from an index rebalancing date. TIPS are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS' principal and interest payments are linked to an official inflation measure (as measured by the Consumer Price Index, or CPI) and the payments are supported by the full faith and credit of the United States. In addition to tracking the performance of the Underlying Index, the Investment Adviser seeks to minimize portfolio turnover and tax inefficiencies. As of September , 2011, there were [ ] TIPS issues in the Underlying Index. The Underlying Index is both capitalization weighted and securities-duration weighted, and its composition is rebalanced monthly. The Underlying Index is governed by published, objective rules for security selection, exclusion, rebalancing and adjustments, including the daily re-investment of cash flows.

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NTI uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. NTI uses a representative sampling strategy to manage the Fund. “Representative sampling” is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index. Funds that employ a representative sampling strategy may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

The Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of the Underlying Index. The Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, and options, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

The Underlying Index is sponsored by the Index Provider, an organization that is independent of the Fund and NTI. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’s Index Provider is Markit North America, Inc. Additional information regarding the Index Provider is provided in the “More Information about Underlying Indexes and Index Providers” section of the Prospectus.

The Fund is “non-diversified” under the Investment Company Act of 1940, as amended, and may invest more of its assets in fewer issuers than “diversified” funds.

### **PRINCIPAL RISKS**

As with any investment, you could lose all or part of your investment in the Fund, and the Fund’s performance could trail that of other investments. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund’s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective.

**ASSET CLASS RISK** is the risk that securities in the Underlying Index or the Fund’s portfolio may underperform in comparison to the general securities markets or other asset classes.

**DERIVATIVES RISK** is the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

**INCOME RISK** is the risk that the Fund’s income may decline due to a decline in inflation (or deflation) or due to changes in inflation expectations.

**INFLATION PROTECTED SECURITY RISK** is the risk that the value of inflation protected securities, including TIPS, generally will fluctuate in response to changes in real interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation. Real interest rates are generally measured as a nominal interest less an inflation rate. As such, investors should be aware that an investment in TIPS over a particular timeframe may decrease in value even in an inflationary environment. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. Because of their inflation adjustment feature, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds.

**INTEREST RATE/MATURITY RISK** is the risk that the value of the Fund’s fixed-income assets will decline because of rising interest rates. Duration is a measure used to determine the sensitivity of a security’s price to changes in interest rates. The longer a security’s duration, the more sensitive it will be to changes in interest rates.

**MANAGEMENT RISK** is the risk that the representative sampling strategy used by NTI may fail to produce the intended results.

**MARKET RISK** is the risk that that the Fund could lose money over short periods due to short-term market movements and over longer periods during market downturns.



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**MARKET TRADING RISKS** are the risks that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND' S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**NEW FUND RISKS** are the risks that the Fund faces because it is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate. The Fund' s Distributor does not maintain a secondary market in the shares.

**NON-DIVERSIFICATION RISK** is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers.

**PASSIVE INVESTMENT RISK** is the risk that the Fund is not actively managed and NTI does not attempt to take defensive positions in declining markets.

**TRACKING ERROR RISK** is the risk that the Fund' s performance may vary substantially from the performance of the Underlying Index. The Fund employs a representative sampling strategy, and may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

**It is possible to lose money on an investment in the Fund. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.**

## **FUND PERFORMANCE**

As of the date of this Prospectus, the Fund has not yet commenced investment operations.

## **MANAGEMENT**

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Fund. Daniel J. Personette, Vice President of Northern Trust Investments, Inc., Michael R. Chico, Vice President of Northern Trust Investments, Inc., and Brandon P. Ferguson, Officer of Northern Trust Investments, Inc., have each been managers of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

The Fund is an exchange-traded fund (commonly referred to as an "ETF"). Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares or multiples thereof ("Creation Units") to authorized participants who have entered into agreements with the Fund' s distributor. The Fund will issue or redeem Creation Units in return for a basket of assets that the Fund specifies each day.

## **TAX INFORMATION**

The Fund' s distributions are generally taxable to you as ordinary income, capital gains, or a combination of the two, unless you are investing through a tax-exempt or tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Distributions may be taxable upon withdrawal from tax-deferred accounts.

## **PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), NTI and its related companies may pay the intermediary for activities related to the marketing and promotion of the Fund. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary' s Web site for more information.



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FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund

### INVESTMENT OBJECTIVE

The Fund seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the iBoxx 5-Year Target Duration TIPS Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You will also incur usual and customary brokerage commissions when buying or selling shares of the Fund in the secondary market, which are not reflected in the example that follows:

**Shareholder Fees** (fees paid directly from your investment)

None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.20%
Distribution (12b-1) Fees	0.00%
Other Expenses <sup>(1)</sup>	0.03%
<b>Total Annual Fund Operating Expenses</b>	<b>0.23%</b>
Expense Reimbursement <sup>(2)</sup>	0.03%
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<b>0.20%</b>

<sup>(1)</sup> The Fund’s Investment Advisory Agreement provides that Northern Trust Investments, Inc. (“NTI” or “Investment Adviser”) will pay all operating expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business. Other Expenses are estimated as the Fund had not commenced operations as of the date of this prospectus.

<sup>(2)</sup> NTI has contractually agreed to reimburse the fees and expenses of the Trust’s independent trustees and their independent legal counsel until September 30, 2012. After this date, NTI and the Fund may mutually agree to extend the contractual arrangement. The Fund’s Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>
\$20	\$71

**PORTFOLIO TURNOVER.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. Portfolio turnover may vary from year to year, as well as within a year.

### PRINCIPAL INVESTMENT STRATEGIES

The Underlying Index reflects the performance of a selection of inflation protected public obligations of the U.S. Treasury, commonly known as “TIPS,” with a targeted average duration of approximately five years. The Underlying Index includes publicly issued TIPS that have maturity dates of at least three years but not more than twenty years from an index rebalancing date. TIPS are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS’ principal and interest payments are linked to an official inflation measure (as measured by the Consumer Price Index, or CPI) and the payments are supported by the full faith and credit of the United States. In addition to tracking the performance of the Underlying Index, the Investment Adviser seeks to minimize portfolio turnover and tax inefficiencies. As of September , 2011, there were [ ] TIPS issues in the Underlying Index. The Underlying Index is both capitalization weighted and securities-duration weighted, and its composition is rebalanced monthly. The Underlying Index is governed by published, objective rules for security selection, exclusion, rebalancing and adjustments, including the daily re-investment of cash flows.



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NTI uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. NTI uses a representative sampling strategy to manage the Fund. “Representative sampling” is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index. Funds that employ a representative sampling strategy may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

The Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of the Underlying Index. The Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, and options, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

The Underlying Index is sponsored by the Index Provider, an organization that is independent of the Fund and NTI. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’s Index Provider is Markit North America, Inc. Additional information regarding the Index Provider is provided in the “More Information about Underlying Indexes and Index Providers” section of the Prospectus.

The Fund is “non-diversified” under the Investment Company Act of 1940, as amended, and may invest more of its assets in fewer issuers than “diversified” funds.

### **PRINCIPAL RISKS**

As with any investment, you could lose all or part of your investment in the Fund, and the Fund’s performance could trail that of other investments. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund’s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective.

**ASSET CLASS RISK** is the risk that securities in the Underlying Index or the Fund’s portfolio may underperform in comparison to the general securities markets or other asset classes.

**DERIVATIVES RISK** is the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

**INCOME RISK** is the risk that the Fund’s income may decline due to a decline in inflation (or deflation) or due to changes in inflation expectations.

**INFLATION PROTECTED SECURITY RISK** is the risk that the value of inflation protected securities, including TIPS, generally will fluctuate in response to changes in real interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation. Real interest rates are generally measured as a nominal interest less an inflation rate. As such, investors should be aware that an investment in TIPS over a particular timeframe may decrease in value even in an inflationary environment. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. Because of their inflation adjustment feature, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds.

**INTEREST RATE/MATURITY RISK** is the risk that the value of the Fund’s fixed-income assets will decline because of rising interest rates. Duration is a measure used to determine the sensitivity of a security’s price to changes in interest rates. The longer a security’s duration, the more sensitive it will be to changes in interest rates.

**MANAGEMENT RISK** is the risk that the representative sampling strategy used by NTI may fail to produce the intended results.

**MARKET RISK** is the risk that that the Fund could lose money over short periods due to short-term market movements and over longer periods during market downturns.



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**MARKET TRADING RISKS** are the risks that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND' S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**NEW FUND RISKS** are the risks that the Fund faces because it is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate. The Fund' s Distributor does not maintain a secondary market in the shares.

**NON-DIVERSIFICATION RISK** is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers.

**PASSIVE INVESTMENT RISK** is the risk that the Fund is not actively managed and NTI does not attempt to take defensive positions in declining markets.

**TRACKING ERROR RISK** is the risk that the Fund' s performance may vary substantially from the performance of the Underlying Index. The Fund employs a representative sampling strategy, and may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

**It is possible to lose money on an investment in the Fund. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.**

## **FUND PERFORMANCE**

As of the date of this Prospectus, the Fund has not yet commenced investment operations.

## **MANAGEMENT**

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Fund. Daniel J. Personette, Vice President of Northern Trust Investments, Inc., Michael R. Chico, Vice President of Northern Trust Investments, Inc., and Brandon P. Ferguson, Officer of Northern Trust Investments, Inc., have each been managers of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

The Fund is an exchange-traded fund (commonly referred to as an "ETF"). Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares or multiples thereof ("Creation Units") to authorized participants who have entered into agreements with the Fund' s distributor. The Fund will issue or redeem Creation Units in return for a basket of assets that the Fund specifies each day.

## **TAX INFORMATION**

The Fund' s distributions are generally taxable to you as ordinary income, capital gains, or a combination of the two, unless you are investing through a tax-exempt or tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Distributions may be taxable upon withdrawal from tax-deferred accounts.

## **PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), NTI and its related companies may pay the intermediary for activities related to the marketing and promotion of the Fund. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary' s Web site for more information.



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FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

### INVESTMENT OBJECTIVE

The Fund seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the iBoxx 7-Year Target Duration TIPS Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You will also incur usual and customary brokerage commissions when buying or selling shares of the Fund in the secondary market, which are not reflected in the example that follows:

**Shareholder Fees** (fees paid directly from your investment)

None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.20%
Distribution (12b-1) Fees	0.00%
Other Expenses <sup>(1)</sup>	0.03%
<b>Total Annual Fund Operating Expenses</b>	<b>0.23%</b>
Expense Reimbursement <sup>(2)</sup>	0.03%
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<b>0.20%</b>

<sup>(1)</sup> The Fund’s Investment Advisory Agreement provides that Northern Trust Investments, Inc. (“NTI” or “Investment Adviser”) will pay all operating expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business. Other Expenses are estimated as the Fund had not commenced operations as of the date of this prospectus.

<sup>(2)</sup> NTI has contractually agreed to reimburse the fees and expenses of the Trust’s independent trustees and their independent legal counsel until September 30, 2012. After this date, NTI and the Fund may mutually agree to extend the contractual arrangement. The Fund’s Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>
\$20	\$71

**PORTFOLIO TURNOVER.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. Portfolio turnover may vary from year to year, as well as within a year.

### PRINCIPAL INVESTMENT STRATEGIES

The Underlying Index reflects the performance of a selection of inflation protected public obligations of the U.S. Treasury, commonly known as “TIPS,” with a targeted average duration of approximately seven years. The Underlying Index includes publicly issued TIPS that have maturity dates of at least five years but not more than thirty years from an index rebalancing date. TIPS are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS’ principal and interest payments are linked to an official inflation measure (as measured by the Consumer Price Index, or CPI) and the payments are supported by the full faith and credit of the United States. In addition to tracking the performance of the Underlying Index, the Investment Adviser seeks to minimize portfolio turnover and tax inefficiencies. As of September , 2011, there were [ ] TIPS issues in the Underlying Index. The Underlying Index is both capitalization weighted and securities-duration weighted, and its composition is rebalanced monthly. The Underlying Index is governed by published, objective rules for security selection, exclusion, rebalancing and adjustments, including the daily re-investment cash flows.

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NTI uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. NTI uses a representative sampling strategy to manage the Fund. “Representative sampling” is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index. Funds that employ a representative sampling strategy may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

The Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of the Underlying Index. The Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, and options, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

The Underlying Index is sponsored by the Index Provider, an organization that is independent of the Fund and NTI. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’s Index Provider is Markit North America, Inc. Additional information regarding the Index Provider is provided in the “More Information about Underlying Indexes and Index Providers” section of the Prospectus.

The Fund is “non-diversified” under the Investment Company Act of 1940, as amended, and may invest more of its assets in fewer issuers than “diversified” funds.

### **PRINCIPAL RISKS**

As with any investment, you could lose all or part of your investment in the Fund, and the Fund’s performance could trail that of other investments. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund’s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective.

**ASSET CLASS RISK** is the risk that securities in the Underlying Index or the Fund’s portfolio may underperform in comparison to the general securities markets or other asset classes.

**DERIVATIVES RISK** is the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

**INCOME RISK** is the risk that the Fund’s income may decline due to a decline in inflation (or deflation) or due to changes in inflation expectations.

**INFLATION PROTECTED SECURITY RISK** is the risk that the value of inflation protected securities, including TIPS, generally will fluctuate in response to changes in real interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation. Real interest rates are generally measured as a nominal interest less an inflation rate. As such, investors should be aware that an investment in TIPS over a particular timeframe may decrease in value even in an inflationary environment. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. Because of their inflation adjustment feature, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds.

**INTEREST RATE/MATURITY RISK** is the risk that the value of the Fund’s fixed-income assets will decline because of rising interest rates. Duration is a measure used to determine the sensitivity of a security’s price to changes in interest rates. The longer a security’s duration, the more sensitive it will be to changes in interest rates.

**MANAGEMENT RISK** is the risk that the representative sampling strategy used by NTI may fail to produce the intended results.

**MARKET RISK** is the risk that that the Fund could lose money over short periods due to short-term market movements and over longer periods during market downturns.





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**MARKET TRADING RISKS** are the risks that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND' S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**NEW FUND RISKS** are the risks that the Fund faces because it is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate. The Fund' s Distributor does not maintain a secondary market in the shares.

**NON-DIVERSIFICATION RISK** is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers.

**PASSIVE INVESTMENT RISK** is the risk that the Fund is not actively managed and NTI does not attempt to take defensive positions in declining markets.

**TRACKING ERROR RISK** is the risk that the Fund' s performance may vary substantially from the performance of the Underlying Index. The Fund employs a representative sampling strategy, and may incur tracking error risk to a greater extent than a fund that seeks to replicate an index.

**It is possible to lose money on an investment in the Fund. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.**

## **FUND PERFORMANCE**

As of the date of this Prospectus, the Fund has not yet commenced investment operations.

## **MANAGEMENT**

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Fund. Daniel J. Personette, Vice President of Northern Trust Investments, Inc., Michael R. Chico, Vice President of Northern Trust Investments, Inc., and Brandon P. Ferguson, Officer of Northern Trust Investments, Inc., have each been managers of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

The Fund is an exchange-traded fund (commonly referred to as an "ETF"). Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares or multiples thereof ("Creation Units") to authorized participants who have entered into agreements with the Fund' s distributor. The Fund will issue or redeem Creation Units in return for a basket of assets that the Fund specifies each day.

## **TAX INFORMATION**

The Fund' s distributions are generally taxable to you as ordinary income, capital gains, or a combination of the two, unless you are investing through a tax-exempt or tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Distributions may be taxable upon withdrawal from tax-deferred accounts.

## **PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), NTI and its related companies may pay the intermediary for activities related to the marketing and promotion of the Fund. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary' s Web site for more information.



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### **ADDITIONAL FUND INFORMATION**

This Prospectus describes five Funds, which are currently offered by the FlexShares Trust (the “Trust”) and provides information you need to make an informed decision about investing in the Funds. Please read this Prospectus carefully before you make any investment decisions. Additional information regarding the Funds is available at [www.flexshares.com](http://www.flexshares.com).

NTI is the investment adviser to each Fund. Shares of the Funds are listed for trading on NYSE Arca, Inc. The market price for a share of a Fund may be different from that Fund’s most recent NAV per share.

ETFs are funds that trade like other publicly-traded securities. Each Fund is designed to track an index. Similar to shares of an index mutual fund, each share of a Fund represents a partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of mutual funds, which can be bought and redeemed from the issuing fund by all shareholders at a price based on NAV, shares of the Funds may be purchased or redeemed directly from the Funds at NAV solely by authorized participants. Also unlike shares of mutual funds, shares of the Funds are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

Each Fund invests in a particular segment of the securities markets and seeks to track the performance of a securities index that generally is not representative of the market as a whole. Each Fund is designed to be used as part of broader asset allocation strategies. Accordingly, an investment in a Fund should not constitute a complete investment program.

An index is a theoretical financial calculation while each Fund is an actual investment portfolio. The performance of the Funds and their respective Underlying Index may vary due to transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances, and differences between a Fund’s portfolio and its Underlying Index resulting from legal restrictions (such as diversification requirements) that apply to the Fund but not to the Underlying Index or to the use of representative sampling.

“Tracking error” is the difference between the performance (return) of a Fund’s portfolio and that of its Underlying Index. NTI expects that, over time, each Fund’s tracking error will not exceed 5%. Because each Fund uses a representative sampling indexing strategy, it can be expected to have a larger tracking error than if it used a replication indexing strategy. “Replication” is an indexing strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index. Each Fund reserves the right to use a replication indexing strategy if NTI determines that it is in the best interests of the Fund. Tracking variance is monitored by the Investment Adviser at least quarterly by comparing the performance of the Underlying Index to the performance of the Fund. In the event the performance of a Fund is not comparable to the performance of its Underlying Index, the Board of Trustees of the Trust will evaluate the reasons for the deviation and the availability of corrective measures.

Each Fund’s investment objective and its respective Underlying Index may be changed without shareholder approval. Each Fund has adopted a policy to provide its shareholders with at least 60 days’ prior written notice of any change to the Fund’s investment objective or its respective Underlying Index. If the Index Provider no longer calculates an Underlying Index of a Fund, if the Underlying Index is terminated for any reason, if the identity or the character of the Underlying Index is materially changed, or for any other reason determined by the Board of Trustees of the Trust (the “Board”) in good faith, the Board determines that it is impracticable to substitute a replacement index, it will take whatever action is deemed to be in the best interests of the Fund’s shareholders.

#### **Additional Information About Principal Risks**

All investments carry some degree of risk that will affect the value of a Fund’s investments, its investment performance and the price of its shares. As a result, loss of money is a risk of investing in each Fund. This section takes a closer look at some of the Funds’ principal risks.

**Asset Class Risk.** The returns from the types of securities in which a Fund invests may underperform returns from the various general securities markets or different asset classes. The securities in the Underlying Indexes may underperform fixed-income investments and stock market investments that track other markets, segments and sectors. Different types of securities tend to go through cycles of outperformance and underperformance in comparison to the general securities markets.

**Concentration Risk.** If the Underlying Index of a Fund concentrates in a particular market, industry, group of industries or sector or asset class, that Fund may be adversely affected by the performance of those securities and may be subject to price volatility. In addition, a Fund that concentrates in a single market, industry, group of industries, sector or asset class may be more susceptible to any single economic, market, political or regulatory occurrence affecting that market, industry, group of industries, sector or asset class.

**Commodities Risk.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund will invest most of its assets in companies with significant business operations in the ownership, management and/or production of natural resources. The operations and financial performance of companies in natural resources industries may be directly affected by commodity prices. This risk is exacerbated for

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those natural resources companies that own the underlying commodity. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, the impact of interest rate and inflation on production and demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of companies in natural resources industries that are involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for companies in natural resources industries to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices.

**Counterparty Risk.** Counterparty Risk is the risk that a counterparty to a swap contract or other similar investment instrument may default on its payment obligation to a Fund. Such a default may cause the value of an investment in a Fund to decrease.

**Currency Risk.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest in securities denominated in foreign currencies. While the Fund's investments may be denominated in foreign currencies, the portfolio securities and other assets held by the Fund are valued in U.S. dollars. Price fluctuations may occur in the dollar value of foreign securities because of changing currency exchange rates. Currency exchange rates may fluctuate significantly over short periods of time causing the Fund's NAV to fluctuate as well. Currency exchange rates can be affected unpredictably by the intervention or the failure to intervene by U.S. or foreign governments or central banks, or by currency controls or political developments in the U.S. or abroad. To the extent that the Fund's total assets, adjusted to reflect the Fund's net position after giving effect to currency transactions, are denominated in the currencies of foreign countries, the Fund will be more susceptible to the risk of adverse economic and political developments within those countries.

**Derivatives Risk.** A derivative is a financial instrument whose value is derived from, or based upon, the performance of underlying assets, interest or currency exchange rates, or other indices and may be leveraged. Derivatives include options, total rate of return swaps, currency swaps, equity swaps, forward foreign currency exchange contracts and futures contracts. The Funds may use these instruments to help the Funds track their respective Underlying Indexes.

An investment in derivatives can be more sensitive to changes in interest rates and sudden fluctuations in market prices than conventional securities. Investments in derivative instruments, which may be leveraged, may result in losses exceeding the amounts invested. A Fund's losses may be greater if it invests in derivatives than if it invests only in conventional securities. Engaging in derivative transactions involves special risks, including (a) market risk that the Fund's derivatives position will lose value; (b) credit risk that the counterparty to the transaction will default; (c) leveraging risk that the value of the derivative instrument will decline more than the value of the assets on which it is based; (d) illiquidity risk that a Fund will be unable to sell its position because of lack of market depth or disruption; (e) pricing risk that the value of a derivative instrument will be difficult to determine; and (f) operations risk that loss will occur as a result of inadequate systems or human error. Many types of derivatives have been developed recently and have not been tested over complete market cycles. For these reasons, a Fund may suffer a loss whether or not the analysis of the Investment Adviser is accurate.

In order to secure its obligations in connection with derivative contracts or special transactions, a Fund will either own the underlying assets, enter into offsetting transactions or set aside cash or readily marketable securities. This requirement may cause the Fund to miss favorable trading opportunities, due to a lack of sufficient cash or readily marketable securities. This requirement may also cause the Fund to realize losses on offsetting or terminated derivative contracts or special transactions.

Forward foreign currency contracts are privately negotiated transactions, and can have substantial price volatility. As a result, they offer less protection against default by the other party than is available for instruments traded on an exchange. The institutions that deal in forward currency contracts are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity.

A futures contract is a type of derivative instrument that obligates the holder to buy or sell a specified financial instrument or currency in the future at an agreed upon price. For example, a futures contract may obligate a Fund, at maturity, to take or make delivery of certain domestic or foreign securities, the cash value of a securities index or a stated quantity of a foreign currency. When a Fund purchases an option on a futures contract, it has the right to assume a position as a purchaser or seller of a futures contract at a specified exercise price during the option period. When a Fund sells an option on a futures contract, it becomes obligated to purchase or sell a futures contract if the option is exercised.

Futures contracts and options present the following risks: imperfect correlation between the change in market value of a Fund' s securities and the price of futures contracts and options; the possible inability to close a futures contract when desired; losses due to unanticipated market movements which potentially are unlimited; and the possible inability of the investment management team to correctly predict the direction of securities prices, interest rates, currency exchange rates and other economic factors. Futures markets are highly volatile and the use of futures may increase the volatility of a Fund' s NAV. As a result of the low margin deposits normally

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required in futures trading, a relatively small price movement in a futures contract may result in substantial losses to a Fund. Futures contracts and options on futures may be illiquid, and exchanges may limit fluctuations in futures contract prices during a single day. Foreign exchanges or boards of trade generally do not offer the same protections as U.S. exchanges.

Currency swaps are contracts that obligate the Fund and another party to exchange their rights to pay or receive specified amounts of currency. Total rate of return swaps are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Like other derivative securities, these instruments can be highly volatile. If the Investment Adviser is incorrect in its forecasts of market values and currency exchange rates, the investment performance of a Fund would be less favorable than it would have been if these instruments were not used. Because these instruments normally are illiquid, a Fund may not be able to terminate its obligations when desired. In addition, if a Fund is obligated to pay the return under the terms of a total rate of return swap, Fund losses due to unanticipated market movements potentially are unlimited. A Fund also may suffer a loss if the other party to a transaction defaults.

An option is a type of derivative instrument that gives the holder the right (but not the obligation) to buy (a “call”) or sell (a “put”) on an asset in the future at an agreed upon price prior to the expiration date of the option. To the extent consistent with its investment policies, each Fund may invest up to 20% of its total assets in put options and buy call options and write covered call and secured put options. Such options may relate to particular securities, foreign and domestic stock indexes, financial instruments, foreign currencies or the yield differential between two securities (“yield curve options”) and may or may not be listed on a domestic or foreign securities exchange or issued by the Options Clearing Corporation. A Fund may “cover” a call option by owning the security underlying the option or through other means. Put options written by a Fund are “secured” if the Fund maintains liquid assets in a segregated account in an amount at least equal to the exercise price of the option up until the expiration date.

Options trading is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary Fund securities transactions. The value of options can be highly volatile, and their use can result in loss if the investment management team is incorrect in its expectation of price fluctuations.

Each Fund will invest and trade in unlisted over-the-counter options only with firms deemed creditworthy by the Investment Adviser. However, unlisted options are not subject to the protections afforded purchasers of listed options by the Options Clearing Corporation, which performs the obligations of its members which fail to perform them in connection with the purchase or sale of options.

**Emerging Markets Risk.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest in emerging market securities. In general, securities markets of emerging countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, financial and other reporting requirements as the securities markets of more developed countries.

The risks of foreign investment are heightened when the issuer is located in an emerging country. Emerging countries are generally located in the Asia and Pacific regions, the Middle East, Eastern Europe, Latin, Central and South America and Africa. The Fund’s purchase and sale of portfolio securities in certain emerging countries may be constrained by limitations relating to daily changes in the prices of listed securities, periodic trading or settlement volume and/or limitations on aggregate holdings of foreign investors. Such limitations may be computed based on the aggregate trading volume by or holdings of the Fund, the Investment Adviser, its affiliates and their respective clients and other service providers. The Fund may not be able to sell securities in circumstances where price, trading or settlement volume limitations have been reached.

Foreign investment in the securities markets of certain emerging countries is restricted or controlled to varying degrees which may limit investment in such countries or increase the administrative costs of such investments. For example, certain Asian countries require governmental approval prior to investments by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer’s outstanding securities or a specific class of securities which may have less advantageous terms (including price) than securities of the issuer available for purchase by nationals. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Fund. The repatriation of both investment income and capital from certain emerging countries is subject to restrictions such

as the need for governmental consents. In situations where a country restricts direct investment in securities (which may occur in certain Asian and other countries), the Fund may invest in such countries through other investment funds in such countries.

Many emerging countries have recently experienced currency devaluations and substantial (and, in some cases, extremely high) rates of inflation. Other emerging countries have experienced economic recessions. These circumstances have had a negative effect on the economies and securities markets of those emerging countries. Economies in emerging countries generally are dependent heavily upon commodity prices and international trade and, accordingly, have been and may continue to be affected adversely by the economies of their trading partners, trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade.



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Many emerging countries are subject to a substantial degree of economic, political and social instability. Governments of some emerging countries are authoritarian in nature or have been installed or removed as a result of military coups, while governments in other emerging countries have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of democratization, and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labor unrest in some emerging countries. Unanticipated political or social developments may result in sudden and significant investment losses. Investing in emerging countries involves greater risk of loss due to expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and on repatriation of capital invested. As an example, in the past some Eastern European governments have expropriated substantial amounts of private property, and many claims of the property owners have never been fully settled. There is no assurance that similar expropriations will not recur in Eastern European or other countries.

The Fund's investment in emerging countries may also be subject to withholding or other taxes, which may be significant and may reduce the return from an investment in such countries to the Fund.

Settlement and clearance procedures in emerging countries are frequently less developed and reliable than those in the United States and may involve the Fund's delivery of securities before receipt of payment for their sale. In addition, significant delays may occur in certain markets in registering the transfer of securities. Settlement, clearance or registration problems may make it more difficult for the Fund to value its portfolio securities and could cause the Fund to miss attractive investment opportunities, to have a portion of its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities the Fund has delivered or the Fund's inability to complete its contractual obligations because of theft or other reasons. In addition, local agents and depositories are subject to local standards of care that may not be as rigorous as developed countries. Governments and other groups may also require local agents to hold securities in depositories that are not subject to independent verification. The less developed a country's securities market, the greater the risk to the Fund.

The creditworthiness of the local securities firms used by the Fund in emerging countries may not be as sound as the creditworthiness of firms used in more developed countries. As a result, the Fund may be subject to a greater risk of loss if a securities firm defaults in the performance of its responsibilities.

The small size and inexperience of the securities markets in certain emerging countries and the limited volume of trading in securities in those countries may make the Fund's investments in such countries less liquid and more volatile than investments in countries with more developed securities markets (such as the United States, Japan and most Western European countries). The Fund's investments in emerging countries are subject to the risk that the liquidity of a particular investment, or investments generally, in such countries will shrink or disappear suddenly and without warning as a result of adverse economic, market or political conditions or adverse investor perceptions, whether or not accurate. Because of the lack of sufficient market liquidity, the Fund may incur losses because it will be required to effect sales at a disadvantageous time and then only at a substantial drop in price. Investments in emerging countries may be more difficult to price precisely because of the characteristics discussed above and lower trading volumes.

The Fund's use of foreign currency management techniques in emerging countries may be limited. Due to the limited market for these instruments in emerging countries, all or a significant portion of the Funds' currency exposure in emerging countries may not be covered by such instruments.

The Fund may be invested in issuers located in Central and South American countries. The economies of Central and South American countries have experienced considerable difficulties in the past decade, including high inflation rates, high interest rates and currency devaluations. As a result, Central and South American securities markets have experienced great volatility. In addition, a number of Central and South American countries are among the largest emerging country debtors. There have been moratoria on, and reschedulings of, repayment with respect to these debts. Such events can restrict the flexibility of these debtor nations in the international markets and result in the imposition of onerous conditions on their economies. The political history of certain Central and South American countries has been characterized by political uncertainty, intervention by the military in civilian and economic spheres and political corruption. Such developments, if they were to recur, could reverse favorable trends toward market and economic reform, privatization and removal of trade barriers. Certain Central and South American countries have entered into regional trade agreements that would, among other things, reduce barriers between countries, increase competition among companies and reduce government subsidies in certain industries. No assurance can be given that these changes will result in the economic stability intended. There is a possibility that these trade arrangements will not be implemented, will be implemented but not completed or will be completed but then partially or completely unwound. Any of the foregoing risk factors will have an adverse effect on the Fund's investments in Central and South America.



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**Foreign Security Risk.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest a significant portion of its assets in foreign securities. Foreign securities include direct investments in non-U.S. dollar-denominated securities traded primarily outside of the United States and dollar-denominated securities of foreign issuers. Foreign securities also include indirect investments such as American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”). ADRs are U.S. dollar-denominated receipts representing shares of foreign-based corporations. ADRs are receipts that are traded in the U.S., and entitle the holder to all dividend and capital gain distributions that are paid out on the underlying foreign shares. GDRs are receipts that often trade on foreign exchanges. They represent ownership in an underlying foreign or U.S. security and generally are denominated in a foreign currency.

Foreign securities fluctuate in price because of political, financial, social and economic events in foreign countries. A foreign security could also lose value because of more or less stringent foreign securities regulations and less stringent accounting and disclosure standards. In addition, foreign markets may have greater volatility than domestic markets and foreign securities may be less liquid and harder to value than domestic securities.

Foreign securities are sensitive to changes in interest rates. The performance of investments in securities denominated in a foreign currency also will depend, in part, on the strength of the foreign currency against the U.S. dollar and the interest rate environment in the country issuing the currency. Absent other events that otherwise could affect the value of a foreign security (such as a change in the political climate or an issuer’s credit quality), appreciation in the value of the foreign currency generally results in an increase in value of a foreign currency-denominated security in terms of U.S. dollars. A decline in the value of the foreign currency relative to the U.S. dollar generally results in a decrease in value of a foreign currency-denominated security. Additionally, many countries throughout the world are dependent on a healthy U.S. economy and are adversely affected when the U.S. economy weakens or its markets decline. For example, the recent decline in the U.S. subprime mortgage market quickly spread throughout global credit markets, triggering a liquidity crisis that affected fixed-income and equity markets around the world.

Investment in foreign securities may involve higher costs than investment in U.S. securities, including higher transaction and custody costs as well as the imposition of additional taxes by foreign governments. Foreign investments also may involve risks associated with the level of currency exchange rates, less complete financial information about the issuers, less market liquidity and more market volatility and political instability. Future political and economic developments, the possible imposition of withholding taxes on dividend income, the possible seizure or nationalization of foreign holdings, the possible establishment of exchange controls or freezes on the convertibility of currency, or the adoption of other governmental restrictions might adversely affect an investment in foreign securities. Additionally, foreign banks and foreign branches of domestic banks may be subject to less stringent reserve requirements and to different accounting, auditing and recordkeeping requirements.

On January 1, 1999, the European Economic and Monetary Union (“EMU”) introduced a new single currency called the euro. The euro has replaced the national currencies of many European countries.

The European Central Bank has control over each member country’s monetary policies. Therefore, the member countries no longer control their own monetary policies by directing independent interest rates for their currencies. The national governments of the participating countries, however, have retained the authority to set tax and spending policies and public debt levels.

The change to the euro as a single currency is relatively new and untested. The elimination of the currency risk among EMU countries has affected the economic environment and behavior of investors, particularly in European markets, but the long-term impact of those changes on currency values or on the business or financial condition of European countries and issuers cannot fully be assessed at this time. In addition, the introduction of the euro presents other unique uncertainties, including the fluctuation of the euro relative to non-euro currencies; whether the interest rate, tax and labor regimes of European countries participating in the euro will converge over time; and whether the conversion of the currencies of other countries that now are or may in the future become members of the European Union (“EU”) will have an impact on the euro. Also, it is possible that the euro could be abandoned in the future by countries that have already adopted its use. These or other events, including political and economic developments, could cause market disruptions, and could affect adversely the values of securities held by the FlexShares Morningstar Global Upstream Natural Resources Index Fund. Because of the number of countries using this single currency, a significant portion of the assets held by the Fund may be denominated in the euro.

**Geographic Risk.** Geographic risk is the risk that the FlexShares Morningstar Global Upstream Natural Resources Index Fund' s assets may be concentrated in countries located in the same geographic region. This concentration will subject the Fund to risks associated with that particular region, such as general and local economic, political and social conditions.

**Income Risk.** The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund will invest most of their assets in Treasury Inflation-Protected Securities (“TIPS”). The Funds’ income may decline due to a decline in inflation (or deflation). If there is deflation, the principal value of inflation-linked securities, such as TIPS, will be adjusted downward, and consequently the interest payments (calculated with respect to a smaller principal amount) will be reduced. If inflation is lower than expected during the period a Fund holds an inflation- linked security, the Fund may earn less on the security than on a conventional bond.

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**Inflation-Protected Securities Risk.** The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund will invest most of their assets in TIPS. The value of inflation-indexed debt securities are subject to the effects of changes in real interest rates that may change as a result of different factors. In general, the value of an inflation-indexed security, including TIPS, tends to decrease when real interest rates increase and increase when real interest rates decrease. Interest payments on inflation-indexed securities will vary along with changes in the Consumer Price Index for All Urban Consumers (CPI) before seasonal adjustment (calculated by the Bureau of Labor Statistics). Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation, their value will tend to decrease. There can be no assurance that the inflation index used (i.e. CPI) will accurately measure the price increase of a certain good or service. Increases in the principal value of TIPS due to inflation are considered taxable ordinary income for the amount of the increase in a calendar year.

**Issuer Risk.** Issuer risk is a principal risk of the FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund. Issuer risk is the risk that any of the individual companies that a Fund invests in may perform badly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, disruptions in supply, labor problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or on their own discretion, decide to reduce or eliminate dividends which would also cause their stock prices to decline.

**Management Risk.** Each Fund does not fully replicate its Underlying Index and may hold securities not included in its Underlying Index. Therefore, each Fund is subject to management risk. That is, NTI's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results.

The Funds are not actively managed. Each Fund may be affected by a general decline in the market segments relating to its Underlying Index. Each Fund invests in securities included in, or representative of, its Underlying Index regardless of their investment merit. NTI does not attempt to take defensive positions in declining markets.

**Market Risk.** Market risk is the risk that the value of the securities in which a Fund invests may go up or down in response to the prospects of individual issuers and/or general economic conditions. Price changes may be temporary or last for extended periods. You could lose money over short periods due to fluctuation in a Fund's NAV in response to market movements, and over longer periods during market downturns.

### **Market Trading Risks**

#### *Absence of Prior Active Market*

Although the shares of the Funds described in this Prospectus are or will be listed for trading on a listing exchange and may be listed on certain foreign exchanges, there can be no assurance that an active trading market for such shares will develop or be maintained.

#### *Lack of Market Liquidity*

Secondary market trading in Fund shares may be halted by a listing exchange because of market conditions or for other reasons. In addition, trading in Fund shares is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of the shares of any Fund will continue to be met or will remain unchanged.

#### *Shares of the Funds May Trade at Prices Other Than NAV*

Shares of the Funds may trade at, above or below their most recent NAV. The per share NAV of each Fund is calculated at the end of each business day and fluctuates with changes in the market value of such Fund's holdings since the prior most recent calculation. The trading prices of a Fund's shares will fluctuate continuously throughout trading hours based on market supply and demand. The trading prices of a Fund's shares may deviate significantly from NAV during periods of market volatility. Any of these factors may lead to a Fund's shares trading at a premium or discount to NAV. However, given that shares can be created and redeemed only in Creation Units at NAV (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their NAVs), NTI believes that large discounts or premiums to the NAV of a Fund's shares should not be sustained over the long term. While the creation/redemption feature is designed to make it likely that a Fund's shares normally will trade close to the Fund's NAV, exchange prices are not expected to correlate exactly with a Fund's NAV due to timing reasons as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme volatility may result in trading prices that differ significantly from NAV. If a

shareholder purchases at a time when the market price of a Fund is at a premium to its NAV or sells at time when the market price is at a discount to the NAV, the shareholder may sustain losses.

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Since foreign exchanges may be open on days when the FlexShares Morningstar Global Upstream Natural Resources Index Fund does not price its shares, the value of the securities in the Fund's portfolio may change on days when shareholders will not be able to purchase or sell the Fund's shares.

### *Secondary Market Trading Risk*

Shares of the Funds may trade in the secondary market on days when the Funds do not accept orders to purchase or redeem shares. On such days, shares may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Funds accept purchase and redemption orders.

**Natural Resources Investing Risk.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund primarily invests in companies engaged in natural resource activities. When the Fund invests in securities of companies engaged in natural resources activities, the Fund may be subject to greater risks and market fluctuations than funds with more diversified portfolios. The value of the Fund's securities will fluctuate in response to market conditions generally, and will be particularly sensitive to the markets for those natural resources in which a particular issuer is involved. The values of natural resources may also fluctuate directly with respect to real and perceived inflationary trends and various political developments. Natural resource industries throughout the world may be subject to greater political, environmental and other governmental regulation than many other industries. Changes in governmental policies and the need for regulatory approvals may have an adverse effect on the products and services of natural resources companies. For example, the exploration, development and distribution of coal, oil and gas in the U.S. are subject to significant federal and state regulation, which may affect rates of return on such investments and the kinds of services that may be offered to companies in those industries. In addition, many natural resource companies have been subject to significant costs associated with compliance with environmental and other safety regulations. Such regulations may also hamper the development of new technologies. The direction, type or effect of any future regulations affecting natural resource industries are virtually impossible to predict.

**Non-Diversification Risk.** Each Fund is classified as "non-diversified." This means that each Fund may invest most of its assets in securities issued by or representing a small number of companies. As a result, each Fund may be more susceptible to the risks associated with these particular companies, or to a single economic, political or regulatory occurrence affecting these companies.

**Small-Capitalization Companies Risk.** The FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund will invest a portion of their assets in small-capitalization companies. Stock prices of small-capitalization companies may be more volatile than those of larger companies and therefore the share price of a Fund that invests mostly in small-capitalization companies may be more volatile than those of funds that invest a larger percentage of their assets in stocks issued by large-capitalization companies. Stock prices of small-capitalization companies are generally more vulnerable than those of large-capitalization companies to adverse business and economic developments. The stocks of small-capitalization companies may be thinly traded. In addition, small-capitalization companies are typically less stable financially than larger, more established companies and may depend on a small number of essential personnel, making them more vulnerable to loss of personnel. Small-capitalization companies also normally have less diverse product lines than large-capitalization companies and are more susceptible to adverse developments concerning their products.

**Tracking Risk.** Tracking risk is the risk that a Fund's performance may vary substantially from the performance of the Underlying Index it tracks as a result of imperfect correlation between a Fund's securities and those of the Underlying Index. Imperfect correlation may result from share purchases and redemptions, expenses, changes in the Underlying Indexes, asset valuations, foreign currency valuations, market impact, corporate actions (such as mergers and spin-offs), legal restrictions (such as tax-related diversification requirements that apply to the Funds but not to the Underlying Index) and timing variances, among other factors.

### **Portfolio Holdings Information**

A description of the Trust's policies and procedures with respect to the disclosure of the Funds' portfolio securities is available in the Funds' Statement of Additional Information ("SAI"). The top holdings of each Fund can be found at [www.flexshares.com](http://www.flexshares.com). Fund fact sheets provide information regarding the Funds' top holdings and may be requested by calling 1-855-FLEXETF (1-855-353-9383).

## **DESCRIPTION OF FUND MANAGEMENT**

### **Investment Adviser**

Northern Trust Investments, Inc. (“NTI” or the “Investment Adviser”), an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of each of the Funds. NTI is located at 50 South LaSalle Street, Chicago, IL 60603.

NTI is an Illinois state banking corporation and an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). It primarily manages assets for institutional and individual separately managed accounts, investment companies and bank common and collective funds. Northern Trust Corporation is regulated by the Board of Governors of the Federal Reserve System as a financial holding company under the U.S. Bank Holding Company Act of 1956, as amended.



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As of June 30, 2011, Northern Trust Corporation, through its affiliates, had assets under custody of \$4.4 trillion, and assets under investment management of \$684.1 billion.

Under the Investment Advisory Agreement with the Funds, NTI, subject to the general supervision of the Trust's Board of Trustees, is responsible for making investment decisions for the Funds and for placing purchase and sale orders for portfolio securities.

As compensation for its advisory services and assumption of Fund expenses, NTI is entitled to a unitary management fee, computed daily and payable monthly, at the annual rates set forth in the table below (expressed as a percentage of each Fund's respective average daily net assets). Because each Fund has been in operation for less than one full fiscal year, this percentage reflects the rate at which NTI is expected to be paid.

From the unitary management fee, NTI pays substantially all expenses of the Fund, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for the fee payments under the Investment Advisory Agreement, interest expenses, brokerage commissions and other trading expenses, fees and expenses of the independent trustees and their independent legal counsel, taxes and other extraordinary costs such as litigation and other expenses not incurred in the ordinary course of business.

The unitary management fee rate payable by each Fund is set forth in the table below.

<u>Fund</u>	Unitary Management Fee (as a percentage of the Fund's average daily net assets)	
FlexShares Morningstar US Market Factor Tilt Index Fund	0.27	%
FlexShares Morningstar Global Upstream Natural Resources Index Fund	0.48	%
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	0.20	%
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	0.20	%
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	0.20	%

NTI has contractually agreed to reimburse the fees and expenses of the Trust's independent trustees and their independent legal counsel until September , 2012. After this date, NTI and a Fund may mutually agree to extend the contractual arrangement. The Fund's Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of the Fund and its shareholders. A discussion regarding the Board of Trustees' basis for its approval of each Fund's Advisory Agreement will be available in the Funds' annual report to shareholders for the period ending October 31, 2011.

### **Portfolio Managers**

The individual Portfolio Managers responsible for the day-to-day management of the portfolio of each of the FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund operate as a team and are:

Chad M. Rakvin is Senior Vice President of NTI. Mr. Rakvin joined NTI in 2004, and has been a member of the quantitative management group for domestic index products.

Shaun Murphy is Senior Vice President of NTI. Since joining NTI in June 2004, Mr. Murphy has managed quantitative equity portfolios.

Jordan Dekhayser is Vice President of NTI. Mr. Dekhayser joined NTI in 2008 and is responsible for managing various international index equity portfolios. Prior to joining NTI, he worked as a sales-trader at Deutsche Bank from 2003 to 2008.

The individual Portfolio Managers responsible for the day-to-day management of the portfolio of each of the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund operate as a team and are:

Daniel J. Personette is Vice President of NTI. Mr. Personette joined NTI in 1996 and for the past five years has managed various fixed-income portfolios.

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Michael R. Chico is Vice President of NTI. Mr. Chico joined NTI in 2007 and is responsible for managing various fixed-income portfolios. From 2005 to 2007, Mr. Chico was a Fixed Income Trader for Northern Trust Securities Inc.

Brandon P. Ferguson is an Officer of NTI. Mr. Ferguson joined NTI in November 2007 and is an Associate Fixed Income Portfolio Manager. For the past three years, he has managed various fixed-income accounts. From 2006 to 2007, Mr. Ferguson was a Commercial Credit Analyst at First Midwest Bank.

Additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers and the Portfolio Managers' ownership of securities in the Funds is available in the SAI.

### **Administrator, Custodian and Transfer Agent**

J.P. Morgan Chase Bank, N.A. ("J.P. Morgan") is the administrator, custodian and transfer agent for each Fund.

### **Distributor**

Foreside Fund Services, LLC, a Delaware limited liability company, serves as the distributor ("Distributor") of Creation Units for the Funds on an agency basis. The Distributor does not maintain a secondary market in shares of the Funds. The Distributor has no role in determining the policies of the Funds or the securities that are purchased or sold by the Funds. The Distributor's principal address is 3 Canal Plaza, Portland, Maine 04101. The Distributor is not affiliated with NTI or with J.P. Morgan or its affiliates.

## **SHAREHOLDER INFORMATION**

Additional shareholder information, including how to buy and sell shares of any Fund, is available free of charge by calling toll-free: 1-855-FLEXETF (1-855-353-9383) or visiting our website [www.flexshares.com](http://www.flexshares.com).

### **Buying and Selling Shares**

Shares of the Funds trade on national securities exchanges or elsewhere during the trading day. Shares can be bought and sold throughout the trading day like other shares of publicly traded securities. There is no minimum investment. When buying or selling shares through a broker, you will incur customary brokerage commissions and charges. In addition, you will also incur the cost of the "spread," which is the difference between what professional investors are willing to pay for Fund shares (the "bid" price) and the price at which they are willing to sell Fund shares (the "ask" price). The commission is frequently a fixed amount and may be a significant proportional cost for investors seeking to buy or sell small amounts of shares. The spread with respect to shares of a Fund varies over time based on the Fund's trading volume and market liquidity, and is generally lower if the Fund has a lot of trading volume and market liquidity and higher if the Fund has little trading volume and market liquidity. Because of the costs of buying and selling Fund shares, frequent trading may reduce investment return and an investment in the Funds may not be advisable for investors who anticipate regularly making small investments.

Shares of the Funds may be acquired or redeemed directly from a Fund only in Creation Units or multiples thereof, as discussed in the Creations and Redemptions section on page 30. Once created, shares of the Funds generally trade in the secondary market in amounts less than a Creation Unit.

Shares of the Funds trade under the trading symbols listed for each Fund on the front cover of this Prospectus.

The Trust's Board of Trustees has adopted a policy whereby the Funds do not monitor for frequent purchases and redemptions of Fund shares ("frequent trading"). The Board of Trustees believes that a frequent trading monitoring policy is unnecessary for the Funds because shares of the Funds are listed and traded on national securities exchanges. Therefore, it is unlikely that a shareholder could take advantage of a potential arbitrage opportunity presented by a lag between a change in the value of a Fund's portfolio securities after the close of the primary markets for the Fund's portfolio securities and the reflection of that change in the Fund's NAV ("market timing"), because each Fund sells and redeems its shares directly through transactions that are in-kind and/or for cash, with a deadline for placing cash-related transactions no later than the close of the primary markets for the Fund's portfolio securities.

The Funds are listed on the NYSE Arca, Inc. The NYSE Arca is open for trading Monday through Friday and is closed on weekends and the following holidays, as observed: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.



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Section 12(d)(1) of the Investment Company Act of 1940 restricts investments by registered investment companies in the securities of other investment companies, including shares of each Fund. Registered investment companies are permitted to invest in the Funds beyond the limits set forth in section 12(d)(1), subject to certain terms and conditions set forth in an SEC exemptive order issued to the Trust, including that such investment companies enter into an agreement with the Trust.

### **Book Entry**

Shares of the Funds are held in book-entry form, which means that no stock certificates are issued. The Depository Trust Company (“DTC”) or its nominee is the record owner of all outstanding shares of each Fund and is recognized as the owner of all shares for all purposes.

Investors owning shares of the Funds are beneficial owners as shown on the records of DTC or its participants. DTC serves as the securities depository for all shares of the Funds. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of shares, you are not entitled to receive physical delivery of stock certificates or to have shares registered in your name, and you are not considered a registered owner of shares. Therefore, to exercise any rights as an owner of shares, you must rely upon the procedures of DTC and its participants. These procedures are the same as those that apply to any securities that you hold in book entry or “street name” form.

### **Share Prices**

The trading prices of shares in the secondary market may differ in varying degrees from their daily NAVs and can be affected by market forces such as supply and demand, economic conditions and other factors.

The approximate value of shares of each Fund, known as the “indicative optimized portfolio value” (“IOPV”) will be disseminated every fifteen seconds throughout the trading day by the national securities exchange on which the Fund is listed or by other information providers or market data vendors. The IOPV is based on the current market value of the securities and cash required to be deposited in exchange for a Creation Unit. The IOPV does not necessarily reflect the precise composition of the current portfolio of securities held by a Fund at a particular point in time nor the best possible valuation of the current portfolio. The IOPV should not be viewed as a “real-time” update of the NAV, because the IOPV may not be calculated in the same manner as the NAV, which is computed once a day as discussed below. The IOPV is generally determined by using current market quotations and/or price quotations obtained from broker-dealers that may trade in the portfolio securities held by the Funds. The quotations of certain Fund holdings may not be updated during U.S. trading hours if such holdings do not trade in the U.S. The Funds are not involved in, or responsible for, the calculation or dissemination of the IOPV and make no warranty as to its accuracy.

Shares of the Funds may trade in the secondary market on days when the Fund does not accept orders to purchase or redeem shares. On such days, shares may trade in the secondary market with more significant premiums or discounts than might otherwise be experienced on days when the Fund accepts purchase and redemption orders.

### **Determination of Net Asset Value**

The NAV of each Fund is generally determined once daily Monday through Friday generally as of the regularly scheduled close of business of the New York Stock Exchange (“NYSE”) (normally 4:00 p.m., Eastern time) on each day that the NYSE is open for trading, based on prices at the time of closing, provided that (i) any assets or liabilities denominated in currencies other than the U.S. dollar shall be translated into U.S. dollars at the prevailing market rates on the date of valuation as quoted by one or more major banks or dealers that make a two-way market in such currencies (or a data service provider based on quotations received from such banks or dealers and (ii) any U.S. fixed-income assets may be valued as of the announced closing time for trading in fixed-income instruments on any day that the Securities Industry and Financial Markets Association announces an early closing time. The NAV of each Fund is calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of the Fund, generally rounded to the nearest cent.

Investments of the Funds for which market quotations are readily available are priced at their market value. If market quotations are not readily available, or if it is believed that such quotations do not accurately reflect fair value, the fair value of the Funds’ investments may be otherwise determined in good faith under procedures established by the Trust’s Board of Trustees. Circumstances in which securities may be fair valued include periods when trading in a security is suspended, the exchange or market on which a security trades closes early, the trading volume in a security is limited, corporate actions and announcements take place, or regulatory news is released such as governmental

approvals. Additionally, the Trust, in its discretion, may make adjustments to the prices of securities held by a Fund if an event occurs after the publication of market values normally used by a Fund but before the time as of which the Fund calculates its NAV, depending on the nature and significance of the event, consistent with applicable regulatory

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guidance and the Trust's fair value procedures. This may occur particularly with respect to certain foreign securities held by the FlexShares Morningstar Global Upstream Natural Resources Fund, in which case the Trust may use adjustment factors obtained from an independent evaluation service that are intended to reflect more accurately the value of those securities as of the time the Fund's NAV is calculated. Other events that can trigger fair valuing of foreign securities include, for example, significant fluctuations in general market indicators, governmental actions, or natural disasters. Short-term obligations, which are debt instruments with a maturity of 60 days or less, held by a Fund are valued at their amortized cost, which, according to NTI, approximates market value.

Valuing a Fund's investments using fair value pricing will result in using prices for those investments that may differ from prices used by other investment companies and investors to price the same investments. Use of fair value prices and certain current market valuations could result in a difference between the prices used to calculate a Fund's net asset value and the prices used by the Fund's Underlying Index, which, in turn, could result in a difference between the Fund's performance and the performance of the Fund's Underlying Index.

Because foreign markets may be open on different days than the days during which a shareholder may purchase shares of the FlexShares Morningstar Global Upstream Natural Resources Index Fund, the value of the Fund's investments may change on days when shareholders are not able to purchase the Fund's shares. Additionally, due to varying holiday schedules redemption requests made on certain dates may result in a settlement period exceeding seven calendar days. A list of the holiday schedules of the foreign exchanges of the Fund's Underlying Index as well as the dates on which a settlement period would exceed seven calendar days in 2011 and 2012 is contained in the SAI.

The value of assets denominated in foreign currencies is converted into U.S. dollars using exchange rates deemed appropriate by NTI as investment adviser. Any use of a different rate from the rates used by each Index Provider may adversely affect a Fund's ability to track its Underlying Index.

### **Distribution and Service Plan**

The Trust has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940. Payments to financial intermediaries under the Plan are tied directly to their own out-of-pocket expenses. As of this date, the Plan has not been implemented with respect to the Funds. The Plan may not be implemented without further Board of Trustees approval. The maximum distribution fee is 0.25% of each Fund's average net assets under the Plan. The Funds do not expect to pay any 12b-1 fees during the current and next fiscal years.

### **Dividends and Distributions**

Dividends from net investment income, including any net foreign currency gains, are declared and paid annually, except for the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund, which declare and pay any dividends monthly. Distributions of net realized securities gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for the Funds. The Trust reserves the right to declare special distributions if, in its reasonable discretion, such action is necessary or advisable to improve tracking error, to preserve its status as a regulated investment company or to avoid imposition of income or excise taxes on undistributed income or realized gains.

Dividends and other distributions on shares are distributed on a pro rata basis to beneficial owners of such shares. Dividend payments are made through DTC participants to beneficial owners then of record with proceeds received from a Fund. Dividends and securities gains distributions are distributed in U.S. dollars and cannot be automatically reinvested in additional shares of the Funds.

No dividend reinvestment service is provided by the Trust. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by beneficial owners of the Fund for reinvestment of their dividend distributions. Beneficial owners should contact their broker to determine the availability and costs of the service and the details of participation therein. Brokers may require beneficial owners to adhere to specific procedures and timetables. If this service is available and used, dividend distributions of both income and realized gains will be automatically reinvested in additional whole shares of the Fund purchased in the secondary market.

### **Tax Considerations**

The following is a summary of certain tax considerations that may be relevant to an investor in a Fund. The discussions of the federal tax consequences in this Prospectus are based on the Internal Revenue Code of 1986, as amended (the "Code") and the regulations issued under

it, and court decisions and administrative interpretations, as in effect on the date of this Prospectus. Future legislative or administrative changes or court decisions may significantly alter the statements included herein, and any such changes or decisions

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may be retroactive. Except where otherwise indicated, the discussion relates to shareholders who are individual United States citizens or residents and is based on current tax law. You should consult your tax advisor for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

Each Fund intends to qualify as a regulated investment company for federal income tax purposes, and to distribute to shareholders substantially all of its net investment income and net capital gain each year. Except as otherwise noted below, you will generally be subject to federal income tax on a Fund's distributions to you. For federal income tax purposes, Fund distributions attributable to short-term capital gains and net investment income are taxable to you as ordinary income. Distributions attributable to net capital gain (the excess of net long-term capital gains over net short-term capital losses) of a Fund generally are taxable to you as long-term capital gains. This is true no matter how long you own your shares. The maximum long-term capital gain rate applicable to individuals, estates and trusts is currently 15%. However, currently a sunset provision provides that the 15% long-term capital gain rate will increase to 20% for taxable years beginning after December 31, 2012. Every year, the Trust will send you information detailing the amount of ordinary income and capital gains distributed to your account for the previous year.

Distributions of "qualifying dividends" will also generally be taxable to you at long-term capital gain rates, as long as certain requirements are met. In general, if 95% or more of the gross income of a Fund (other than net capital gain) consists of dividends received from domestic corporations or "qualified" foreign corporations ("qualifying dividends") for when certain other requirements are met, then all distributions paid by the Fund to individual shareholders will be treated as qualifying dividends. But if less than 95% of the gross income of a Fund (other than net capital gain) consists of qualifying dividends, then distributions paid by the Fund to individual shareholders will be qualifying dividends only to the extent they are derived from qualifying dividends earned by the Fund. For the lower rates to apply, you must have owned your Fund shares for at least 61 days during the 121-day period beginning on the date that is 60 days before the Fund's ex-dividend date (and the Fund will need to have met a similar holding period requirement with respect to the shares of the corporation paying the qualifying dividend). The amount of a Fund's distributions that qualify for this favorable treatment may be reduced as a result of the Fund's securities lending activities (if any), a high portfolio turnover rate or investments in debt securities or "non-qualified" foreign corporations. This lower rate for "qualifying dividends" is also currently scheduled to expire after 2012. For taxable years beginning after December 31, 2012, "qualifying dividends" will be taxed at ordinary income rates.

A portion of distributions paid by a Fund to shareholders who are corporations also may qualify for the dividends-received deduction for corporations, subject to certain holding period requirements and debt financing limitations. The amount of the dividends qualifying for this deduction may, however, be reduced as a result of a Fund's securities lending activities (if any), by a high portfolio turnover rate or by investments in debt securities or foreign corporations.

Dividends and distributions from each Fund will generally be taxable to you in the tax year in which they are paid, with one exception. Dividends and distributions declared by a Fund in October, November or December and paid in January are taxed as though they were paid by December 31.

The Funds may be subject to foreign withholding taxes with respect to dividends or interest received from sources in foreign countries. If at the close of the taxable year more than 50% in value of a Fund's assets consists of stock in foreign corporations such Fund will be eligible to make an election to treat a proportionate amount of those taxes as constituting a distribution to each shareholder, which would allow you either (1) to credit that proportionate amount of taxes against U.S. Federal income tax liability as a foreign tax credit or (2) to take that amount as an itemized deduction. The Funds not eligible to make this election and eligible Funds that do not make the election will be entitled to deduct such taxes in computing the amounts they are required to distribute.

If you (a) have provided either an incorrect Social Security Number or Taxpayer Identification Number or no number at all, (b) are subject to withholding by the IRS for prior failure to properly include on your return payments of interest or dividends, or (c) have failed to certify to the Trust, when required to do so, that you are not subject to backup withholding or are an "exempt recipient," then the Trust will be required in certain cases to withhold and remit to the IRS 28% of the dividends and distributions payable to you.

The sale or redemption of Fund shares is a taxable event on which a gain or loss may be recognized. The amount of gain or loss is based on the difference between your tax basis in the Fund shares and the amount you receive for them upon disposition. Generally, you will recognize long-term capital gain or loss if you have held your Fund shares for over twelve months at the time you dispose of them. Gains and losses on shares held for twelve months or less will generally constitute short-term capital gains, except that a loss on shares held six months or less will



be recharacterized as a long-term capital loss to the extent of any capital gains distributions that you have received on the shares. A loss realized on a sale or exchange of Fund shares may be disallowed under the so-called “wash sale” rules to the extent the shares disposed of are replaced with other shares of that same Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of the Fund. If disallowed, the loss will be reflected in an adjustment to the basis of the shares acquired.

The one major exception to the preceding tax principles is that distributions on, and sales, exchanges and redemptions of, shares held in an IRA or other tax-qualified plan will not be currently taxable unless shares are acquired with borrowed funds. Distributions may be taxable upon withdrawal from tax-deferred accounts.

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Except as stated below, you may be subject to state and local taxes on Fund distributions and redemptions. State income taxes may not apply, however, to the portions of each Fund's distributions, if any, that are attributable to interest on certain types of federal securities or interest on securities issued by the particular state or municipalities within the state.

**U.S. Tax Treatment of Foreign Shareholders.** Nonresident aliens, foreign corporations and other foreign investors in the Funds will generally be exempt from U.S. federal income tax on Fund distributions attributable to net capital gains. The exemption may not apply, however, if the investment in a Fund is connected to a trade or business of the foreign investor in the United States or if the foreign investor is present in the United States for 183 days or more in a year and certain other conditions are met.

Fund distributions attributable to the other categories of Fund income, such as dividends from companies whose securities are held by a Fund, will generally be subject to a 30% withholding tax when paid to foreign shareholders. The withholding tax may, however, be reduced (and, in some cases, eliminated) under an applicable tax treaty between the United States and a shareholder's country of residence or incorporation, provided that the shareholder furnishes the Fund with a properly completed Form W-8BEN to establish entitlement for these treaty benefits. In addition, beginning January 1, 2014, the Funds will be required to withhold 30% tax on payments to foreign entities that do not meet specified information reporting requirements under the Foreign Account Tax Compliance Act.

A foreign investor will generally not be subject to U.S. tax on gains realized on sales or exchanges of Fund shares unless the investment in the Fund is connected to a trade or business of the investor in the United States or if the investor is present in the United States for 183 days or more in a year and certain other conditions are met.

All foreign investors should consult their own tax advisors regarding the tax consequences in their country of residence of an investment in a Fund.

**Taxes on Creations and Redemptions of Creation Units.** A person who purchases a Creation Unit by exchanging securities in-kind generally will recognize a gain or loss equal to the difference between the market value of the Creation Units at that time, and the purchaser's aggregate basis in the securities surrendered and any net cash paid. A person who redeems Creation Units and receives securities in-kind from a Fund will generally recognize a gain or loss equal to the difference between the redeemer's basis in the Creation Units, and the aggregate market value of the securities received and any net cash received. The Internal Revenue Service, however, may assert that a loss realized upon an in-kind exchange of securities for Creation Units or an exchange of Creation Units for securities cannot be deducted currently under the rules governing "wash sales," or on a basis that there has been no significant change in economic position. Persons effecting in-kind creations or redemptions should consult their own tax adviser with respect to these matters.

There are certain tax requirements that each Fund must follow in order to qualify as a regulated investment company and to avoid federal income taxation. In their efforts to adhere to these requirements, the Funds may have to limit their investment activity in some types of instruments.

**CONSULT YOUR TAX PROFESSIONAL.** Your investment in the Funds could have additional tax consequences. You should consult your tax professional for information regarding all tax consequences applicable to your investments in the Funds. More tax information is provided in the SAI. This short summary is not intended as a substitute for careful tax planning.

### **Creations and Redemptions**

Prior to trading in the secondary market, shares of the Funds are "created" at NAV by market makers, large investors and institutions only in block-size Creation Units of 50,000 shares or multiples thereof. Each "creator" or "Authorized Participant" enters into an authorized participant agreement with Foreside Fund Services, LLC, the Funds' distributor. Only an Authorized Participant may create or redeem Creation Units directly with a Fund. A creation transaction, which is subject to acceptance by the transfer agent, generally takes place when an Authorized Participant deposits into a Fund cash and/or a designated portfolio of securities ("Deposit Securities") approximating the holdings of the Fund in exchange for a specified number of Creation Units.

Similarly, shares can be redeemed only in Creation Units, for cash and/or in-kind for a portfolio of securities held by the Funds ("Fund Securities"). EXCEPT WHEN AGGREGATED IN CREATION UNITS, SHARES ARE NOT REDEEMABLE BY THE FUNDS. The prices at which creations and redemptions occur are based on the next calculation of NAV after an order is received in a form described in the authorized participant agreement.

The portfolio of securities required for purchase of a Creation Unit may be different than the portfolio of securities the Funds will deliver upon redemption of Fund shares.

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At a Fund's discretion, the Fund may elect to effect creations and redemptions partly or entirely in cash.

The Funds intend to comply with the U.S. federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests will be sold in transactions that would be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). Further, an Authorized Participant that is not a "qualified institutional buyer," as such term is defined under Rule 144A of the Securities Act, will not be able to receive Fund Securities that are restricted securities eligible for resale under Rule 144A.

Creations and redemptions must be made through a firm that is either a member of the Continuous Net Settlement System of the National Securities Clearing Corporation or a DTC participant and has executed an agreement with the Distributor with respect to creations and redemptions of Creation Units. Information about the procedures regarding creation and redemption of Creation Units (including the cut-off times for receipt of creation and redemption orders) is included in the Funds' SAI.

Because new shares may be created and issued on an ongoing basis, at any point during the life of a Fund a "distribution," as such term is used in the Securities Act, may be occurring. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner that could render them statutory underwriters and subject to the prospectus delivery and liability provisions of the Securities Act. Any determination of whether one is an underwriter must take into account all the relevant facts and circumstances of each particular case.

Broker-dealers should also note that dealers who are not "underwriters" but are participating in a distribution (as contrasted to ordinary secondary transactions), and thus dealing with shares that are part of an "unsold allotment" within the meaning of Section 4(3)(C) of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. For delivery of prospectuses to exchange members, the prospectus delivery mechanism of Rule 153 under the Securities Act is available only with respect to transactions on a national securities exchange.

### **Transaction Fees**

Each Fund will impose a purchase transaction fee and a redemption transaction fee to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units. Purchasers and redeemers of Creation Units for cash are required to pay a higher fee to compensate for brokerage and market impact expenses and other associated costs. The standard creation and redemption transaction fees for creations and redemptions in kind for each Fund are discussed below. The standard creation transaction fee is charged to each purchaser on the day such purchaser creates a Creation Unit. The fee is a single charge and will be the amount indicated below regardless of the number of Creation Units purchased by an investor on the same day. Similarly, the redemption transaction fee will be the amount indicated regardless of the number of Creation Units redeemed that day. NTI may, from time to time, at its own expense, compensate purchasers of Creation Units who have purchased substantial amounts of Creation Units and other financial institutions for administrative or marketing services.

The standard creation and redemption transaction fees for creations and redemptions through DTC for cash (when cash creations and redemptions are available or specified) will also be subject to an additional fee up to the maximum amount shown below under "Maximum Additional Variable Charge for Cash Purchases/Maximum Additional Variable Charge for Cash Redemptions." In addition, purchasers of shares in Creation Units are responsible for payment of the costs of transferring the securities to the Fund. Redeemers of shares in Creation Units are responsible for the costs of transferring the securities from the Fund.

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Investors who use the services of a broker or other such intermediary may pay fees for such services. The following table also shows, as of \_\_\_\_\_, the approximate value of one Creation Unit, including standard and maximum additional creation and redemption transaction fees:

	<u>APPROXIMATE VALUE OF A CREATION UNIT</u>	<u>CREATION UNIT SIZE</u>	<u>STANDARD CREATION/ REDEMPTION TRANSACTION FEE</u>	<u>MAXIMUM ADDITIONAL VARIABLE CHARGE FOR CREATIONS*</u>	<u>MAXIMUM ADDITIONAL VARIABLE CHARGE FOR REDEMPTIONS*</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	\$	50,000	\$	%	%
FlexShares Morningstar Global Upstream Natural Resources Index Fund	\$	50,000	\$	%	%
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	\$	50,000	\$	%	%
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	\$	50,000	\$	%	%
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	\$	50,000	\$	%	%

\* As a percentage of the cash amount.

### **Householding**

Householding is an option available to certain investors. Householding is a method of delivery, based on the preference of the individual investor, in which a single copy of certain shareholder documents can be delivered to investors who share the same address, even if their accounts are registered under different names. Householding is available through certain broker-dealers. If you are interested in enrolling in householding and receiving a single copy of prospectuses and other shareholder documents, please contact your broker-dealer. If you are currently enrolled in householding and wish to change your householding status, please contact your broker-dealer.

**FINANCIAL HIGHLIGHTS**

There are no financial highlights for the Funds because they commenced operations on or after the date of this Prospectus.

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### **MORE INFORMATION ABOUT UNDERLYING INDEXES AND INDEX PROVIDERS**

Morningstar® is a registered trademark of Morningstar, Inc. (“Morningstar”). Morningstar® Global Upstream Natural Resources Index<sup>SM</sup> and Morningstar® US Market Factor Tilt Index<sup>SM</sup> are service marks of Morningstar, Inc.

The iBoxx 3-Year Target Duration TIPS Index, iBoxx 5-Year Target Duration TIPS Index, and iBoxx 7-Year Target Duration TIPS Index are each the property of Markit North America, Inc. (“Markit”) and have been licensed for use in connection the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, the FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and the FlexShares iBoxx 7-Year Target Duration TIPS Index Fund, respectively.

Morningstar and Markit are described separately below:

Morningstar is the index provider for the Morningstar Global Upstream Natural Resources Index Fund and Morningstar US Market Factor Tilt Index Fund. Morningstar is a leading provider of independent investment research in North America, Europe, Australia, and Asia.

Morningstar offers an extensive line of Internet, software, and print-based products and services for individuals, financial advisors, and institutions. The Morningstar® Indexes are rooted in Morningstar’s proprietary research and Morningstar Indexes are based on transparent, rules-based methodologies. Presently, Morningstar has developed and is maintaining a number of indexes in addition to the Underlying Indexes.

Markit is the index provider of each of the iBoxx Target Duration TIPS Indexes. Markit is a leading, global financial information services company with over 2,200 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information, see [www.markit.com](http://www.markit.com).

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### **DISCLAIMERS**

The FlexShares Morningstar Global Upstream Natural Resources Index Fund and the FlexShares Morningstar US Market Factor Tilt Index Fund (collectively, the “Funds”) are neither sponsored, endorsed, sold nor promoted by Morningstar, Inc. (“Morningstar”). Morningstar makes no representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in securities generally or in the Funds in particular or the ability of the Morningstar Global Upstream Natural Resources Index or the Morningstar US Market Factor Tilt Index (collectively, the “Morningstar Indexes”) to track general stock market performance. Morningstar’s only relationship to NTI, FlexShares Trust and the Funds is the licensing of certain service marks and service names of Morningstar and of the Morningstar Indexes, each of which is determined, composed and calculated by Morningstar without regard to NTI, FlexShares Trust or the Funds. Morningstar has no obligation to take the needs of NTI, FlexShares Trust, the Funds or the owners of the Funds into consideration in determining, composing or calculating the Morningstar Indexes. Morningstar is not responsible for and has not participated in the determination of the prices and amounts of the Funds or the timing of the issuance or sale of the Funds or in the determination or calculation of the equation by which any Fund is converted into cash. Morningstar has no obligation or liability in connection with the administration, marketing or trading of the Funds.

MORNINGSTAR, INC. DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE MORNINGSTAR INDEXES OR ANY DATA INCLUDED THEREIN AND MORNINGSTAR SHALL HAVE NOT LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. MORNINGSTAR MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY NTI, FLEXSHARES TRUST, THE FUNDS OR OWNERS OR USERS OF THE FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE MORNIGNSTAR INDEXES OR ANY DATA INCLUDED THEREIN. MORNINGSTAR MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MORNINGSTAR INDEXES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MORNINGSTAR HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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The iBoxx Target Duration TIPS Indexes (each, an “Index” and, collectively, the “Indexes”) referenced herein are each the property of Markit North America, Inc. (the “Index Provider”) and have been licensed for use in connection the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, the FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and the FlexShares iBoxx 7-Year Target Duration TIPS Index Fund, respectively (collectively, the “Funds”). The Index Provider make no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to any of the Indexes or any data included therein or relating thereto, and in particular disclaim any warranty either as to the quality, accuracy and/or completeness of any Index or any data included therein, the results obtained from the use of any Index and/or the composition of an Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in an Index at any particular time on any particular date or otherwise. The Index Provider shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Provider is under no obligation to advise the parties or any person of any error therein.

The Index Provider makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling any Fund, the ability of any Index to track relevant markets’ performances, or otherwise relating to any Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Provider has no obligation to take the needs of any party into consideration in determining, composing or calculating any Index. Neither any party purchasing or selling a Fund nor the Index Provider shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Index. The Index Provider and its affiliates may deal in obligations that compose the Index and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuers of such obligations or their affiliates, and may act with respect to such business as if the Indexes did not exist, regardless of whether such action might adversely affect any Index or any Fund.

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Shares of the Trust are not sponsored, endorsed or promoted by NYSE Arca. NYSE Arca makes no representation or warranty, express or implied, to the owners of the shares of any FlexShares Fund or any member of the public regarding the ability of any

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FlexShares Fund to track the total return performance of any Underlying Index or the ability of any Underlying Index identified herein to track stock market performance. NYSE Arca is not responsible for, nor has it participated in, the determination of the compilation or the calculation of any Underlying Indices, nor in the determination of the timing of, prices of, or quantities of the shares of any FlexShares Fund to be issued, nor in the determination or calculation of the equation by which the shares are redeemable. NYSE Arca has no obligation or liability to owners of the shares of any FlexShares Fund in connection with the administration, marketing or trading of the shares of the Fund.

NYSE Arca does not guarantee the accuracy and/or the completeness of any Underlying Index or any data included therein. NYSE Arca makes no warranty, express or implied, as to results to be obtained by the Trust on behalf of its FlexShares Funds as licensee, licensee's customers and counterparties, owners of the shares of the Trust, or any other person or entity from the use of any Underlying Index or any data included therein in connection with the rights licensed as described herein or for any other use. NYSE Arca makes no express or implied warranties, and hereby expressly disclaim all warranties of merchantability or fitness for a particular purpose with respect to any Underlying Index or any data included therein. Without limiting any of the foregoing, in no event shall NYSE Arca have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

\*\*\*

NTI does not guarantee the accuracy and/or the completeness of the Underlying Indexes or any data included therein or the descriptions of the Index Providers, and NTI shall have no liability for any errors, omissions, or interruptions therein.

NTI makes no warranty, express or implied, as to results to be obtained by the FlexShares<sup>SM</sup> Funds, to the owners of the shares of any FlexShares Fund, or to any other person or entity, from the use of any Underlying Index or any data included therein. NTI makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any Underlying Index or any data included therein. Without limiting any of the foregoing, in no event shall NTI have any liability for any special, punitive, direct, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

FlexShares<sup>SM</sup> is a service mark of NTI.

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### **Supplemental Information**

#### I. Premium/Discount Information

Tables presenting information about the differences between the daily market price on secondary markets for shares of a Fund and that Fund's net asset value have been omitted because each Fund has been in operation for less than a year.

#### II. Total Return Information

Tables presenting information about the total return of each Fund's Underlying Index and the total return of each Fund have been omitted because each Fund has been in operation for less than a year.

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### **FOR MORE INFORMATION**

#### **ANNUAL/SEMIANNUAL REPORTS AND STATEMENT OF ADDITIONAL INFORMATION (“SAI”)**

Additional information about the Funds’ investments will be available in the Funds’ annual and semiannual reports to shareholders when they are prepared.

Additional information about the Funds and their policies also is available in the Funds’ SAI. The SAI is incorporated by reference into this Prospectus (and is legally considered part of this Prospectus).

The Funds’ annual and semiannual reports and the SAI are available free upon request by calling the Funds at 1-855-FLEXETF (1-855-353-9383) or by sending an email request to: . The SAI and other information are available from a financial intermediary (such as a broker-dealer or bank) through which the Funds’ shares may be purchased or sold.

#### **TO OBTAIN OTHER INFORMATION AND FOR SHAREHOLDER INQUIRIES:**

##### **BY TELEPHONE**

Call 1-855-FLEXETF (1-855-353-9383)

##### **BY MAIL**

FlexShares ETF’ s  
c/o Foreside Fund Services, LLC  
3 Canal Plaza, Suite 100  
Portland, ME 04101

##### **ON THE INTERNET**

The Funds’ documents are available online and may be downloaded from:

The SEC’ s Web site at [sec.gov](http://sec.gov) (text-only)

FlexShares Trust’ s Web site at [www.flexshares.com](http://www.flexshares.com)

You may review and obtain copies of FlexShares Trust documents by visiting the SEC’ s Public Reference Room in Washington, D.C. You also may obtain copies of FlexShares Trust documents by sending your request and a duplicating fee to the SEC’ s Public Reference Section, Washington, D.C. 20549-1520 or by electronic request to: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-551-8090.

811-22555

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### **FlexShares<sup>SM</sup> Trust**

#### Statement of Additional Information

Dated September , 2011

This Statement of Additional Information (the “SAI”) is not a prospectus. It should be read in conjunction with the current prospectus (the “Prospectus”) for the following Funds of the FlexShares Trust (the “Trust”) as such Prospectus may be revised or supplemented from time to time:

<u>Fund</u>	<u>Ticker</u>	<u>Stock Exchange</u>
FlexShares <sup>SM</sup> Morningstar US Market Factor Tilt Index Fund	TILT	NYSE Arca
FlexShares <sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund	GUNR	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund	TDTT	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund	TDTF	NYSE Arca
FlexShares <sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund	TDTS	NYSE Arca

The Prospectus for the Funds of the FlexShares Trust included in this SAI is dated September , 2011. Capitalized terms used herein that are not defined have the same meaning as in the Prospectus, unless otherwise noted. Copies of the Prospectus may be obtained without charge by visiting [www.flexshares.com](http://www.flexshares.com), writing to FlexShares ETF' s, c/o Foreside Fund Services, LLC, 3 Canal Plaza, Portland, Maine 04101 or calling 1-855-FLEXETF (1-855-353-9383). FlexShares is a service mark of Northern Trust Investments, Inc. (“NTI” or the “Investment Adviser”).

An investment in a Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”), any other government agency or The Northern Trust Company, its affiliates, subsidiaries or any other bank. An investment in a Fund involves investment risks, including possible loss of principal.

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**GENERAL DESCRIPTION OF THE TRUST AND ITS FUNDS**

The Trust currently consists of 5 investment portfolios. The Trust was formed as a Maryland Statutory Trust on May 13, 2010, originally named NT ETF Trust, and renamed FlexShares Trust as of April 12, 2011. The Trust is authorized to have multiple series or portfolios. The Trust is a non-diversified, open-end, management investment company, registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The offering of the Trust’s shares is registered under the Securities Act of 1933, as amended (the “Securities Act”). This SAI relates to the following funds (each, a “Fund” and collectively, the “Funds”):

- FlexShares Morningstar US Market Factor Tilt Index Fund
- FlexShares Morningstar Global Upstream Natural Resources Index Fund
- FlexShares iBoxx 3-Year Target Duration TIPS Index Fund
- FlexShares iBoxx 5-Year Target Duration TIPS Index Fund
- FlexShares iBoxx 7-Year Target Duration TIPS Index Fund

The investment objective of each Fund is to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of a specified benchmark index (each an “Underlying Index”). Each Fund is managed by NTI, an indirect subsidiary of Northern Trust Corporation.

The Funds offer and issue shares at their net asset value per share (“NAV”) only in aggregations of a specified number of shares (each, a “Creation Unit” or a “Creation Unit Aggregation”), generally in exchange for a specified basket of securities (the “Deposit Securities”), together with the deposit of a specified cash payment (the “Cash Component”). The shares of the Funds are, or will be, listed and expected to be traded on the NYSE Arca, Inc., a national securities exchange (the “Listing Exchange”). Shares trade in the secondary market and elsewhere at market prices that may be at, above or below NAV. Shares are redeemable only in Creation Unit Aggregations, and, generally, in exchange for portfolio securities and a Cash Component. The number of shares of a Creation Unit of each Fund are as follows:

<u>FUND</u>	<u>NUMBER OF SHARES PER CREATION UNIT</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	50,000
FlexShares Morningstar Global Upstream Natural Resources Index Fund	50,000
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	50,000
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	50,000
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	50,000

The Trust reserves the right to offer a “cash” option for creations and redemptions of shares. Shares may be issued in advance of receipt of Deposit Securities subject to various conditions including a requirement to maintain on deposit with the Trust cash at least equal to 110%, which percentage NTI may change from time to time, of the market value of the missing Deposit Securities. See the “Purchase and Redemption of Creation Unit Aggregations” section of this SAI. In each instance of cash creations or redemptions, transaction fees may be imposed that will be higher than the transaction fees associated with in-kind creations or redemptions. In all cases, such conditions and fees will be limited in accordance with the requirements of the Securities and Exchange Commission (the “SEC”) applicable to management investment companies offering redeemable securities.

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### ADDITIONAL INVESTMENT INFORMATION

#### EXCHANGE LISTING AND TRADING

A discussion of exchange listing and trading matters associated with an investment in each Fund is contained in the Prospectus in the “Shareholder Information” section. The discussion below supplements, and should be read in conjunction with, that section of the Prospectus.

Shares of each Fund are listed for trading on at least one Listing Exchange, such as the NYSE Arca, Inc., and trade throughout the day on the Listing Exchange and other secondary markets. In addition, certain Funds may be traded on certain foreign exchanges. There can be no assurance that the requirements of a Listing Exchange necessary to maintain the listing of shares of any Fund will continue to be met. A Listing Exchange may, but is not required to, remove the shares of a Fund from listing if (1) following the initial twelve-month period beginning upon the commencement of trading of a Fund, there are fewer than fifty (50) record and/or beneficial holders of the Fund for thirty (30) or more consecutive trading days, (2) the value of the Underlying Index on which the Fund is based is no longer calculated or available, (3) the “indicative optimized portfolio value” (“IOPV”) of a Fund is no longer calculated or available, or (4) any other event shall occur or condition exist that, in the opinion of the Listing Exchange, makes further dealings on the Listing Exchange inadvisable. A Listing Exchange will remove the shares of a Fund from listing and trading upon termination of the Fund.

As in the case of other publicly-traded securities, brokers’ commissions on transactions will be based on negotiated commission rates at customary levels.

In order to provide additional information regarding the indicative value of shares of each Fund, a Listing Exchange disseminates every fifteen seconds, through the facilities of the Consolidated Tape Association, an updated IOPV for each Fund as calculated by an information provider or market data vendors. The Trust is not involved in or responsible for any aspect of the calculation or dissemination of the IOPVs, and makes no representation or warranty as to the accuracy of the IOPVs.

An IOPV has a securities value component and a cash component. The securities values included in an IOPV are the values of the Deposit Securities for the applicable Fund. While the IOPV reflects the current market value of the Deposit Securities required to be deposited in connection with the purchase of a Creation Unit Aggregation, it does not necessarily reflect the precise composition of the current portfolio of securities held by the applicable Fund at a particular point in time because the current portfolio of the Fund may include securities that are not a part of the Deposit Securities. Therefore, a Fund’ s IOPV disseminated during the Listing Exchange trading hours should not be viewed as a real time update of the Fund’ s NAV, which is calculated only once a day.

In addition to the securities component described in the preceding paragraph, the IOPV for each Fund includes a cash component consisting of estimated accrued dividends and other income, less expenses. If applicable, each IOPV also reflects changes in currency exchange rates between the U.S. Dollar and the applicable foreign currency.

The Trust reserves the right to adjust the share prices of Funds in the future to maintain convenient trading ranges for investors. Any adjustments would be accomplished through stock splits or reverse stock splits, which would have no effect on the net assets of the applicable Fund.

**INVESTMENT OBJECTIVE, STRATEGIES AND RISKS**

Each Fund seeks to achieve its objective by investing primarily in securities issued by companies that comprise the relevant Underlying Index and through transactions that provide substantially similar exposure to securities in the Underlying Index. Each Fund operates as an index fund and will not be actively managed. Adverse performance of a security in a Fund' s portfolio will ordinarily not result in the elimination of the security from a Fund' s portfolio. Each Fund generally will invest under normal circumstances at least 80% of its total assets in the securities of its Underlying Index and, with respect to the FlexShares Morningstar Global Upstream Natural Resources Index Fund, in American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs") (collectively "Depositary Receipts") based on the securities in its Underlying Index. To the extent consistent with its investment policies, each Fund may also invest up to 20% of its assets in cash and cash equivalents, including shares of money market funds advised by NTI or its affiliates, futures contracts, options on futures contracts, forward currency contracts, options and swaps, as well as securities not included in the Underlying Index, but which NTI believes will help the Fund track its Underlying Index.

NTI uses a representative sampling strategy to manage the Funds. "Representative sampling" is investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. Securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation, duration, maturity and yield) and liquidity measures similar to those of the Underlying Indexes. The Funds may or may not hold all of the securities that are included in the Underlying Indexes. "Replication" is an indexing strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index. Each Fund reserves the right to use a replication indexing strategy if NTI determines that it is in the best interests of the Fund.

Each Fund has adopted a non-fundamental investment policy in accordance with Rule 35d-1 under the 1940 Act to invest, under normal circumstances, at least 80% of the value of its net assets, plus the amount of any borrowings for investment purposes, in securities of the Fund' s Underlying Index and, with respect to the FlexShares Morningstar Global Upstream Natural Resources Index Fund, in Depositary Receipts. Each Fund has also adopted a policy to provide its shareholders with at least 60 days' prior written notice of any change in such policy. If, subsequent to an investment, the 80% requirement is no longer met, a Fund' s future investments will be made in a manner that will bring the Fund into compliance with this policy.

The following supplements the information contained in the Prospectus concerning the investment objectives and policies of the Funds.

**COMMODITY-LINKED SECURITIES.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund may seek to provide exposure to the investment returns of real assets that trade in the commodity markets through investments in commodity-linked derivative securities, which are designed to provide this exposure without direct investment in physical commodities or commodities futures contracts. Real assets are assets such as oil, gas, industrial and precious metals, livestock, and agricultural or meat products, or other items that have tangible properties, as compared to stocks or bonds, which are financial assets. The value of commodity-linked derivative securities may be affected by a variety of factors, including, but not limited to, overall market movements and other factors affecting the value of particular industries or commodities, such as weather, disease, embargoes, acts of war or terrorism, or political and regulatory developments.

The prices of commodity-linked derivative securities may move in different directions than investments in traditional equity and debt securities when the value of those traditional securities is declining due to adverse economic conditions. As an example, during periods of rising inflation, debt securities have historically tended to decline in value due to the general increase in prevailing interest rates. Conversely, during those same periods of rising inflation, the prices of certain commodities, such as oil and metals, have historically tended to increase. Of course, there cannot be any guarantee that these investments will perform in that manner in the future, and at certain times the price movements of commodity-linked instruments have been parallel to those of debt and equity

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securities. Commodities have historically tended to increase and decrease in value during different parts of the business cycle than financial assets. Nevertheless, at various times, commodities prices may move in tandem with the prices of financial assets and thus may not provide overall portfolio diversification benefits.

**DEPOSITARY RECEIPTS.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund' s investment in securities of non-U.S. issuers may also be in the form of ADRs and/or GDRs based on the securities in its Underlying Index. ADRs are receipts that are traded in the United States evidencing ownership of the underlying foreign securities and are denominated in U.S. dollars. GDRs are receipts issued by a non-U.S. financial institution evidencing ownership of underlying foreign or U.S. securities and usually are denominated in foreign currencies. GDRs may not be denominated in the same currency as the securities they represent. Generally, GDRs are designed for use in the foreign securities markets.

To the extent the Fund invests in ADRs, such ADRs will be listed on a national securities exchange. To the extent the Fund invests in GDRs, such GDRs will be listed on a foreign exchange. The Fund will not invest in any unlisted Depositary Receipt, any Depositary Receipt that NTI deems to be illiquid or any Depositary Receipt for which pricing information is not readily available. Generally, all depositary receipts must be sponsored.

**EQUITY SWAPS, TOTAL RATE OF RETURN SWAPS AND CURRENCY SWAPS.** The FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund each may invest up to 20% of its total assets in swap contracts.

The Funds may enter into equity swap contracts to invest in a market without owning or taking physical custody of securities in circumstances in which direct investment is restricted for legal reasons or is otherwise impracticable. The counterparty to an equity swap contract will typically be a bank, investment banking firm or broker/dealer. Equity swap contracts may be structured in different ways. For example, a counterparty may agree to pay a Fund the amount, if any, by which the notional amount of the equity swap contract would have increased in value had it been invested in particular stocks (or an index of stocks), plus the dividends that would have been received on those stocks. In these cases, the Fund may agree to pay to the counterparty the amount, if any, by which that notional amount would have decreased in value had it been invested in the stocks. Therefore, the return to the Fund on any equity swap contract should be the gain or loss on the notional amount plus dividends on the stocks less the interest paid by the Fund on the notional amount. In other cases, the counterparty and the Fund may each agree to pay the other the difference between the relative investment performances that would have been achieved if the notional amount of the equity swap contract had been invested in different stocks (or indexes of stocks).

The FlexShares Morningstar Global Upstream Natural Resources Index Fund may enter into total rate of return swaps, which are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. The Fund also may enter into currency swaps, which involve the exchange of the rights of a Fund and another party to make or receive payments in specific currencies. Currency swaps involve the exchange of rights of the Fund and another party to make or receive payments in specific currencies.

Some transactions are entered into on a net basis, *i.e.*, the two payment streams are netted out, with a Fund receiving or paying, as the case may be, only the net amount of the two payments. A Fund will enter into equity swaps only on a net basis. Payments may be made at the conclusion of an equity swap contract or periodically during its term. Equity swaps do not involve the delivery of securities or other underlying assets. Accordingly, the risk of loss with respect to equity swaps is limited to the net amount of payments that a Fund is contractually obligated to make. If the other party to an equity swap, or any other swap entered into on a net basis, defaults, a Fund' s risk of loss consists of the net amount of payments that such Fund is contractually entitled to receive, if any. In contrast, other transactions may involve the payment of the gross amount owed. For example, currency swaps usually involve the delivery of the entire principal amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. To the extent that the amount payable by a Fund under a swap is covered by segregated cash or liquid assets, the Fund and the Investment Adviser believe that transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to a Fund' s borrowing restrictions.

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A Fund will not enter into any swap transactions unless the unsecured commercial paper, senior debt or claims-paying ability of the other party is rated either A, or A-1 or better by S&P, or Fitch Ratings (“Fitch”); or A or Prime-1 or better by Moody’s, or has received a comparable rating from another organization that is recognized as a nationally recognized statistical rating organization (“NRSRO”) or, if unrated by such rating organization, is determined to be of comparable quality by the Investment Adviser. If there is a default by the other party to such a transaction, a Fund will have contractual remedies pursuant to the agreements related to the transaction. Such contractual remedies, however, may be subject to bankruptcy and insolvency laws that may affect such Fund’s rights as a creditor (e.g., a Fund may not receive the net amount of payments that it contractually is entitled to receive). The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid in comparison with markets for other similar instruments which are traded in the interbank market.

The use of equity, total rate of return and currency swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Adviser is incorrect in its forecasts of market values, the investment performance of a Fund would be less favorable than it would have been if this investment technique were not used.

**FIXED INCOME SECURITIES.** The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund, and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund will invest primarily in fixed income securities. The FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund each may invest in fixed income securities up to 20% of its total assets to help track its Underlying Index. Fixed income securities, including corporate debt obligations, generally expose a Fund to the following types of risk: (1) interest rate risk (the potential for fluctuations in bond prices due to changing interest rates); (2) income risk (the potential for a decline in a Fund’s income due to falling market interest rates); (3) credit risk (the possibility that a bond issuer will fail to make timely payments of either interest or principal to a Fund); (4) prepayment risk or call risk (the likelihood that, during periods of falling interest rates, securities with high stated interest rates will be prepaid, or “called” prior to maturity, requiring a Fund to invest the proceeds at generally lower interest rates); and (5) extension risk (the likelihood that as interest rates increase, slower than expected principal payments may extend the average life of fixed income securities, which will have the effect of locking in a below-market interest rate, increasing the security’s duration and reducing the value of the security).

In periods of declining interest rates, the yield (income from a fixed income security held by a Fund over a stated period of time) of a fixed income security may tend to be higher than prevailing market rates, and in periods of rising interest rates, the yield of a fixed income security may tend to be lower than prevailing market rates. The value of fixed income securities in a Fund’s portfolio generally varies inversely with changes in interest rates. Prices of fixed income securities with longer effective maturities are more sensitive to interest rate changes than those with shorter effective maturities.

Corporate debt obligations generally offer less current yield than securities of lower quality, but lower-quality securities generally have less liquidity, greater credit and market risk, and as a result, more price volatility.

**FOREIGN CURRENCY TRANSACTIONS.** To the extent consistent with its investment policies, the FlexShares Morningstar Global Upstream Natural Resources Index Fund may enter into forward foreign currency exchange contracts and foreign currency futures contracts. The Fund, however, does not expect to engage in currency transactions for speculative purposes or for purposes of hedging against declines in the value of a Fund’s assets that are denominated in a foreign currency. The Fund may enter into forward foreign currency exchange contracts and foreign currency futures contracts to facilitate local settlements or to protect against currency exposure in connection with its distributions to shareholders.

Forward foreign currency exchange contracts involve an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Forward currency contracts do not eliminate fluctuations in the values of portfolio securities, but rather allow the Fund to establish a rate of exchange for a future point in time. Foreign currency futures contracts involve an obligation to deliver or acquire the specified amount of a specific currency, at a specified price and at a specified future time.

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When entering into a contract for the purchase or sale of a security, the Fund may enter into a forward foreign currency exchange contract for the amount of the purchase or sale price to protect against variations, between the date the security is purchased or sold and the date on which payment is made or received, in the value of the foreign currency relative to the U.S. dollar or other foreign currency.

When the Investment Adviser anticipates that a particular foreign currency may decline relative to the U.S. dollar or other leading currencies, in order to reduce risk, the Fund may enter into a forward contract to sell, for a fixed amount, the amount of foreign currency approximating the value of some or all of the Fund's securities denominated in such foreign currency. Similarly, when the securities held by the Fund create a short position in a foreign currency, the Fund may enter into a forward contract to buy, for a fixed amount, an amount of foreign currency approximating the short position. With respect to any forward foreign currency contract, it generally will not be possible to match precisely the amount covered by that contract and the value of the securities involved due to the changes in the values of such securities resulting from market movements between the date the forward contract is entered into and the date it matures. In addition, while forward contracts may offer protection from losses resulting from declines or appreciation in the value of a particular foreign currency, they also limit potential gains, which might result from changes in the value of such currency. The Fund also may incur costs in connection with forward foreign currency exchange contracts and conversions of foreign currencies and U.S. dollars.

Liquid assets equal to the amount of the Fund's assets that could be required to consummate forward contracts will be segregated except to the extent the contracts are otherwise "covered." The segregated assets will be valued at market or fair value. If the market or fair value of such assets declines, additional liquid assets will be segregated daily so that the value of the segregated assets will equal the amount of such commitments by the Fund. A forward contract to sell a foreign currency is "covered" if the Fund owns the currency (or securities denominated in the currency) underlying the contract, or holds a forward contract (or call option) permitting the Fund to buy the same currency at a price that is (i) no higher than the Fund's price to sell the currency or (ii) greater than the Fund's price to sell the currency provided the Fund segregates liquid assets in the amount of the difference. A forward contract to buy a foreign currency is "covered" if the Fund holds a forward contract (or call option) permitting the Fund to sell the same currency at a price that is (i) as high as or higher than the Fund's price to buy the currency or (ii) lower than the Fund's price to buy the currency provided the Fund segregates liquid assets in the amount of the difference.

**FOREIGN INVESTMENTS - GENERAL.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund will invest a significant portion of its assets in foreign equity securities. The Fund also may invest in U.S. dollar-denominated obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies, instrumentalities or sponsored enterprises, as well as other foreign issuers. These obligations may be issued by supranational entities, including international organizations (such as the European Coal and Steel Community) designed or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies.

Investment in foreign securities involves special risks. These include market risk, interest rate risk and the risks of investing in securities of foreign issuers and of companies whose securities are principally traded outside the United States on foreign exchanges or foreign over-the-counter markets and in investments denominated in foreign currencies. Market risk involves the possibility that security prices will decline over short or even extended periods. The markets tend to be cyclical, with periods of generally rising prices and periods of generally declining prices. These cycles will affect the value of the Fund to the extent that it invests in foreign securities. In addition, the performance of investments in securities denominated in a foreign currency will depend on the strength of the foreign currency against the U.S. dollar and the interest rate environment in the country issuing the currency. Absent other events which could otherwise affect the value of a foreign security (such as a change in the political climate or an issuer's credit quality), appreciation in the value of the foreign currency generally can be expected to increase the value of a foreign currency-denominated security in terms of U.S. dollars. A rise in foreign interest rates or decline in the value of the foreign currency relative to the U.S. dollar generally can be expected to depress the value of a foreign currency-denominated security.

There are other risks and costs involved in investing in foreign securities which are in addition to the usual risks inherent in domestic investments. Investment in foreign securities involves higher costs than investment in

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U.S. securities, including higher transaction and custody costs as well as the imposition of additional taxes by foreign governments. Foreign investments also involve risks associated with the level of currency exchange rates, less complete financial information about the issuers, less market liquidity, more market volatility and political instability. Future political and economic developments, the possible imposition of withholding taxes on dividend income, the possible seizure or nationalization of foreign holdings, the possible establishment of exchange controls, or the adoption of other governmental restrictions might adversely affect an investment in foreign securities. Additionally, foreign banks and foreign branches of domestic banks are subject to less stringent reserve requirements, and to different accounting, auditing and recordkeeping requirements. Also, the legal remedies for investors may be more limited than the remedies available in the U.S. Additionally, many countries throughout the world are dependent on a healthy U.S. economy and are adversely affected when the U.S. economy weakens or its markets decline. For example, the decline in the U.S. subprime mortgage market quickly spread throughout global credit markets, triggering a liquidity crisis that affected fixed-income and equity markets around the world.

Although the Fund may invest in securities denominated in foreign currencies, its portfolio securities and other assets are valued in U.S. dollars. Currency exchange rates may fluctuate significantly over short periods of time causing, together with other factors, the Fund's NAV to fluctuate as well. Currency exchange rates can be affected unpredictably by the intervention or the failure to intervene by U.S. or foreign governments or central banks, or by currency controls or political developments in the U.S. or abroad. To the extent that the Fund's total assets, adjusted to reflect the Fund's net position after giving effect to currency transactions, are denominated in the currencies of foreign countries, the Fund will be more susceptible to the risk of adverse economic and political developments within those countries.

The Fund also is subject to the possible imposition of exchange control regulations or freezes on the convertibility of currency. In addition, through the use of forward currency exchange contracts with other instruments, any net currency positions of the FlexShares Morningstar Global Upstream Natural Resources Index Fund may expose it to risks independent of its securities positions. Although the net long and short foreign currency exposure of the Fund will not exceed its total asset values, to the extent that the Fund is fully invested in foreign securities while also maintaining currency positions, it may be exposed to greater risk than it would have if it did not maintain the currency positions.

Dividends and interest payable on the Fund's foreign portfolio securities may be subject to foreign withholding taxes. To the extent such taxes are not offset by credits or deductions allowed to investors under U.S. federal income tax law, they may reduce the net return to the shareholders. See "Taxes" on page 50.

Investors should understand that the expense ratio of the FlexShares Morningstar Global Upstream Natural Resources Index Fund can be expected to be higher than those Funds investing primarily in domestic securities. The costs attributable to investing abroad usually are higher for several reasons, such as the higher cost of investment research, higher costs of custody of foreign securities, higher commissions paid on comparable transactions on foreign markets and additional costs arising from delays in settlements of transactions involving foreign securities.

The Fund's income and, in some cases, capital gains from foreign stocks and securities will be subject to applicable taxation in certain of the countries in which it invests, and treaties between the U.S. and such countries may not be available in some cases to reduce the otherwise applicable tax rates. See "Taxes" on page 50.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Such delays in settlement could result in temporary periods when a portion of the assets of the Fund remain uninvested and no return is earned on such assets. The inability of the Fund to make intended security purchases or sales due to settlement problems could result in missed attractive investment opportunities, losses to the Fund due to subsequent declines in value of the portfolio securities or, if the Fund has entered into a contract to sell the securities, possible liability to the purchaser.

The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest a significant percentage of its assets in the securities of issuers located in geographic regions with securities markets that are highly developed, liquid and subject to extensive regulation, including Japan. In recent years, Japan's economic growth has been substantially below the level of earlier decades, and its economy has experienced periods of

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recession. Similar to many European countries, Japan is experiencing a deterioration of its competitiveness. Although Japan is attempting to reform its political process and deregulate its economy to address the situation, there is no guarantee that these efforts will succeed.

Japan's economy is heavily dependent upon international trade, and is especially sensitive to trade barriers and disputes. Domestic or foreign trade sanctions or other protectionist measures may also adversely impact Japan's economy. In particular, Japan relies on large imports of agricultural products, raw materials and fuels. Increases in the price of crude oil, a substantial rise in other commodity prices, or a fall-off in Japan's manufactured exports, may affect Japan's economy adversely. Additionally, slowdowns in the economies of key trading partners such as the United States, China and countries in Southeast Asia could have a negative impact on the Japanese economy.

The Japanese yen has fluctuated widely at times and any increase in its value may cause a decline in exports that could weaken the economy. The Japanese yen may also be affected by currency volatility elsewhere in Asia, particularly Southeast Asia.

The Japanese securities markets are less regulated than the U.S. markets. Evidence has emerged from time to time of distortion of market prices to serve political or other purposes. Shareholders' rights also are not always enforced.

Japan has had territorial disputes and/or defense issues with China, North Korea, South Korea and Russia, among others. In the past several years, Japan's relationship with North Korea has been especially strained because of increased nuclear and military activity by North Korea. Japan's disputes with neighboring countries have the potential to cause uncertainty in the Japanese markets and affect the overall Japanese economy in times of crisis.

In addition, Japan is vulnerable to earthquakes, volcanoes and other natural disasters. The recent earthquakes and tsunami in Japan have caused volatility in the Japanese securities markets. The longstanding impact of these natural disasters, however, remains unclear.

**FOREIGN INVESTMENTS - EMERGING MARKETS.** The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest in countries with emerging economies or securities markets. These countries are generally located in the Asia and Pacific regions, the Middle East, Eastern Europe, Central America, South America and Africa. Political and economic structures in many of these countries may be undergoing significant evolution and rapid development, and these countries may lack the social, political and economic stability characteristics of more developed countries. In general, the securities markets of these countries are less liquid, subject to greater price volatility, have smaller market capitalizations and have problems with securities registration and custody. As a result, the risks presented by investments in these countries are heightened. Additionally, settlement procedures in emerging countries are frequently less developed and reliable than those in the United States and may involve the Fund's delivery of securities before receipt of payment for their sale. Settlement or registration problems may make it more difficult for the Fund to value its portfolio securities and could cause the Fund to miss attractive investment opportunities, to have a portion of its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities the Fund has delivered or the Fund's inability to complete its contractual obligations.

Unanticipated political, economic or social developments may affect the value of the Fund's investments in emerging market countries and the availability to the Fund of additional investments in these countries. Some of these countries may have in the past failed to recognize private property rights and may have at times nationalized or expropriated the assets of private companies. There have been occasional limitations on the movements of funds and other assets between different countries. The small size and inexperience of the securities markets in certain of such countries and the limited volume of trading in securities in those countries may make the Fund's investments in such countries illiquid and more volatile than investments in Japan or most Western European countries, and the Fund may be required to establish special custodial or other arrangements before making certain investments in those countries. There may be little financial or accounting information available with respect to issuers located in certain of such countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

**FUTURES CONTRACTS AND RELATED OPTIONS.** To the extent consistent with its investment policies, the FlexShares Morningstar US Market Factor Tilt Index Fund



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may invest up to 20% of its assets in U.S. futures contracts and the FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest up to 20% of its assets in U.S. and foreign futures contracts. Each of these Funds may purchase and sell call and put options on futures contracts. These futures contracts and options will be used to simulate full investment in the respective Underlying Index, to facilitate trading or to reduce transaction costs. Each of these Funds will only enter into futures contracts and options on futures contracts that are traded on a U.S. or foreign exchange as applicable. No Fund will use futures or options for speculative purposes.

The Trust, on behalf of each Fund, has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act, and, therefore, is not subject to registration or regulation as a pool operator under that Act with respect to the Funds. The Funds will engage in transactions in futures contracts and related options only to the extent such transactions are consistent with the requirement of the Internal Revenue Code of 1986, as amended (the “Code”) for maintaining their qualifications as regulated investment companies for federal income tax purposes.

Participation in foreign futures and foreign options transactions involves the execution and clearing of trades on or subject to the rules of a foreign board of trade. Neither the National Futures Association (the “NFA”) nor any domestic exchange regulates activities of any foreign boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs. For these reasons, persons who trade foreign futures or foreign options contracts may not be afforded certain of the protective measures provided by the Commodity Exchange Act, the Commodity Futures Trading Commission’s (the “CFTC”) regulations and the rules of the NFA and any domestic exchange, including the right to use reparations proceedings before the CFTC and arbitration proceedings provided them by the NFA or any domestic futures exchange. In particular, a Fund’s investments in foreign futures or foreign options transactions may not be provided the same protections in respect of transactions on United States futures exchanges. In addition, the price of any foreign futures or foreign options contract may be affected by any variance in the foreign exchange rate between the time an order is placed and the time it is liquidated, offset or exercised.

In connection with a Fund’s position in a futures contract or related option, the Fund will segregate liquid assets or will otherwise cover its position in accordance with applicable SEC requirements.

For a further description of futures contracts and related options, see Appendix B to this SAI.

**ILLIQUID OR RESTRICTED SECURITIES.** To the extent consistent with its investment policies, each Fund may invest up to 15% of its net assets in securities that are illiquid. The Funds may purchase commercial paper issued pursuant to Section 4(2) of the Securities Act and securities that are not registered under the Securities Act but can be sold to “qualified institutional buyers” in accordance with Rule 144A under the Securities Act (“Rule 144A Securities”). These securities will not be considered illiquid so long as the Investment Adviser determines, under guidelines approved by the Trust’s Board of Trustees, that an adequate trading market exists. This practice could increase the level of illiquidity for Rule 144A Securities during any period that qualified institutional buyers become uninterested in purchasing these securities.

**INFLATION-INDEXED SECURITIES.** The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund, and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund will invest most of their assets in U.S. Treasury Inflation-Protected Securities (“TIPS”).

Inflation-indexed securities issued by the U.S. Treasury have varying maturities and pay interest on a semiannual basis equal to a fixed percentage of the inflation-adjusted principal amount. If the periodic adjustment rate measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds, even during a period of deflation. However, the current market value of the bonds is not guaranteed and will fluctuate. A Fund also may invest in other inflation-related bonds which may or may not provide a similar guarantee. If a guarantee of principal is not provided, the adjusted principal value of the bond repaid at maturity may be less than the original principal amount.

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The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates in turn are tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed bonds. Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income, even though investors do not receive their principal until maturity.

While these securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in value. If interest rates rise due to reasons other than inflation, investors in these securities may not be protected to the extent that the increase is not reflected in the bond's inflation measure.

The periodic adjustment of U.S. inflation-indexed bonds is tied to the Consumer Price Index for Urban Consumers ("CPI-U"), which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. There can be no assurance that the CPI-U will accurately measure the real rate of inflation in the prices of goods and services.

The taxation of inflation-indexed Treasury securities is similar to the taxation of conventional bonds. Both interest payments and the difference between original principal and the inflation-adjusted principal will be treated as interest income subject to taxation. Interest payments are taxable when received or accrued. The inflation adjustment to the principal is subject to tax in the year the adjustment is made, not at maturity of the security when the cash from the repayment of principal is received. If an upward adjustment has been made (which typically should happen), investors in non-tax-deferred accounts will pay taxes on this amount currently. Decreases in the indexed principal can be deducted only from current or previous interest payments reported as income. Inflation-indexed Treasury securities therefore have a potential cash flow mismatch to an investor, because investors must pay taxes on the inflation-adjusted principal before the repayment of principal is received. It is possible that, particularly for high income tax bracket investors, inflation-indexed Treasury securities would not generate enough income in a given year to cover the tax liability they could create. This is similar to the current tax treatment for zero-coupon bonds and other discount securities. If inflation-indexed Treasury securities are sold prior to maturity, capital losses or gains are realized in the same manner as traditional bonds. The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund, however, distribute income on a monthly basis. Investors in the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund will receive dividends that represent both the interest payments and the principal adjustments of the inflation-indexed securities held in the Funds.

**INVESTMENT COMPANIES.** With respect to the investments of the Funds in the securities of other investment companies, such investments will be limited so that, as determined after a purchase is made, either: (a) not more than 3% of the total outstanding stock of such investment company will be owned by a Fund, the Trust as a whole and its affiliated persons (as defined in the 1940 Act); or (b) (i) not more than 5% of the value of the total assets of a Fund will be invested in the securities of any one investment company, (ii) not more than 10% of the value of its total assets will be invested in the aggregate securities of investment companies as a group and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the Fund. These limits will not apply to the investment of uninvested cash balances in shares of registered or unregistered money market funds whether affiliated or unaffiliated. The foregoing exemption, however, only applies to an unregistered money market fund that (i) limits its investments to those in which a money market fund may invest under Rule 2a-7 of the 1940 Act, and (ii) undertakes to comply with all the other provisions of Rule 2a-7.

Investments by the Funds in other investment companies, including exchange-traded funds ("ETFs"), will be subject to the limitations of the 1940 Act except as permitted by SEC orders. The Funds may rely on SEC orders that permit them to invest in certain ETFs beyond the limits contained in the 1940 Act, subject to certain terms and conditions. Generally, these terms and conditions require the Board to approve policies and procedures relating to

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certain of the Funds' investments in ETFs. These policies and procedures require, among other things, that (i) the Investment Adviser conducts the Funds' investment in ETFs without regard to any consideration received by the Funds or any of their affiliated persons and (ii) the Investment Adviser certifies to the Board quarterly that it has not received any consideration in connection with an investment by the Funds in an ETF, or if it has, the amount and purpose of the consideration will be reported to the Board and an equivalent amount of advisory fees shall be waived by the Investment Adviser.

Certain investment companies whose securities are purchased by the Funds may not be obligated to redeem such securities in an amount exceeding 1% of the investment company's total outstanding securities during any period of less than 30 days. Therefore, such securities that exceed this amount may be illiquid.

If required by the 1940 Act, each Fund expects to vote the shares of other investment companies that are held by it in the same proportion as the vote of all other holders of such securities.

A Fund may adhere to other limitations with respect to its investments in securities issued by other investment companies if required or permitted by the SEC or deemed to be in the best interests of the Trust.

**MISCELLANEOUS.** Securities may be purchased on margin only to obtain such short-term credits as necessary for the clearance of purchase and sales of securities.

**NON-DIVERSIFICATION RISK.** Non-diversification risk is the risk that a non-diversified Fund may be more susceptible to adverse financial, economic or other developments affecting any single issuer, and more susceptible to greater losses because of these developments. Each Fund is classified as "non-diversified" for purposes of the 1940 Act. A "non-diversified" classification means that a Fund is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer. The securities of a particular issuer may dominate the Underlying Index of such a Fund and, consequently, the Fund's investment portfolio. Each Fund may also concentrate its investments in a particular industry or group of industries, as noted in the description of the Fund. The securities of issuers in particular industries may dominate the Underlying Index of such a Fund and, consequently, the Fund's investment portfolio. This may adversely affect its performance or subject the Fund's shares to greater price volatility than that experienced by less concentrated investment companies.

Each Fund intends to maintain the required level of diversification and otherwise conduct its operations so as to qualify as a "regulated investment company" for purposes of the Code, and to relieve the Fund of any liability for federal income tax to the extent that its earnings are distributed to shareholders. Compliance with the diversification requirements of the Code may limit the investment flexibility of certain Funds and may make it less likely that such Funds will meet their investment objectives.

**OPTIONS.** To the extent consistent with its investment policies, each Fund may invest up to 20% of its total assets in put options and buy call options and write covered call and secured put options. Such options may relate to particular securities, foreign and domestic stock indexes, financial instruments, foreign currencies or the yield differential between two securities ("yield curve options") and may or may not be listed on a domestic or foreign securities exchange or issued by the Options Clearing Corporation. A call option for a particular security or currency gives the purchaser of the option the right to buy, and a writer the obligation to sell, the underlying security at the stated exercise price prior to the expiration of the option, regardless of the market price of the security or currency. The premium paid to the writer is in consideration for undertaking the obligation under the option contract. A put option for a particular security or currency gives the purchaser the right to sell the security or currency at the stated exercise price to the expiration date of the option, regardless of the market price of the security or currency. In contrast to an option on a particular security, an option on an index provides the holder with the right to make or receive a cash settlement upon exercise of the option. The amount of this settlement will be equal to the difference between the closing price of the index at the time of exercise and the exercise price of the option expressed in dollars, times a specified multiple.

Options trading is a highly specialized activity, which entails greater than ordinary investment risk. Options on particular securities may be more volatile than the underlying instruments and, therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying instruments themselves.

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The Funds will write call options only if they are “covered.” In the case of a call option on a security or currency, the option is “covered” if a Fund owns the security or currency underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, liquid assets in such amount are segregated) upon conversion or exchange of other securities held by it. For a call option on an index, the option is covered if a Fund maintains with its custodian a portfolio of securities substantially replicating the index, or liquid assets equal to the contract value. A call option also is covered if a Fund holds a call on the same security, currency or index as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written provided the Fund segregates liquid assets in the amount of the difference.

All put options written by a Fund would be covered, which means that such Fund will segregate cash or liquid assets with a value at least equal to the exercise price of the put option or will use the other methods described in the next sentence. A put option also is covered if a Fund holds a put option on the same security or currency as the option written where the exercise price of the option held is (i) equal to or higher than the exercise price of the option written, or (ii) less than the exercise price of the option written provided the Fund segregates liquid assets in the amount of the difference.

With respect to yield curve options, a call (or put) option is covered if a Fund holds another call (or put) option on the spread between the same two securities and segregates liquid assets sufficient to cover the Fund’ s net liability under the two options. Therefore, the Fund’ s liability for such a covered option generally is limited to the difference between the amount of the Fund’ s liability under the option written by the Fund less the value of the option held by the Fund. Yield curve options also may be covered in such other manner as may be in accordance with the requirements of the counterparty with which the option is traded and applicable laws and regulations.

A Fund’ s obligation to sell subject to a covered call option written by it, or to purchase a security or currency subject to a secured put option written by it, may be terminated prior to the expiration date of the option by the Fund’ s execution of a closing purchase transaction, which is effected by purchasing on an exchange an option of the same series (*i.e.*, same underlying security or currency, exercise price and expiration date) as the option previously written. Such a purchase does not result in the ownership of an option. A closing purchase transaction will ordinarily be effected to realize a profit on an outstanding option, to prevent an underlying instrument from being called, to permit the sale of the underlying security or currency or to permit the writing of a new option containing different terms on such underlying security. The cost of such a liquidation purchase plus transaction costs may be greater than the premium received upon the original option, in which event the Fund will have incurred a loss in the transaction. There is no assurance that a liquid secondary market will exist for any particular option. An option writer, unable to effect a closing purchase transaction, will not be able to sell the underlying security or currency (in the case of a covered call option) or liquidate the segregated assets (in the case of a secured put option) until the option expires or the optioned security or currency is delivered upon exercise with the result that the writer in such circumstances will be subject to the risk of market decline or appreciation in the instrument during such period.

When a Fund purchases an option, the premium paid by it is recorded as an asset of the Fund. When a Fund writes an option, an amount equal to the net premium (the premium less the commission) received by the Fund is included in the liability section of the Fund’ s statement of assets and liabilities as a deferred credit. The amount of this asset or deferred credit will be subsequently marked-to-market to reflect the current value of the option purchased or written. The current value of the traded option is the last sale price or, in the absence of a sale, the current bid price. If an option purchased by the Fund expires unexercised, the Fund realizes a loss equal to the premium paid. If a Fund enters into a closing sale transaction on an option purchased by it, the Fund will realize a gain if the premium received by the Fund on the closing transaction is more than the premium paid to purchase the option, or a loss if it is less. If an option written by a Fund expires on the stipulated expiration date or if a Fund enters into a closing purchase transaction, it will realize a gain (or loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold) and the deferred credit related to such option will be eliminated. If an option written by a Fund is exercised, the proceeds of the sale will be increased by the net premium originally received and the Fund will realize a gain or loss.

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There are several risks associated with transactions in certain options. For example, there are significant differences between the securities, currency and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on an exchange, may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities or currencies; unusual or unforeseen circumstances may interrupt normal operations on an exchange; the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading value; or one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

**REPURCHASE AGREEMENTS.** To the extent consistent with its investment policies, each Fund may agree to purchase portfolio securities from financial institutions subject to the seller's agreement to repurchase them at a mutually agreed upon date and price ("repurchase agreements"). Repurchase agreements are considered to be loans under the 1940 Act. Although the securities subject to a repurchase agreement may bear maturities exceeding one year, settlement for the repurchase agreement will never be more than one year after the Fund's acquisition of the securities and normally will be within a shorter period of time. Securities subject to repurchase agreements normally are held either by the Trust's custodian or sub-custodian (if any), or in the Federal Reserve/Treasury Book-Entry System. The seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price (including accrued interest). Default by the seller would, however, expose the Fund to possible loss because of adverse market action or delay in connection with the disposition of the underlying obligations. In addition, in the event of a bankruptcy, a Fund could suffer additional losses if a court determines that the Fund's interest in the collateral is unenforceable.

**REVERSE REPURCHASE AGREEMENTS.** To the extent consistent with its investment policies, each Fund may borrow funds by selling portfolio securities to financial institutions such as banks and broker/dealers and agreeing to repurchase them at a mutually specified date and price ("reverse repurchase agreements"). The Funds may use the proceeds of reverse repurchase agreements to purchase other securities either maturing, or under an agreement to resell, on a date simultaneous with or prior to the expiration of the reverse repurchase agreement. Reverse repurchase agreements are considered to be borrowings under the 1940 Act. Reverse repurchase agreements involve the risk that the market value of the securities sold by the Fund may decline below the repurchase price. The Funds will pay interest on amounts obtained pursuant to a reverse repurchase agreement. While reverse repurchase agreements are outstanding, the Funds will segregate liquid assets in an amount at least equal to the market value of the securities, plus accrued interest, subject to the agreement.

**RISKS RELATED TO SMALL COMPANY SECURITIES.** The FlexShares Morningstar US Market Factor Tilt Index Fund will, and FlexShares Morningstar Global Upstream Natural Resources Index Fund may, invest a portion of their assets in small company securities. Investing in the securities of such companies involves greater risk, portfolio price volatility and cost. Securities of such issuers may lack sufficient market liquidity to enable a Fund to effect sales at an advantageous time or without a substantial drop in price. Small companies often have narrower markets and more limited managerial and financial resources than larger, more established companies and may have a greater sensitivity to changing economic conditions. Smaller companies also face a greater risk of business failure. As a result, their performance can be more volatile, which could increase the volatility of a Fund's portfolio. Generally, the smaller the company size, the greater these risks.

The values of small company stocks will frequently fluctuate independently of the values of larger company stocks. Small company stocks may decline in price as large company stock prices rise, or rise in price as large company stock prices decline. You should, therefore, expect that the NAV of a Fund's shares will be more volatile than, and may fluctuate independently of, broad stock market indexes such as the S&P 500 Index.

The additional costs associated with the acquisition of small company stocks include brokerage costs, market impact costs (that is, the increase in market prices which may result when a Fund purchases thinly traded stock) and the effect of the "bid-ask" spread in small company stocks. These costs will be borne by all shareholders and may negatively impact investment performance.

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**SECURITIES LENDING.** Although the Funds currently do not intend to lend their securities, they may do so in the future. Collateral for loans of portfolio securities made by a Fund may consist of cash, cash equivalents, securities issued or guaranteed by the U.S. government or its agencies or irrevocable bank letters of credit (or any combination thereof). The borrower of securities will be required to maintain the market value of the collateral at not less than the market value of the loaned securities, and such value will be monitored on a daily basis. When a Fund lends its securities, it continues to receive payments equal to the dividends and interest paid on the securities loaned and simultaneously may earn interest on the investment of the cash collateral. Investing the collateral subjects it to market depreciation or appreciation, and a Fund is responsible for any loss that may result from its investment in borrowed collateral. A Fund will have the right to terminate a loan at any time and recall the loaned securities within the normal and customary settlement time for securities transactions. Although voting rights, or rights to consent, attendant to securities on loan pass to the borrower, such loans may be called so that the securities may be voted by a Fund if a material event affecting the investment is to occur. As with other extensions of credit there are risks of delay in recovering, or even loss of rights in, the collateral should the borrower of the securities fail financially.

**SHORT-TERM INSTRUMENTS AND TEMPORARY INVESTMENTS.** To the extent consistent with its investment policies, each Fund may invest in short-term instruments, including money market instruments, on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that may include but are not limited to: (i) shares of money market funds (including those advised by NTI); (ii) obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit (“CDs”), bankers’ acceptances, fixed time deposits, bank notes and other obligations of U.S. and foreign banks (including foreign branches) and similar institutions; (iv) commercial paper rated at the date of purchase “Prime-1” by Moody’s Investors Service, Inc. (“Moody’s”), “A-1” by Standard & Poors Rating Service (“S&P”) or, if unrated, of comparable quality as determined by NTI; (v) non-convertible corporate debt securities (*e.g.*, bonds and debentures) with remaining maturities at the date of purchase of not more than 397 days and that satisfy the rating requirements set forth in Rule 2a-7 under the 1940 Act; (vi) repurchase agreements; and (vii) short-term U.S. dollar-denominated obligations of foreign banks (including U.S. branches) that, in the opinion of NTI, are of comparable quality to obligations of U.S. banks which may be purchased by a Fund. Any of these instruments may be purchased on a current or a forward-settled basis.

Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates. Bankers’ acceptances are time drafts drawn on commercial banks by borrowers, usually in connection with international transactions. Commercial paper represents short-term unsecured promissory notes issued in bearer form by banks or bank holding companies, corporations and finance companies. Certificates of deposit are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Bankers’ acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are “accepted” by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties that vary depending upon market conditions and the remaining maturity of the obligation. There are no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party. Bank notes generally rank junior to deposit liabilities of banks and *pari passu* with other senior, unsecured obligations of the bank. Bank notes are classified as “other borrowings” on a bank’s balance sheet, while deposit notes and certificates of deposit are classified as deposits. Bank notes are not insured by the FDIC or any other insurer. Deposit notes are insured by the FDIC only to the extent of \$250,000 per depositor per bank.

The FlexShares Morningstar Global Upstream Natural Resources Index Fund may invest a portion of its assets in the obligations of foreign banks and foreign branches of domestic banks. Such obligations include Eurodollar Certificates of Deposit (“ECDs”), which are U.S. dollar-denominated certificates of deposit issued by offices of foreign and domestic banks located outside the United States; Eurodollar Time Deposits (“ETDs”), which are U.S. dollar-denominated deposits in a foreign branch of a U.S. bank or a foreign bank; Canadian Time Deposits

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("CTDs"), which are essentially the same as ETDs except that they are issued by Canadian offices of major Canadian Banks; Schedule Bs, which are obligations issued by Canadian branches of foreign or domestic banks; Yankee Certificates of Deposit ("Yankee CDs"), which are U.S. dollar-denominated certificates of deposit issued by a U.S. branch of a foreign bank and held in the United States; and Yankee Bankers' Acceptances ("Yankee Bas"), which are U.S. dollar-denominated bankers' acceptances issued by a U.S. branch of a foreign bank and held in the United States.

**TRACKING VARIANCE.** As discussed in the Prospectus, the Funds are subject to the risk of tracking variance. Tracking variance may result from share purchases and redemptions, transaction costs, expenses and other factors. Share purchases and redemptions may necessitate the purchase and sale of securities by a Fund and the resulting transaction costs which may be substantial because of the number and the characteristics of the securities held. In addition, transaction costs are incurred because sales of securities received in connection with spin-offs and other corporate reorganizations are made to conform a Fund's holdings to its investment objective. Tracking variance also may occur due to factors such as the size of a Fund, the maintenance of a cash reserve pending investment or to meet expected redemptions, changes made in the Fund's designated index or the manner in which the index is calculated or because the indexing and investment approach of the Investment Adviser does not produce the intended goal of the Fund. Tracking variance is monitored by the Investment Adviser at least quarterly. In the event the performance of a Fund is not comparable to the performance of its Underlying Index, the Trust's Board of Trustees will evaluate the reasons for the deviation and the availability of corrective measures.

**U.S. GOVERNMENT OBLIGATIONS.** The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund invest primarily in U.S. Treasury Inflation-Protected Securities ("TIPS"). Examples of other types of U.S. government obligations that may be acquired by the Funds include U.S. Treasury Bills, Treasury Notes and Treasury Bonds and the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Fannie Mae, Ginnie Mae, General Services Administration, Central Bank for Cooperatives, Freddie Mac, Federal Intermediate Credit Banks and the Maritime Administration.

Securities guaranteed as to principal and interest by the U.S. government or by its agencies, instrumentalities or sponsored enterprises also are deemed to include (i) securities for which the payment of principal and interest is backed by an irrevocable letter of credit issued by the U.S. government or by any agency, instrumentality or sponsored enterprise thereof, and (ii) participations in loans made to foreign governments or their agencies that are so guaranteed.

To the extent consistent with their respective investment objectives and strategies, the Funds may invest in a variety of U.S. Treasury obligations and obligations issued by or guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Not all government obligations carry the same credit support. No assurance can be given that the U.S. government would provide financial support to its agencies, instrumentalities or sponsored enterprises if it were not obligated to do so by law. There is no assurance that these commitments will be undertaken or complied with in the future. In addition, the secondary market for certain participations in loans made to foreign governments or their agencies may be limited. In the absence of a suitable secondary market, such participations generally are considered illiquid.

**WARRANTS.** To the extent consistent with their investment policies, the FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund may purchase warrants and similar rights, which are privileges issued by corporations enabling the owners to subscribe to and purchase a specified number of shares of the corporation at a specified price during a specified period of time. The prices of warrants do not necessarily correlate with the prices of the underlying shares. The purchase of warrants involves the risk that a Fund could lose the purchase value of a warrant if the right to subscribe to additional shares is not exercised prior to the warrant's expiration. Also, the purchase of warrants involves the risk that the effective price paid for the warrant added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the level of the underlying security.

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**YIELDS AND RATINGS.** The yields on certain obligations, including the instruments in which the Funds may invest, are dependent on a variety of factors, including general market conditions, conditions in the particular market for the obligation, financial condition of the issuer, size of the offering, maturity of the obligation and ratings of the issue. The ratings of S&P, Dominion, Moody's and Fitch represent their respective opinions as to the quality of the obligations they undertake to rate. Ratings, however, are general and are not absolute standards of quality. Consequently, obligations with the same rating, maturity and interest rate may have different market prices.

### **THE INDEXES**

#### **Morningstar® US Market Factor Tilt Index<sup>SM</sup>**

NUMBER OF COMPONENTS: APPROXIMATELY [ ]

**INDEX DESCRIPTION.** The Morningstar US Market Factor Tilt Index measures the performance of a broad exposure of stocks with a slight tilt towards small-capitalization and value stocks. Stocks that are deemed to be small-capitalization or value will have a slight overweighting compared to their weight in a broad market capitalization weighted index. Likewise, stocks designated as "large" or "growth" stocks will have a slight underweight compared to a standard market-capitalization weighting. The Morningstar index methodology defines "total market" stocks as those stocks that form the top 99.25% of the market capitalization of the stocks eligible to be included in Morningstar's investable universe. All stocks are then designated as "core," "growth" or "value" based on Morningstar's value style orientation. Stocks of companies with, for example, relatively low valuations based on price-to-book ratios, price-to-earnings ratios and other factors, are designated as "value" securities. Similarly, stocks of companies with relatively high valuations based on price-to-book ratios, price-to-earnings ratios and other factors, would be designated as "growth" securities. Stocks that are not designated as "growth" or "value" securities are designated as "core" securities.

#### **Morningstar® Global Upstream Natural Resources Index<sup>SM</sup>**

NUMBER OF COMPONENTS: APPROXIMATELY [ ]

**INDEX DESCRIPTION.** The Morningstar Global Upstream Natural Resources Index measures the performance of stocks issued by companies that have significant business operations in the ownership, management and/or production of natural resources in energy, agriculture, precious or industrial metals, timber and water resources sectors as defined by Morningstar's industry classification standards. The Morningstar index methodology uses Morningstar proprietary industry classifications to identify companies within the five natural resource sectors, a minimum market capitalization test and a market liquidity measure to produce stocks eligible to be included in the Index for each sector. Each sector is then assigned a prescribed fixed weighting and number of equities to be included in the index subject to Index constraints for geographic regions and individual equity concentration.

#### **iBoxx 3-Year Target Duration TIPS Index**

NUMBER OF COMPONENTS: APPROXIMATELY [ ]

**INDEX DESCRIPTION.** The iBoxx 3-Year Target Duration TIPS Index measures the performance of Treasury Inflation Protected Securities (TIPS) as determined by Markit iBoxx's proprietary index methodology. The iBoxx index methodology targets a modified adjusted duration of 3.0 years and defines the eligible universe of TIPS as having no less than one year and no more than ten years until maturity as of the Index determination date. A proprietary regression calculation is then used to determine the modified adjusted duration of the TIPS and weight the TIPS in the Index at a modified adjusted duration level within a range of 3.0 years, plus or minus 5% within Index constraints.

#### **iBoxx 5-Year Target Duration TIPS Index**

NUMBER OF COMPONENTS: APPROXIMATELY [ ]



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**INDEX DESCRIPTION.** The iBoxx 5-Year Target Duration TIPS Index measures the performance of Treasury Inflation Protected Securities (TIPS) as determined by Markit iBoxx' s proprietary index methodology. The iBoxx index methodology targets a modified adjusted duration of 5.0 years and defines the eligible universe of TIPS as having no less than 3 years and no more than 20 years until maturity as of the Index determination date. A proprietary regression calculation is then used to determine the modified adjusted duration of the TIPS and weight the TIPS in the Index at a modified adjusted duration level within a range of 5.0 years, plus or minus 5% within Index constraints.

### **iBoxx 7-Year Target Duration TIPS Index**

NUMBER OF COMPONENTS: APPROXIMATELY [ ]

**INDEX DESCRIPTION.** The iBoxx 7-Year Target Duration TIPS Index measures the performance of Treasury Inflation Protected Securities (TIPS) as determined by Markit iBoxx' s proprietary index methodology. The iBoxx index methodology targets a modified adjusted duration of 7.0 years and defines the eligible universe of TIPS as having no less than 5 years and no more than 30 years until maturity as of the Index determination date. A proprietary regression calculation is then used to determine the modified adjusted duration of the TIPS and weight the TIPS in the Index at a modified adjusted duration level within a range of 7.0 years, plus or minus 5% within Index constraints.

### **INVESTMENT RESTRICTIONS**

Each Fund is subject to the fundamental investment restrictions enumerated below which may be changed with respect to a particular Fund only by a vote of the holders of a majority of such Fund' s outstanding shares as described in "Description of Shares" on page 37.

No Fund may:

- 1) Make loans, except through (a) the purchase of debt obligations in accordance with the Fund' s investment objective and strategies, (b) repurchase agreements with banks, brokers, dealers and other financial institutions, (c) loans of securities, and (d) loans to affiliates of the Fund to the extent permitted by law.
- 2) Purchase or sell real estate or real estate limited partnerships, but this restriction shall not prevent a Fund from investing directly or indirectly in portfolio instruments secured by real estate or interests therein or from acquiring securities of real estate investment trusts or other issuers that deal in real estate.
- 3) Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Funds (i) from purchasing or selling options, futures contracts or other derivative instruments, or (ii) from investing in securities or other instruments backed by physical commodities).
- 4) Act as underwriter of securities, except as a Fund may be deemed to be an underwriter under the Securities Act in connection with the purchase and sale of portfolio instruments in accordance with its investment objective and portfolio management strategies.
- 5) Borrow money, except that to the extent permitted by applicable law (a) a Fund may borrow from banks, other affiliated investment companies and other persons, and may engage in reverse repurchase agreements and other transactions which involve borrowings, in amounts up to 33 1/3% of its total assets (including the amount borrowed) or such other percentage permitted by law, (b) a Fund may borrow up to an additional 5% of its total assets for temporary purposes, (c) a Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of portfolio securities, and (d) a Fund may purchase securities on margin. If due to market fluctuations or other reasons a Fund' s borrowings exceed the limitations stated above, the Trust will promptly reduce the borrowings of a Fund in accordance with the 1940 Act.

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- 6) Issue any senior security, except as permitted under the 1940 Act, as amended and as interpreted, modified or otherwise permitted by regulatory authority having jurisdiction, from time to time.
- 7) Concentrate its investments (*i.e.*, invest 25% or more of its total assets in the securities of a particular industry or group of industries), except that a Fund will concentrate to approximately the same extent that its Underlying Index concentrates in the securities of such particular industry or group of industries. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Notwithstanding other fundamental investment restrictions (including, without limitation, those restrictions relating to issuer diversification, industry concentration and control), each Fund may purchase securities of other investment companies to the full extent permitted under Section 12 or any other provision of the 1940 Act (or any successor provision thereto) or under any regulation or order of the SEC.

As of [ ], 2011, unless otherwise indicated, each Fund's policy to concentrate to approximately the same extent that its Underlying Index concentrates in an industry or group of industries, each of the following Funds was concentrated (that is, held 25% or more of its total assets) in the industries specified:

<u>Fund</u>	<u>Industry(ies)</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	[ ]
FlexShares Morningstar Global Upstream Natural Resources Index Fund	[ ]
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	N/A
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	N/A
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	N/A

For the purpose of industry concentration, in determining industry classification, the Trust may use any one or more of the following: the Bloomberg Industry Group Classification, Standard & Poors, J.J. Kenny Municipal Purpose Codes, FT Interactive Industrial Codes, Securities Industry Classification Codes, Global Industry Classification Standard or the Morgan Stanley Capital International industry classification titles.

Any Investment Restriction which involves a maximum percentage (other than the restriction set forth above in Investment Restriction No. 5) will not be considered violated unless an excess over the percentage occurs immediately after, and is caused by, an acquisition or encumbrance of securities or assets of a Fund. The 1940 Act requires that if the asset coverage for borrowings at any time falls below the limits described in Investment Restriction No. 5, the Fund will, within three days thereafter (not including Sundays and holidays), reduce the amount of its borrowings to an extent that the net asset coverage of such borrowings shall conform to such limits.

### **CONTINUOUS OFFERING**

The method by which Creation Unit Aggregations of shares are created and traded may raise certain issues under applicable securities laws. Because new Creation Unit Aggregations of shares are issued and sold by the Funds on an ongoing basis, at any point a "distribution," as such term is used in the Securities Act, may occur. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus delivery requirement and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Unit Aggregations after placing an order with the Distributor, breaks them down into constituent shares, and sells

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such shares directly to customers, or if it chooses to couple the creation of a supply of new shares with an active selling effort involving solicitation of secondary market demand for shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a categorization as an underwriter. Broker-dealer firms should also note that dealers who are not “underwriters” but are effecting transactions in shares, whether or not participating in the distribution of shares, generally are required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. Firms that incur a prospectus delivery obligation with respect to shares of the Funds are reminded that, pursuant to Rule 153 under the Securities Act, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to an exchange member in connection with a sale on the Listing Exchange is satisfied by the fact that the prospectus is available at the Listing Exchange upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

## **PORTFOLIO HOLDINGS**

The Board of Trustees of the Trust has adopted a policy on disclosure of portfolio holdings, which it believes is in the best interest of the Funds’ shareholders. The policy provides that neither the Funds nor their Investment Adviser, Distributor or any agent, or any employee thereof (“Fund Representative”) will disclose a Fund’ s portfolio holdings information to any person other than in accordance with the policy. For purposes of the policy, “portfolio holdings information” means a Fund’ s actual portfolio holdings, as well as non-public information about its trading strategies or pending transactions including the portfolio holdings, trading strategies or pending transactions of any commingled fund portfolio which contains identical holdings as the Fund. Under the policy, neither a Fund nor any Fund Representative may solicit or accept any compensation or other consideration in connection with the disclosure of portfolio holdings information. A Fund Representative may provide portfolio holdings information to third parties if such information has been included in a Fund’ s public filings with the SEC or is disclosed on the Fund’ s publicly accessible Web site. Information posted on a Fund’ s Web site may be separately provided to any person commencing the day after it is first published on the Fund’ s Web site.

Under the policy, each business day each Fund’ s portfolio holdings information will be provided to the Distributor or other agent for dissemination through the facilities of the National Securities Clearing Corporation (“NSCC”) and/or other fee based subscription services to NSCC members and/or subscribers to those other fee-based subscription services, including Authorized Participants (defined below) and to entities that publish and/or analyze such information in connection with the process of purchasing or redeeming Creation Units or trading shares of Funds in the secondary market. The Distributor may also make available portfolio holdings information to other institutional market participants and entities that provide information services. This information typically reflects each Fund’ s anticipated holdings on the following business day. The “Authorized Participants” are generally large institutional investors that have been authorized by the Distributor to purchase and redeem large blocks of shares (known as Creation Units) pursuant to legal requirements, including the exemptive order granted by the SEC, to which the Funds offer and redeem shares.

Other than portfolio holdings information made available in connection with the creation/redemption process, as discussed above, portfolio holdings information that is not filed with the SEC or posted on the publicly available Web site may be provided to third parties only in limited circumstances. Third-party recipients will be required to keep all portfolio holdings information confidential and prohibited from trading on the information they receive. Disclosure to such third parties must be approved in advance by the Trust’ s Chief Compliance Officer (“CCO”). Disclosure to providers of auditing, custody, proxy voting and other similar services for the Funds, as well as rating and ranking organizations, will generally be permitted; however, information may be disclosed to other third parties (including, without limitation, individuals, institutional investors, and Authorized Participants that sell shares of a Fund) only upon approval by the CCO, who must first determine that the Fund has a legitimate business purpose for doing so. In general, each recipient of non-public portfolio holdings information must sign a confidentiality and non-trading agreement, although this requirement will not apply when the recipient is otherwise subject to a duty of confidentiality as determined by the CCO. In accordance with the policy, the recipients who receive non-public portfolio holdings information on an ongoing basis are as follows: the Investment Adviser and

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its affiliates, the Funds' independent registered public accounting firm, the Funds' distributor, administrator and custodian, the Funds' legal counsel, Drinker Biddle & Reath LLP, the disinterested Trustees' counsel, K&L Gates LLP, the Funds' financial printer, R.R. Donnelly, and the Funds' proxy voting service (RiskMetrics Group). These entities are obligated to keep such information confidential. Third-party providers of custodial or accounting services to a Fund may release non-public portfolio holdings information of the Fund only with the permission of Fund Representatives. From time to time, portfolio holdings information may be provided to broker-dealers solely in connection with a Fund seeking portfolio securities trading recommendations. In providing this information, reasonable precautions, including limitations on the scope of the portfolio holdings information disclosed, are taken in an effort to avoid any potential misuse of the disclosed information.

Each Fund discloses its portfolio holdings and the percentages they represent of the Fund' s net assets at least monthly, and as often as each day the Fund is open for business, on the Fund' s Web site. More information about this disclosure is available at [www.flexshares.com](http://www.flexshares.com). A Fund may publish on the Web site complete portfolio holdings information more frequently if it has a legitimate business purpose for doing so. Portfolio holdings will be disclosed through required filings with the SEC. Each Fund files its portfolio holdings with the SEC for each fiscal quarter on Form N-CSR (with respect to each annual period and semiannual period) and Form N-Q (with respect to the first and third quarters of the Fund' s fiscal year). Shareholders may obtain a Fund' s Forms N-CSR and N-Q filings on the SEC' s Web site at [www.sec.gov](http://www.sec.gov). In addition, the Funds' Forms N-CSR and N-Q filings may be reviewed and copied at the SEC' s public reference room in Washington, DC. You may call the SEC at 1-800-SEC-0330 for information about the SEC' s Web site or the operation of the public reference room.

Under the policy, the Board is to receive information, on a quarterly basis, regarding any other disclosures of non-public portfolio holdings information that were permitted during the preceding quarter.

**MANAGEMENT OF THE TRUST**

**TRUSTEES AND OFFICERS**

The Board of Trustees of the Trust is responsible for the management and business and affairs of the Trust. Set forth below is information about the Trustees and Officers of the FlexShares Trust as of the date of this SAI. A brief statement of their present positions and principal occupations during the past five years is also provided.

<b>NAME, ADDRESS<sup>(1)</sup>, AGE, POSITIONS HELD WITH TRUST AND LENGTH OF SERVICE AS TRUSTEE<sup>(2)</sup></b>	<b>PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS</b>	<b>NUMBER OF FUNDS IN FUND COMPLEX<sup>(3)</sup> OVERSEEN BY TRUSTEE</b>	<b>OTHER DIRECTORSHIPS HELD BY TRUSTEE<sup>(4)</sup></b>
<b>NON-INTERESTED TRUSTEES</b>  Sarah N. Garvey Age: 59 Trustee since July 2011	Vice President of Corporate Relations of The Boeing Company (a manufacturer of commercial and military airplanes and aerospace products) from 2007 to 2008 and Vice President of State and Local Government Relations from 2004 to 2007; Chairman of the Board of John G. Shedd Aquarium since 2009; Chairman of the Board of Navy Pier since 2011; Member of the Board of Directors of the Metropolitan Pier and Exposition Authority since 2010; Member of the Board of Directors of The Civic Federation since 2004.	5	None.
Philip G. Hubbard Age: 60 Trustee since July 2011	Managing Partner of Solidian Fund, LP and Solidian Management, LLC (a Fund of Hedge Funds platform for family and friends investments) since 2001; President of Hubbard Management Group, LLC (a personal investment vehicle) since 2001; Chairman of the Board of Trustees of the Wheaton College Trust Company, N.A. since 2004; Member since 1998 of the Board of Trustees of Wheaton College; Vice Chairman since 2009 Chairman of the Board of Directors of the English Language Institute/China (a nonprofit educational organization) since 1993; Member of the Board of Directors of The Film Department, LLC (an independent movie company) from 2008 to 2010; Member of the Board of Directors of BMO Harris Bank Winnetka N.A. from 1996 to 2009.	5	None.

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Eric T. McKissack Age: 57 Trustee and Chairman since July 2011	CEO and Chief Investment Officer of Channing Capital Management, LLC (a, SEC registered investment adviser) since 2004; Member of the Board of Directors of ICMA Retirement Corporation (an SEC registered investment adviser providing retirement administration services) since 2005; Member of the Board of Trustees, the Investment Committee, and the Finance Committee of the Art Institute of Chicago since 2002; Member of the RIC Tree of Life Board of the Rehabilitation Institute of Chicago since 2001.	5	None.
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### **INTERESTED TRUSTEE**

Shundrawn A. Thomas <sup>(5)</sup> Age: 37 Trustee and President of the Trust since July 2011	Managing Director and Global Business Head of the Exchange-Traded Funds Group at Northern Trust Global Investments since 2010; President of Northern Trust Securities, Inc. (a wholly owned subsidiary of Northern Trust Corporation) from 2008 to 2010; Head of Corporate Strategy at the Northern Trust Corporation from 2005 to 2008; Member of the Board of Trustees of Wheaton College and Secretary of the Finance Committee, Investment Committee and Compensation Committee since May 2009; Member of the Board of Trustees of the Wheaton College Trust Company since 2009; Member of the Board of Directors of Urban Ministries, Inc. (a publishing and communications company) since 2006; Partner at Tree of Life Resources, LLP (a multi media company) since 2005.	5	None.
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- (1) Each Non-Interested Trustee may be contacted by writing to the Trustee, c/o Paul Dykstra, K&L Gates LLP, 70 West Madison Street, Suite 3100, Chicago, IL 60602. Mr. Thomas may be contacted by writing to him at 50 S. LaSalle St., Chicago, Illinois 60603.
- (2) Each Trustee will hold office for an indefinite term until the earliest of: (i) the next meeting of shareholders, if any, called for the purpose of considering the election or re-election of such Trustee and until the election and qualification of his or her successor, if any, elected at such meeting; or (ii) the date a Trustee resigns or retires, or a Trustee is removed by the Board of Trustees or shareholders, in accordance with the Trust's Agreement and Declaration of Trust.
- (3) The "Fund Complex" consists of the Trust.

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- (4) This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (*i.e.*, public companies) or other investment companies registered under the 1940 Act.
- (5) An “interested person,” as defined by the 1940 Act. Mr. Thomas is deemed to be an “interested” Trustee because he is an officer of NTI and its parent company.

### OFFICERS OF THE TRUST

NAME, ADDRESS, AGE,

POSITIONS HELD WITH

TRUST AND LENGTH OF

SERVICE<sup>(1)</sup>

PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS

Craig R. Carberry, Esq.

Age: 51

50 South LaSalle Street

Chicago, IL 60603

Secretary since July 2011

Senior Counsel at The Northern Trust Company since May 2000; Secretary of Northern Trust Investments, Inc. since 2000; Secretary of NT Alpha Strategies Fund since 2004; Secretary of Northern Trust Global Advisers, Inc. since 2007; Secretary of The Northern Trust Company of Connecticut since 2009; Secretary of NETS Trust from 2008 to 2009; Secretary of Northern Institutional Funds since 2010; Secretary of Northern Funds since 2010; Secretary of Northern Trust Equity Long/Short Strategies Fund since 2011.

Joseph H. Costello

Age: 37

50 South LaSalle Street

Chicago, IL 60603

Chief Compliance Officer since July 2011

Vice President, The Northern Trust Company and Compliance Manager for Northern Trust Global Investments, since 2003.

Randal Rein

Age: 40

50 South LaSalle Street

Chicago, IL 60603

Treasurer and Principal Financial Officer since July 2011

Senior Vice President of Northern Trust Investments, Inc. since 2010 and Senior Vice President of Fund Administration of the Northern Trust Company through 2010; Vice President of Fund Administration of The Northern Trust Company from 2007 to 2010; Second Vice President of Fund Administration of The Northern Trust Company from 2002 to 2007.

Peter K. Ewing

Age: 52

50 South LaSalle Street

Chicago, IL 60603

Vice President since July 2011

Senior Vice President, Director of ETF Product Management, Northern Trust Investments, Inc. and Senior Vice President, The Northern Trust Company, since September 2010; Chief Operating Officer of Guggenheim Transparent Value, from July 2009 to January 2010; Senior Vice President, Managing Director of ETF Group, Northern Trust Investments, N.A., and Senior Vice President, The Northern Trust Company, from November 2006 to June 2009.

Marie E. Dzanis

Age: 44

50 South LaSalle Street

Chicago, IL 60603

Vice President since July 2011

Director of ETF Sales and Servicing, Northern Trust Investments, Inc. since 2011; Principal and Eastern U.S. Manager for iShares at BlackRock Institutional Trust Company from 2007 to 2010; Vice President and Eastern U.S. Sales Manager, J.P. Morgan Asset Management from 2002 to 2007.

Peter J. Flood

Age: 54

50 South LaSalle Street

Chicago, IL 60603

Vice President since July 2011

Director of ETF Investment Strategy, Northern Trust Investments, Inc. since 2010; Portfolio Manager, Northern Trust Investments, Inc. since 2007; Director of Fixed Income Strategy, Northern Trust Investments, Inc., from 2004 to 2010; Director of Fixed Income Research, Northern Trust Investments, Inc., from 1998 to 2004.

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NAME, ADDRESS, AGE,  
POSITIONS HELD WITH  
TRUST AND LENGTH OF  
SERVICE<sup>(1)</sup>

PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS

Allison Grant Williams Age: 55 50 South LaSalle Street Chicago, IL 60603 Vice President since July 2011	Chief Administrative Officer of the Exchange-Traded Funds Group at Northern Trust Investments, Inc. since 2011; President and Manager, Grant Partners, L.L.C. from 2006 to 2010; Managing Director of Client Service and Business Strategy, Holland Capital Management, L.P. from 2004 to 2006.
Darlene Chappell Age: 48 50 South LaSalle Street Chicago, IL 60603 Anti-Money Laundering Officer since July 2011	Anti-Money Laundering Compliance Officer for Northern Trust Investments, Inc., Northern Trust Securities, Inc. and The Northern Trust Company of Connecticut since 2009; Vice President and Compliance Consultant for The Northern Trust Company since 2006; Audit Manager-Compliance Department of National Futures Association from 2000 to 2006.
Kunle Ademola Age: 34 [One Beacon Street Boston, MA 02108] Assistant Treasurer since July 2011	Assistant Vice President, J.P. Morgan Worldwide Securities Services since 2008; Unit Manager, Fund Administration Department, State Street Bank & Trust Company from 2006 to 2008.
Charles J. Daly, III Age: 40 [One Beacon Street Boston, MA 02108] Assistant Secretary since July 2011	Assistant General Counsel, Regulatory Administration Team, J.P. Morgan Chase Bank, N.A.; Chief Compliance Officer and General Counsel, Ironwood Investment Management, LLC from [ ] to [ ]; Vice President and Secretary, Ironwood Series Trust from 2007 to 2009; Senior Counsel, BISYS Fund Administration from [ ] to [ ]; Attorney, Goodwin Proctor LLP from 2001 to 2003.

(1) Officers hold office at the pleasure of the Board of Trustees until their successors are duly elected and qualified, or until they die, resign, are removed or become disqualified.

Certain officers hold comparable positions with certain other investment companies of which NTI, JP Morgan Chase Bank, NA or an affiliate thereof is the investment adviser, administrator, custodian, transfer agent.

## **BOARD COMMITTEES.**

The Board has established a standing Audit Committee in connection with its governance of the Trust. The Audit Committee consists of Mr. Hubbard (chair), Mr. McKissack and Ms. Garvey. The Board has determined that each member of the Audit Committee is not an “interested person” as defined in the 1940 Act (an “Independent Trustee”). The responsibilities of the Audit Committee are to assist the Board in overseeing the Trust’s independent registered public accounting firm, accounting policies and procedures and other areas relating to the Trust’s auditing processes. The Audit Committee is responsible for selecting and recommending to the full Board an independent registered public accounting firm to audit the books and records of the Trust for the ensuing year, and reviews with the firm the scope and results of each audit. The Audit Committee also is responsible for pre-approving all audit services and any permitted non-audit services to be provided by the independent registered public accounting firm directly to the Trust. The Audit Committee also is responsible for pre-approving permitted non-audit services to be provided by the independent registered public accounting firm to (1) the Adviser and (2) any entity in a control relationship with the Adviser that provides ongoing services to the Trust, provided that the engagement of the independent registered public accounting firm relates directly to the operation and financial reporting of the Trust. The scope of the Audit Committee’s responsibilities is oversight. It is management’s responsibility to maintain appropriate systems for accounting and internal control and the independent registered public accounting firm’s responsibility to plan and carry out an audit in accordance with the standards of the Public Company Accounting Oversight Board.



**LEADERSHIP STRUCTURE AND QUALIFICATIONS OF THE BOARD OF TRUSTEES.**

The Board is responsible for oversight of the Trust. The Trust has engaged the Adviser to manage the Funds of the Trust on a day-to-day basis. The Board oversees the Adviser and certain other principal service providers in the operations of the Funds. The Board currently is composed of four Trustees, three of whom are Independent Trustees. The Board believes that having Mr. Thomas serve as an interested Trustee brings management insight that is important to certain of the Board's decisions and also in the best interest of shareholders. The Board meets in-person at regularly scheduled meetings currently anticipated to occur four times in a year. In addition, the Board members may meet in-person or by telephone at special meetings or on an informal basis at other times. The Independent Trustees also expect to meet separately in executive session, including with independent trustee counsel. The Trustees believe that these meetings will help mitigate conflicts of interest. The Trustees also believe that the executive sessions will allow the Independent Trustees to deliberate candidly and constructively, separately from management, in a manner that affords honest disagreement and critical questioning.

As stated above, the Board has established a standing Audit Committee to assist the Board in fulfilling its oversight responsibilities. Because the Trust is newly formed, the Board has not yet created a Governance Committee. However, the Board anticipates creating this committee within the next year to assist the Board with governance matters. The Board also may establish ad hoc committees or working groups from time to time to aid in its oversight. The Independent Trustees have engaged independent legal counsel to assist them in fulfilling their responsibilities.

The Board is chaired by Eric McKissack, an Independent Trustee. As Chair, this Independent Trustee leads the Board in its activities. Also, the Chair acts as a member of the Audit Committee (and may serve as a member of each subsequently established standing or ad hoc committee). The Trustees have determined that the Board's leadership and committee structure is appropriate because the Board believes that it sets the proper tone to the relationships between the Trust, on the one hand, and the Adviser and certain other principal service providers, on the other, and facilitates the exercise of the Board's independent judgment in evaluating and managing the relationships.

The Board has concluded that, based on each Board member's experience, qualifications, attributes or skills on an individual basis and in combination with those of the other Board members, each Board member should serve as a Board member. Among other attributes common to all Board members are their ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with the various service providers to the Trust, and to exercise reasonable business judgment in the performance of their duties as Board members. In addition, the Board will take into account the actual service and commitment of the Board members during their tenure in determining whether each should continue to serve. A Board member's ability to perform his or her duties effectively may have been attained through a Board member's educational background or professional training; business, consulting, public service or academic positions; experience from service as a Board member of other funds, public companies, or non-profit entities or other organizations; or other experiences. Set forth below is a brief discussion of the specific experience, qualifications, attributes or skills of each Trustee that led the Board to conclude that he or she should serve as a Board member.

*Ms. Garvey.* Ms. Garvey is a former partner of Deloitte & Touche LLP and has more than 20 years experience in tax accounting. She previously served as Vice President of Corporate Relations and Vice President of State and Local Government Relations for Boeing Co. She is chair of the Board of both Chicago's Shedd Aquarium and Navy Pier. She is a Certified Public Accountant and holds bachelors and masters degrees in accounting.

*Mr. Hubbard.* Mr. Hubbard has served for 10 years as president of the Hubbard Management Group, LLC, and as managing partner for Solidian Fund, L.P. and Solidian Management, LLC. He previously served for 13 years on the Board of Harris Bank Winnetka and is a Certified Public Accountant. In addition, Mr. Hubbard serves on the Board of Trustees of Wheaton College, is the chairman of the Wheaton College Trust Company and of the English Language Institute/China. He holds a bachelors degree in economics and a masters degree in business administration.

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*Mr. McKissack.* Mr. McKissack is the Chief Executive Officer and Chief Investment Officer of Channing Capital Management, LLC, a registered investment adviser. He also serves on the board of the ICMA Retirement Corporation, a non-profit provider of retirement administration services. Mr. McKissack also serves on the Board of the Art Institute of Chicago and on the Board of the Rehabilitation Institute of Chicago. He is a Chartered Financial Analyst.

*Mr. Thomas.* Mr. Thomas is the Managing Director and Global Business Head of the Exchange-Traded Funds Group of Northern Trust Global Investments. Previously he was President and Chief Executive Officer of Northern Trust Securities, Inc. He also served as Senior Vice President, Head of Corporate Strategy for Northern Trust Corporation. Mr. Thomas also is on the boards of several non-profit corporations and colleges. He holds a bachelors degree in accounting and a masters of business administration.

## **RISK OVERSIGHT**

Investing in general and the operation of mutual funds involve a variety of risks, such as investment risk, compliance risk, and operational risk, among others. The Board oversees risk as part of its oversight of the Trust. Risk oversight is addressed as part of various regular Board and Audit Committee activities. The Board reviews reports from, among others, the Adviser, the Trust's Chief Compliance Officer, the Trust's independent registered public accounting firm and counsel, as appropriate, regarding risks faced by the Trust and the risk management programs of the Adviser and certain service providers. The actual day-to-day risk management with respect to the Trust resides with the Adviser and other service providers to the Trust. The Investment Adviser has a dedicated risk management function that is headed by a chief risk officer. Although the risk management policies of the Adviser and the service providers are designed to be effective, those policies and their implementation vary among service providers and over time, and there is no guarantee that they will be effective. Not all risks that may affect the Trust can be identified or processes and controls developed to eliminate or mitigate their occurrence or effects, and some risks are simply beyond any control of the Trust or the Adviser, its affiliates or other service providers.

## **TRUSTEE OWNERSHIP OF FUND SHARES**

The following table shows the dollar range of shares of the Funds owned by each Trustee in the Funds.

### **Information as of December 31, 2010**

<b>Name of Non-Interested Trustee</b>	<b>Dollar Range of Equity Securities in each Fund</b>	<b>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies *</b>
Sarah N. Garvey	None	None
Philip G. Hubbard	None	None
Eric T. McKissack	None	None

### **Information as of December 31, 2010**

<b>Name of Interested Trustee</b>	<b>Dollar Range of Equity Securities in each Fund</b>	<b>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies *</b>
Shundrawn A. Thomas	None	None

\* The Family of Investment Companies consists only of the Funds. As of December 31, 2010, FlexShares Trust was not operational.

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### **TRUSTEE AND OFFICER COMPENSATION**

The Trust expects to pay each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries annual fees for his or her services as a Trustee of the Trust and as a member of Board committees, plus additional fees for Board and Committee meetings attended by such Trustee. In recognition of their services, the fees paid to the Board and Committee chairpersons may be larger than the fees paid to other members of the Trust's Board and Committees. The Trustees also are reimbursed for travel expenses incurred in connection with attending such meetings. The Trust also may pay the incidental costs of a Trustee to attend training or other types of conferences relating to the investment company industry. The Trust does not provide pension or retirement benefits to its Trustees.

The Trust's officers do not receive fees from the Trust for services in such capacities. NTI, and/or its affiliates, of which Messrs. Carberry, Costello, Ewing, Flood, Rein and Thomas and Ms. Chappell, Dzanis and Williams are officers, receives fees from the Trust as Investment Adviser.

### **CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES**

As of the date of this SAI, Northern Trust Corporation owned 100% of the shares of the FlexShares i-Boxx 3-Year Target Duration TIPS Index Fund as a result of providing the initial seed capital for the Trust. As the date of this SAI, there were no record or beneficial owners of 5% or more of the shares of any other Fund. The Trustees and officers of the Trust collectively owned less than 1% of each of the Funds' outstanding shares as of the date of this SAI.

### **CODE OF ETHICS**

The Trust and its Investment Adviser have adopted codes of ethics (the "Codes of Ethics") under Rule 17j-1 of the 1940 Act. The Codes of Ethics permit personnel, subject to the Codes of Ethics and their provisions, to invest in securities, including securities that may be purchased or held by the Trust.

### **INVESTMENT ADVISER**

NTI, a subsidiary of The Northern Trust Company ("TNTC") and an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Funds. Northern Trust Corporation is regulated by the Board of Governors of the Federal Reserve System as a financial holding company under the U.S. Bank Holding Company Act of 1956, as amended. NTI is located at 50 South LaSalle Street, Chicago, Illinois 60603.

NTI is an Illinois state banking corporation and an investment adviser registered under the Investment Advisers Act of 1940, as amended. It primarily manages assets for institutional and individual separately managed accounts, investment companies and bank common and collective funds.

TNTC is the principal subsidiary of Northern Trust Corporation. TNTC is located at 50 South LaSalle Street, Chicago, Illinois 60603.

TNTC is a member of the Federal Reserve System. Since 1889, TNTC has administered and managed assets for individuals, institutions and corporations. Unless otherwise indicated, NTI and TNTC are referred to collectively in this SAI as "Northern Trust."

As of June 30, 2011, Northern Trust Corporation, through its affiliates, had assets under custody of \$4.4 trillion, and assets under investment management of \$684.1 billion.

### **Investment Advisory and Ancillary Services Agreement**

Under the Trust's Investment Advisory and Ancillary Services Agreement with the Investment Adviser for the Funds (the "Advisory Agreement"), the Investment Adviser, subject to the general supervision of the Trust's Board of Trustees, makes decisions with respect to, and places orders for, all purchases and sales of portfolio securities for each Fund and also provides certain ancillary services.

The Investment Adviser also is responsible for monitoring and preserving the records required to be maintained under the regulations of the SEC (with certain exceptions unrelated to its activities for the FlexShares Trust). In making investment recommendations for the Funds, if any, investment advisory personnel may not inquire



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or take into consideration whether issuers of securities proposed for purchase or sale for the Funds' accounts are customers of TNTC' s commercial banking department. These requirements are designed to prevent investment advisory personnel for the Funds from knowing which companies have commercial business with TNTC and from purchasing securities where they know the proceeds will be used to repay loans to the bank.

The Advisory Agreement has been approved by the Board of Trustees, including the "non-interested" Trustees and the initial shareholder of each Fund prior to the initial offering of shares of the Fund.

The Advisory Agreement provides that generally in selecting brokers or dealers to place orders for transactions on (i) common and preferred stocks, the Investment Adviser shall use its best judgment to obtain the best overall terms available; and (ii) on bonds and other fixed-income obligations, the Investment Adviser shall attempt to obtain best net price and execution or, use its best judgment to obtain the best overall terms available.

Transactions on U.S. stock exchanges, and increasingly equity securities traded over-the-counter, involve the payment of negotiated brokerage commissions. Over-the-counter transactions in equity securities also may involve the payment of negotiated commissions to brokers. Transactions on foreign stock exchanges involve payment for brokerage commissions, which generally are fixed by applicable regulatory bodies. Many over-the-counter issues, including corporate debt and government securities, are normally traded on a "net" basis (i.e., without commission) through dealers, or otherwise involve transactions directly with the issuer of an instrument. With respect to over-the-counter transactions, the Investment Adviser will often deal directly with dealers who make a market in the instruments involved except in those circumstances where more favorable prices and execution are available elsewhere. The cost of foreign and domestic securities purchased from underwriters includes an underwriting commission or concession, and the prices at which securities are purchased from and sold to dealers include a dealer' s mark-up or mark-down. On exchanges on which commissions are negotiated, the cost of transactions may vary among different brokers. In assessing the best overall terms available for any transaction, the Investment Adviser is to consider all factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In evaluating the best overall terms available and in selecting the broker or dealer to execute a particular transaction, the Investment Adviser may consider the brokerage and research services provided to the Funds and/or other accounts over which the Investment Adviser or an affiliate exercises investment discretion. A broker or dealer providing brokerage and/or research services may receive a higher commission than another broker or dealer would receive for the same transaction. These brokerage and research services may include but are not limited to, furnishing of advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in securities and the availability of securities or purchasers or sellers of securities. The Investment Adviser also may obtain economic statistics, forecasting services, industry and company analyses, portfolio strategies, quantitative data, quotation services, order management systems for certain purposes, certain news services, credit rating services, testing services, execution services, market information systems, consulting services from economists and political analysts and computer software or on-line data feeds. These services and products may disproportionately benefit other accounts. For example, research or other services paid for through the Funds' commissions may not be used in managing the Funds. In addition, other accounts may receive the benefit, including disproportionate benefits, of economies of scale or price discounts in connection with products or services that may be provided to the Funds and to such other accounts. To the extent that the Investment Adviser uses soft dollars, it will not have to pay for those products or services itself. The Investment Adviser may receive research that is bundled with the trade execution, clearing, and/or settlement services provided by a particular broker-dealer. In that event, the research will effectively be paid for by client commissions that will also be used to pay for execution, clearing and settlement services provided by the broker-dealer and will not be paid by the Investment Adviser.

The Investment Adviser and its affiliates also receive products and services that provide both research and non-research benefits to them ("mixed-use items"). The research portion of mixed-use items may be paid for with soft dollars. When paying for the research portion of mixed-use items with soft dollars, the Investment Adviser must make a good faith allocation between the cost of the research portion and the cost of the non-research portion of the mixed-use items. The Investment Adviser will pay for the non-research portion of the mixed-use items with hard dollars.

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Supplemental research information so received is in addition to, and not in lieu of, services required to be performed by the Investment Adviser and does not reduce the advisory fees payable to the Investment Adviser by the Funds. The Trustees will periodically review the commissions paid by the Funds to consider whether the commissions paid over representative periods of time appear to be reasonable in relation to the benefits inuring to the Funds. It is possible that certain of the supplemental research or other services received will primarily benefit one or more other investment companies or other accounts. Conversely, a Fund may be the primary beneficiary of the research or services received as a result of portfolio transactions effected for such other account or investment company.

The Funds may participate, if and when practicable, in bidding for the purchase of portfolio securities directly from an issuer in order to take advantage of the lower purchase price available to members of a bidding group. The Funds will engage in this practice, however, only when the Investment Adviser believes such practice to be in the Funds' interests.

On occasions when the Investment Adviser deems the purchase or sale of a security to be in the best interests of a Fund as well as other fiduciary or agency accounts of the Investment Adviser, the Advisory Agreement provides that the Investment Adviser, to the extent permitted by applicable laws and regulations, may aggregate the securities to be sold or purchased for the Funds with those to be sold or purchased for such other accounts in order to obtain the best net price and execution. In such an event, allocation of the securities so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Investment Adviser in the manner it considers to be most equitable and consistent with its fiduciary obligations to the Fund and its other accounts involved. In some instances, this procedure may adversely affect the size of the position obtainable for a Fund or the amount of the securities that are able to be sold for a Fund. To the extent that the execution and price available from more than one broker or dealer are believed to be comparable, the Advisory Agreement permits the Investment Adviser, at its discretion but subject to applicable law, to select the executing broker or dealer on the basis of the Investment Adviser's opinion of the reliability and quality of the broker or dealer.

The Advisory Agreement provides that the Investment Adviser may render similar services to others so long as its services under the Advisory Agreement are not impaired thereby. The Advisory Agreement also provides that the Trust will indemnify the Investment Adviser against certain liabilities (including liabilities under the federal securities laws relating to untrue statements or omissions of material fact and actions that are in accordance with the terms of the Advisory Agreement) or, in lieu thereof, contribute to resulting losses.

Pursuant to the Advisory Agreement, the Investment Adviser is responsible for all expenses of the Funds, except: (i) its advisory fees payable under the Advisory Agreement; (ii) distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act; (iii) interest expenses; (iv) brokerage expenses and other expenses (such as stamp taxes) in connection with the execution of portfolio transactions or in connection with creation and redemption transactions; (v) compensation and expenses of the non-interested trustees; (vi) compensation and expenses of counsel to the non-interested trustees; (vii) tax expenses; and (viii) extraordinary expenses, as determined under generally accepted accounting principles. For its services to each Fund, the Investment Adviser is entitled to an advisory fee, computed daily and payable monthly, at annual rates set forth in the table below (expressed as a percentage of each Fund's respective average daily net assets).

FlexShares Morningstar US Market Factor Tilt Index Fund	0.27%
FlexShares Morningstar Global Upstream Natural Resources Index Fund	0.48%
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	0.20%
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	0.20%
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	0.20%

Unless sooner terminated, the Trust's Advisory Agreement will continue in effect with respect to a particular Fund until June 30, 2013, and thereafter for successive 12-month periods, provided that the continuance is approved at least annually (i) by the vote of a majority of the Trustees who are not parties to the agreement or "interested persons" (as such term is defined in the 1940 Act) of any party thereto, cast in person at a meeting called for the purpose of voting on such approval and (ii) by the Trustees or by the vote of a majority of the outstanding shares of such Fund (as defined under "Description of Shares"). The Advisory Agreement is terminable at any time without penalty by the Trust (by specified Trustee or shareholder action) or by the Investment Adviser on 60 days' written notice.

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NTI has contractually agreed to reimburse each Fund the fees and expenses of the non-interested trustees and the legal counsel to the non-interested trustees allocated to such Fund until September , 2012. After this date, NTI and a Fund may mutually agree to extend the contractual arrangement. The Board of Trustees may terminate the contractual arrangement at any time if it determines that it is in the best interest of a Fund and its shareholders.

Under the Advisory Agreement with FlexShares Trust, Northern Trust Corporation agrees that the name “FlexShares” may be used in connection with the Trust’ s business on a royalty-free basis. Northern Trust Corporation has reserved to itself the right to grant the non-exclusive right to use the name “FlexShares” to any other person. The Advisory Agreement provides that at such time as the Agreement is no longer in effect, the Trust will cease using the name “FlexShares.”

### **PORTFOLIO MANAGERS**

<u>Fund</u>	<u>Portfolio Managers</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	Chad M. Rakvin, Shaun Murphy and Jordan Dekhayser
FlexShares Morningstar Global Upstream Natural Resources Index Fund	Chad M. Rakvin, Shaun Murphy and Jordan Dekhayser
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	Daniel J. Personette, Michael R. Chico and Brandon P. Ferguson
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	Daniel J. Personette, Michael R. Chico and Brandon P. Ferguson
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	Daniel J. Personette, Michael R. Chico and Brandon P. Ferguson

### **Accounts Managed by Portfolio Managers**

The table below discloses accounts within each type of category listed below for which **Chad M. Rakvin** was jointly and primarily responsible for day-to-day portfolio management as of March 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	35	\$22,960.7	0	\$ 0
Other Pooled Investment Vehicles:	78	\$83,617.6	0	\$ 0
Other Accounts:	95	\$104,399.0	0	\$ 0

The table below discloses accounts within each type of category listed below for which **Shaun Murphy** was jointly and primarily responsible for day-to-day portfolio management as of March 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	11	\$7,327.5	0	\$ 0
Other Pooled Investment Vehicles:	22	\$19,683.9	0	\$ 0
Other Accounts:	52	\$82,679.2	0	\$ 0

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The table below discloses accounts within each type of category listed below for which **Jordan Dekhayser** was jointly and primarily responsible for day-to-day portfolio management as of March 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	5	\$2,440	0	\$ 0
Other Pooled Investment Vehicles:	13	\$ 11,300	0	\$ 0
Other Accounts:	10	\$5,900	0	\$ 0

The table below discloses accounts within each type of category listed below for which **Daniel J. Personette** was jointly and primarily responsible for day-to-day portfolio management as of March 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	3	\$1,193.3	0	\$ 0
Other Pooled Investment Vehicles:	4	\$2,978.0	0	\$ 0
Other Accounts:	10	\$15,037.0	0	\$ 0

The table below discloses accounts within each type of category listed below for which **Michael R. Chico** was jointly and primarily responsible for day-to-day portfolio management as of July 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	0	\$0	0	\$ 0
Other Pooled Investment Vehicles:	8	\$8,910.0	0	\$ 0
Other Accounts:	5	\$2,456.4	0	\$ 0

The table below discloses accounts within each type of category listed below for which **Brandon P. Ferguson** was jointly and primarily responsible for day-to-day portfolio management as of July 31, 2011.

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (in Millions)</u>	<u># of Accounts Managed that Advisory Fee is Based on Performance</u>	<u>Total Assets that Advisory Fee is Based on Performance (in Millions)</u>
Other Registered Investment Companies:	1	\$121.8	0	\$ 0
Other Pooled Investment Vehicles:	3	\$1933.2	0	\$ 0
Other Accounts:	6	\$2,761.3	0	\$ 0



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### **Material Conflicts of Interest**

The Investment Adviser's portfolio managers are often responsible for managing one or more FlexShares Trust Funds, as well as other accounts, including mutual funds, separate accounts and other pooled investment vehicles. A Fund's manager may manage a mutual fund, separate account or other pooled investment vehicle that may have a materially higher or lower fee arrangement with the Investment Adviser than the Fund. The side-by-side management of these accounts may raise potential conflicts of interest relating to cross trading, the allocation of investment opportunities and the aggregation and allocation of trades. In addition, while portfolio managers generally only manage accounts with similar investment strategies, it is possible, due to varying investment restrictions among accounts and for other reasons, that certain investments could be made for some accounts and not others or conflicting investment positions could be taken among accounts. The Investment Adviser has a fiduciary responsibility to manage all client accounts in a fair and equitable manner. It seeks to provide best execution of all securities transactions and aggregate and then allocate securities to client accounts in a fair and timely manner. To this end, the Investment Adviser has developed policies and procedures designed to mitigate and manage the potential conflicts of interest that may arise from side-by-side management. In addition, the Investment Adviser and the Trust have adopted policies limiting the circumstances under which cross-trades may be effected between the Funds and another client account. The Investment Adviser conducts periodic reviews of trades for consistency with these policies.

The Investment Adviser will give advice to and make investment decisions for the Trust as it believes is in the fiduciary interest of the Trust. Advice given to the Trust or investment decisions made for the Trust may differ from, and may conflict with, advice given or investment decisions made for the Investment Adviser or its affiliates or other funds or accounts managed by the Investment Adviser or its affiliates. For example, other funds or accounts managed by the Investment Adviser may sell short securities of an issuer in which the Trust has taken, or will take, a long position in the same securities. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure of the Trust and such increase in price would be to the Trust's detriment. Conflicts may also arise because portfolio decisions regarding the Trust may benefit the Investment Adviser or its affiliates or another account or fund managed by the Investment Adviser or its affiliates. For example, the sale of a long position or establishment of a short position by the Trust may impair the price of the same security sold short by (and therefore benefit) another account or fund managed by the Investment Adviser or its affiliates, and the purchase of a security or covering a short position in a security by the Trust may increase the price of the same security held by (and therefore benefit) another account or fund managed by the Investment Adviser or its affiliates. Actions taken with respect to the Investment Adviser and its affiliates' other funds or accounts managed by them may adversely impact the Funds, and actions taken by the Funds may benefit the Investment Adviser or its affiliates or its other funds or accounts.

To the extent permitted by applicable law, the Investment Adviser may make payments to authorized dealers and other financial intermediaries ("Intermediaries") from time to time to promote the Funds. These payments may be made out of the Investment Adviser's assets, or amounts payable to the Investment Adviser rather than as a separately identifiable charge to the Funds. These payments may compensate Intermediaries for, among other things: marketing the Funds; access to the Intermediaries' registered representatives or salespersons, including at conferences and other meetings; assistance in training and education of personnel; marketing support; and/or other specified services intended to assist in the distribution and marketing of the Funds. The payments may also, to the extent permitted by applicable regulations, contribute to various non-cash and cash incentive arrangements to promote certain products, as well as sponsor various educational programs, sales contests and/or, administrative services.

### **Portfolio Manager Compensation Structure**

The compensation for the portfolio managers of the Funds is based on the competitive marketplace and consists of a fixed base salary plus a variable annual cash incentive award. In addition, non-cash incentives, such as stock options or restricted stock of Northern Trust Corporation, may be awarded from time to time. The annual incentive award is discretionary and is based on a quantitative and qualitative evaluation of each portfolio manager's investment performance and contribution to his or her respective team plus the financial performance of the investment business unit and Northern Trust Corporation as a whole. The annual incentive award is not based on performance of the Funds or the amount of assets held in the Funds. Moreover, no material differences exist between the compensation structure for Fund accounts and other types of accounts.

**Disclosure of Securities Ownership**

As of the date of this SAI, no portfolio manager owned shares of any Fund.

**PROXY VOTING**

The Trust has delegated the voting of portfolio securities to its Investment Adviser. The Investment Adviser has adopted proxy voting policies and procedures applicable to Northern Trust Corporation and its affiliates (the “Proxy Voting Policy”) for the voting of proxies on behalf of client accounts for which the Investment Adviser has voting discretion, including the Funds. Under the Proxy Voting Policy, shares are to be voted in the best interests of the Funds.

A Proxy Committee comprised of senior investment and compliance officers of the Investment Adviser has adopted certain guidelines (the “Proxy Guidelines”) concerning various corporate governance issues. The Proxy Committee has the responsibility for the content, interpretation and application of the Proxy Guidelines and may apply these Proxy Guidelines with a measure of flexibility. The Investment Adviser has retained an independent third party (the “Service Firm”) to review proxy proposals and to make voting recommendations to the Proxy Committee in a manner consistent with the Proxy Guidelines. The Proxy Committee will apply the Proxy Guidelines as discussed below to any such recommendation.

The Proxy Guidelines provide that the Investment Adviser will generally vote for or against various proxy proposals, usually based upon certain specified criteria. As an example, the Proxy Guidelines provide that the Investment Adviser will generally vote in favor of proposals to:

- Repeal existing classified boards and elect directors on an annual basis;
- Adopt a written majority voting or withhold policy (in situations in which a company has not previously adopted such a policy);
- Lower supermajority shareholder vote requirements for charter and bylaw amendments;
- Lower supermajority shareholder vote requirements for mergers and other business combinations;
- Increase common share authorizations for a stock split;
- Implement a reverse stock split;
- Approve an ESOP (employee stock ownership plan) or other broad based employee stock purchase or ownership plan, or increase authorized shares for existing plans; and
- Adopt certain social and environmental issues regarding discrimination, disclosures of environmental impact and corporate sustainability, when appropriate.

The Proxy Guidelines also provide that the Investment Adviser will generally vote against proposals to:

- Classify the board of directors;
- Require that poison pill plans be submitted for shareholder ratification;
- Adopt dual class exchange offers or dual class recapitalizations;
- Require a supermajority shareholder vote to approve mergers and other significant business combinations;
- Require a supermajority shareholder vote to approve charter and bylaw amendments; and
- Adopt certain social and environmental proposals deemed unwarranted by the company’ s board of directors.

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In certain circumstances, the Proxy Guidelines provide that proxy proposals will be addressed on a case-by-case basis, including those regarding executive and director compensation plans, mergers and acquisitions, ratification of poison pill plans, a change in the company's state of incorporation and an increase in authorized common stock.

Except as otherwise provided in the Proxy Voting Policy, the Proxy Committee may vote proxies contrary to the recommendations of the Service Firm if it determines that such action is in the best interest of the Fund. In exercising its discretion, the Proxy Committee may take into account a variety of factors relating to the matter under consideration, the nature of the proposal and the company involved. As a result, the Proxy Committee may vote in one manner in the case of one company and in a different manner in the case of another where, for example, the past history of the company, the character and integrity of its management, the role of outside directors, and the company's record of producing performance for investors justifies a high degree of confidence in the company and the effect of the proposal on the value of the investment. Similarly, poor past performance, uncertainties about management and future directions, and other factors may lead the Proxy Committee to conclude that particular proposals present unacceptable investment risks and should not be supported. The Proxy Committee also evaluates proposals in context. A particular proposal may be acceptable standing alone, but objectionable when part of an existing or proposed package. Special circumstances may also justify casting different votes for different clients with respect to the same proxy vote.

The Investment Adviser may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships with persons having an interest in the outcome of certain votes. For example, the Investment Adviser may provide trust, custody, investment management, brokerage, underwriting, banking and related services to accounts owned or controlled by companies whose management is soliciting proxies. Occasionally, the Investment Adviser may also have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors or candidates for directorships. The Investment Adviser may also be required to vote proxies for securities issued by Northern Trust Corporation or its affiliates or on matters in which the Investment Adviser has a direct financial interest, such as shareholder approval of a change in the advisory fees paid by a Fund. The Investment Adviser seeks to address such conflicts of interest through various measures, including the establishment, composition and authority of the Proxy Committee and the retention of the Service Firm to perform proxy review and vote recommendation functions. The Proxy Committee has the responsibility to determine whether a proxy vote involves a conflict of interest and how the conflict should be addressed in conformance with the Proxy Voting Policy. The Proxy Committee may resolve such conflicts in any of a variety of ways, including without limitation the following: (i) voting in accordance with the Proxy Guidelines based recommendation of the Service Firm; (ii) voting in accordance with the recommendation of an independent fiduciary appointed for that purpose; (iii) voting pursuant to client direction by seeking instructions from the Board of Trustees; (iv) or by voting pursuant to a "mirror voting" arrangement under which shares are voted in the same manner and proportion as shares over which the Investment Adviser does not have voting discretion. The method selected by the Proxy Committee may vary depending upon the facts and circumstances of each situation.

The Investment Adviser may choose not to vote proxies in certain situations. This may occur, for example, in situations where the exercise of voting rights could restrict the ability to freely trade the security in question (as is the case, for example, in certain foreign jurisdictions known as "blocking markets"). In circumstances in which the Service Firm does not provide recommendations for a particular proxy, the Proxy Committee may obtain recommendations from analysts at the Investment Adviser who review the issuer in question or the industry in general. The Proxy Committee will apply the Proxy Guidelines as discussed above to any such recommendation.

This summary of the Trust's Proxy Voting Policies and Proxy Guidelines is also posted in the resources section of the Trust's Web site. You may also obtain, upon request and without charge, a paper copy of the Trust's Proxy Voting Policies and Proxy Guidelines or a Statement of Additional Information by calling 1-855-FLEXETF (1-855-353-9383).

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Information regarding how the Funds voted proxies, if any, relating to portfolio securities for the 12-month period ended June 30, 2012 will be made available, without charge, upon request, by contacting the Adviser or by visiting the SEC's Web site, [www.sec.gov](http://www.sec.gov).

### **ADMINISTRATOR**

J.P. Morgan Chase Bank, N.A. (the "Administrator"), One Beacon Street, Boston, Massachusetts 02108, acts as Administrator for the Funds under a Fund Servicing Agreement with the Trust. Subject to the general supervision of the Trust's Board of Trustees, the Administrator provides supervision of all aspects of the Trust's non-investment advisory operations and performs various administration, compliance, accounting and regulatory services, including but not limited to: (i) providing office facilities and furnishing corporate officers for the Trust; (ii) coordination, preparation and review of financial statements; (iii) monitoring compliance with federal tax and securities laws; (iv) performing certain functions ordinarily performed by the office of a corporate treasurer, and furnishing the services and facilities ordinarily incident thereto, such as expense accrual monitoring and payment of the Trust's bills, preparing monthly reconciliation of the Trust's expense records, updating projections of annual expenses, preparing materials for review by the Board of Trustees and compliance testing; (v) maintaining the Trust books and records in accordance with applicable statutes, rules and regulations; (vi) preparing post-effective amendments to the Trust's registration statement; (vii) calculating each Fund's NAV; (viii) accounting for dividends and interest received and distributions made by the Trust; and (ix) preparing and filing the Trust's federal and state tax returns (other than those required to be filed by the Trust's Custodian and Transfer Agent) and providing shareholder tax information to the Trust's Transfer Agent.

Subject to the limitations described below, as compensation for their administrative services and the assumption of related expenses, the Administrator is entitled to asset-based fees in the amount of .015% of assets under management for accounting services and .025% of assets under management for administration services, subject to a certain minimum fee. The initial term of the Administration Agreement is three years. The Administration Agreement will renew each year following the initial term, unless at least sixty days notice is given prior to the end of a term. Under the Advisory Agreement, the Investment Adviser has contractually assumed the Trust's obligation to pay the fees of the Administrator.

### **DISTRIBUTOR**

Foreside Fund Services, LLC ("Foreside" or the "Distributor"), a Delaware limited liability company, serves as the distributor of Creation Units for the Funds on an agency basis. The Trust has entered into a Distribution Agreement under which Foreside, as agent, receives orders from Authorized Participants to create and redeem shares in Creation Unit Aggregations and transmits such orders to the Trust's Custodian and Transfer Agent. The Distributor's principal address is 3 Canal Plaza, Portland, Maine 04101. The Distributor is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and a member of the Financial Industry Regulatory Authority ("FINRA"). Shares will be continuously offered for sale by the Trust through the Distributor only in whole Creation Units, as described in the section of this SAI entitled "Purchase and Redemption of Creation Units Aggregations." The Distributor also acts as an agent for the Trust for those activities described within the Distribution Agreement. The Distributor will deliver a prospectus to Authorized Participants purchasing Shares in Creation Units and will maintain records of both orders placed with it and confirmations of acceptance furnished by it to Authorized Participants. The Distributor has no role in determining the investment policies of the Funds or which securities are to be purchased or sold by the Funds.

### **DISTRUBUTION AND SERVICE PLAN**

As stated in the Funds' Prospectus, the Funds may enter into agreements from time to time with financial intermediaries providing for support and/or distribution services to customers of the financial intermediaries who are the beneficial owners of Fund shares. Under the agreements, the Funds may pay financial intermediaries up to 0.25% (on an annualized basis) of the average daily NAV of the shares beneficially owned by their customers. Distribution services may include: (i) services in connection with distribution assistance, or (ii) payments to financial institutions and other financial intermediaries, such as broker-dealers and mutual fund "supermarkets," as compensation for services or reimbursement of expenses incurred in connection with distribution assistance.

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The Funds' arrangements with financial intermediaries under the agreements are governed by a Distribution and Service Plan, which has been adopted by the Board of Trustees in accordance with Rule 12b-1 under the 1940 Act. In accordance with the Plan, the Board of Trustees reviews, at least quarterly, a written report of the amounts expended in connection with the Funds' arrangements with financial intermediaries and the purposes for which the expenditures were made. In addition, the Funds' arrangements with financial intermediaries must be approved annually by a majority of the Trustees, including a majority of the Trustees who are not "interested persons" of the Funds as defined in the 1940 Act and have no direct or indirect financial interest in such arrangements (the "Disinterested Trustees").

The Board of Trustees believes that there is a reasonable likelihood that its arrangements with financial intermediaries will benefit each Fund and its shareholders. Any material amendment to the arrangements with financial intermediaries under the agreements must be approved by a majority of the Board of Trustees (including a majority of the Disinterested Trustees), and any amendment to increase materially the costs under the Distribution and Service Plan with respect to a Fund must be approved by the holders of a majority of the outstanding shares of the Fund. So long as the Distribution and Service Plan is in effect, the selection and nomination of the members of the Board of Trustees who are not "interested persons" (as defined in the 1940 Act) of the Trust will be committed to the discretion of such Disinterested Trustees.

### **TRANSFER AGENT**

Under its Agency Services Agreement with the Trust, JP Morgan Chase Bank, N.A. ("Transfer Agent") as Transfer Agent has undertaken to perform some or all of the following services: (i) perform and facilitate the performance of purchases and redemptions of Creation Units; (ii) prepare and transmit payments for dividends and distributions; (iii) record the issuance of shares and maintain records of the number of authorized shares; (iv) prepare and transmit information regarding purchases and redemptions of shares; (v) communicate information regarding purchases and redemptions of shares and other relevant information to appropriate parties; (vi) maintain required books and records; and (vii) perform other customary services of a transfer agent and dividend disbursing agent for an ETF (exchange traded fund).

As compensation for the services rendered by the Transfer Agent under the Agency Services Agreement the Transfer Agent is entitled to reasonable out-of-pocket or incidental expenses as provided under the Agency Services Agreement. The initial term of the Agency Services Agreement is three years. The Agency Services Agreement will renew each year following the initial term, unless at least sixty days notice is given prior to the end of a term. Under the Advisory Agreement, the Investment Adviser has contractually assumed the Trust's obligation to pay the expenses of the Transfer Agent.

### **CUSTODIAN**

Under its Global Custody Agreement with the Trust, JP Morgan Chase Bank, N.A. (the "Custodian") (i) holds each Fund's cash and securities; (ii) maintains such cash and securities in separate accounts in the name of each Fund; (iii) receives, delivers and releases securities on behalf of each Fund; (iv) collects and receives all income, principal and other payments in respect of each Fund's investments held by the Custodian; and (v) maintains a statement of account for each account of the Trust. The Custodian may employ one or more sub-custodians, provided that the Custodian, shall be liable for direct losses due to the sub-custodian's insolvency or the sub-custodian's failure to use reasonable care, fraud or willful default in the provision of its services. The Custodian will enter into agreements with financial institutions and depositories located in foreign countries with respect to the custody of the Funds' foreign securities.

As compensation for the services rendered under the Global Custody Agreement with respect to the Trust by the Custodian to each Fund, the Custodian is entitled to fees and reasonable out-of-pocket expenses. The initial term of the Global Custody Agreement is three years. The Global Custody Agreement will renew each year following the initial term, unless at least sixty days notice is given prior to the end of a term. Under the Advisory Agreement, the Investment Adviser has contractually assumed the Trust's obligation to pay the fees and expenses of the Custodian.

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### DESCRIPTION OF SHARES

The Declaration of Trust of the Trust (the “Declaration”) permits the Trust’s Board of Trustees to cause the Trust to issue an unlimited number of full and fractional shares of beneficial interest of one or more separate series representing interests in one or more investment portfolios. The Trustees or Trust may create additional series and each series may be divided into classes.

Under the terms of the Declaration, each share of each Fund has a par value of \$0.0001, and represents a proportionate interest in the particular Fund with each other share of its class in the same Fund and is entitled to such dividends and distributions out of the assets belonging to the Fund as are authorized by the Trustees and declared by the Trust. Upon any liquidation of a Fund, shareholders of each class of a Fund are entitled to share pro rata in the net assets belonging to that class available for distribution. Shares do not have any preemptive or conversion rights. The right of redemption is described under “Shareholder Information” in the Prospectus. In addition, pursuant to the terms of the 1940 Act, the right of a shareholder to redeem shares and the date of payment by a Fund may be suspended for more than seven days (i) for any period during which the New York Stock Exchange is closed, other than the customary weekends or holidays, or trading in the markets the Fund normally utilizes is closed or is restricted as determined by the SEC, (ii) during any emergency, as determined by the SEC, as a result of which it is not reasonably practicable for the Fund to dispose of instruments owned by it or fairly to determine the value of its net assets, or (iii) for such other period as the SEC may by order permit for the protection of the shareholders of the Fund. The Trust also may suspend or postpone the recording of the transfer of its shares upon the occurrence of any of the foregoing conditions. In addition, shares of each Fund are redeemable at the unilateral option of the Trust. The Declaration permits the Board to alter the number of shares constituting a Creation Unit or to specify that shares of beneficial interest of the Trust may be individually redeemable. Shares when issued as described in the Prospectus are validly issued, fully paid and nonassessable. In the interests of economy and convenience, certificates representing shares of the Funds are not issued.

Following the creation of the initial Creation Unit Aggregation(s) of a Fund and immediately prior to the commencement of trading in such Fund’s shares, a holder of shares may be a “control person” of the Fund, as defined in the 1940 Act. A Fund cannot predict the length of time for which one or more shareholders may remain a control person of the Fund.

The proceeds received by each Fund for each issue or sale of its shares, and all net investment income, realized and unrealized gain and proceeds thereof, subject only to the rights of creditors, will be specifically allocated to and constitute the underlying assets of that Fund. The underlying assets of each Fund will be segregated on the books of account, and will be charged with the liabilities in respect to that Fund and with a share of the general liabilities of the Trust. Expenses with respect to the Funds normally are allocated in proportion to the NAV of the respective Funds except where allocations of direct expenses can otherwise be fairly made.

Each Fund and other Funds of the Trust entitled to vote on a matter will vote in the aggregate and not by Fund, except as required by law or when the matter to be voted on affects only the interests of shareholders of a particular Fund or Funds.

Rule 18f-2 under the 1940 Act provides that any matter required by the provisions of the 1940 Act or applicable state law, or otherwise, to be submitted to the holders of the outstanding voting securities of an investment company such as the Trust shall not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each investment portfolio affected by such matter. Rule 18f-2 further provides that an investment portfolio shall be deemed to be affected by a matter unless the interests of each investment portfolio in the matter are substantially identical or the matter does not affect any interest of the investment portfolio. Under the Rule, the approval of an investment advisory agreement, a distribution plan subject to Rule 12b-1 under the 1940 Act or any change in a fundamental investment policy would be effectively acted upon

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with respect to an investment portfolio only if approved by a majority of the outstanding shares of such investment portfolio. However, the Rule also provides that the ratification of the appointment of independent accountants, the approval of principal underwriting contracts and the election of Trustees are exempt from the separate voting requirements stated above.

The Trust is not required to hold annual meetings of shareholders and does not intend to hold such meetings. In the event that a meeting of shareholders is held, each share of the Trust will be entitled, as determined by the Trustees without the vote or consent of shareholders, either to one vote for each share or to one vote for each dollar of NAV represented by such shares on all matters presented to shareholders, including the election of Trustees (this method of voting being referred to as “dollar-based voting”). However, to the extent required by the 1940 Act or otherwise determined by the Trustees, series and classes of the Trust will vote separately from each other. Shareholders of the Trust do not have cumulative voting rights in the election of Trustees and, accordingly, the holders of more than 50% of the aggregate voting power of the Trust may elect all of the Trustees, irrespective of the vote of the other shareholders. Meetings of shareholders of the Trust, or any series or class thereof, may be called by the Trustees or upon the written request of holders of at least a majority of the shares entitled to vote at such meeting. The shareholders of the Trust will have voting rights only with respect to the limited number of matters specified in the Declaration and such other matters as the Trustees may determine or may be required by law.

The Declaration authorizes the Trustees, without shareholder approval (except as stated in the next paragraph), to cause the Trust, or any series thereof, to merge or consolidate with any corporation, association, trust or other organization or sell or exchange all or substantially all of the property belonging to the Trust, or any series thereof. In addition, the Trustees, without shareholder approval, may adopt a “master-feeder” structure by investing substantially all of the assets of a series of the Trust in the securities of another open-end investment company or pooled portfolio.

The Declaration also authorizes the Trustees, in connection with the termination or other reorganization of the Trust or any series or class by way of merger, consolidation, the sale of all or substantially all of the assets, or otherwise, to classify the shareholders of any class into one or more separate groups and to provide for the different treatment of shares held by the different groups, provided that such termination or reorganization is approved by a majority of the outstanding voting securities (as defined in the 1940 Act) of each group of shareholders that are so classified.

The Declaration permits the Trustees to amend the Declaration without a shareholder vote. However, shareholders of the Trust have the right to vote on any amendment: (i) that would adversely affect the voting rights of shareholders specified in the Declaration; (ii) that is required by law to be approved by shareholders; (iii) to the amendment section of the Declaration; or (iv) that the Trustees determine to submit to shareholders.

The Declaration permits the termination of the Trust or of any series or class of the Trust: (i) by a majority of the affected shareholders at a meeting of shareholders of the Trust, series or class; or (ii) by a majority of the Trustees without shareholder approval if the Trustees determine that such action is in the best interest of the Trust or its shareholders. The factors and events that the Trustees may take into account in making such determination include: (i) the inability of the Trust or any series or class to maintain its assets at an appropriate size; (ii) changes in laws or regulations governing the Trust, or any series or class thereof, or affecting assets of the type in which it invests; or (iii) economic developments or trends having a significant adverse impact on their business or operations.

In the event of a termination of the Trust or the Fund, the Board, in its sole discretion, could determine to permit the shares to be redeemable in aggregations smaller than Creation Unit Aggregations or to be individually redeemable. In such circumstance, the Trust may make redemptions in-kind, for cash, or for a combination of cash or securities.

Under the Maryland Statutory Trust Act (the “Maryland Act”), shareholders are not personally liable for obligations of the Trust. The Maryland Act entitles shareholders of the Trust to the same limitation of liability as is available to stockholders of corporations incorporated in the State of Maryland. However, no similar statutory or other authority limiting business trust shareholder liability exists in many other states. As a result, to the extent that the Trust or a shareholder is subject to the jurisdiction of courts in such other states, those courts may not apply

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Maryland law and may subject the shareholders to liability. To offset this risk, the Declaration: (i) contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides that notice of such disclaimer may be given in each agreement, obligation and instrument entered into or executed by the Trust or its Trustees and (ii) provides for indemnification out of the property of the applicable series of the Trust of any shareholder held personally liable for the obligations of the Trust solely by reason of being or having been a shareholder and not because of the shareholder's acts or omissions or for some other reason. Thus, the risk of a shareholder incurring financial loss beyond his or her investment because of shareholder liability is limited to circumstances in which all of the following factors are present: (i) a court refuses to apply Maryland law; (ii) the liability arises under tort law or, if not, no contractual limitation of liability is in effect; and (iii) the applicable series of the Trust is unable to meet its obligations.

The Declaration provides that the Trustees will not be liable to any person other than the Trust or a shareholder and that a Trustee will not be liable for any act as a Trustee. Additionally, subject to applicable federal law, no person who is or who has been a Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. However, nothing in the Declaration protects a Trustee against any liability to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office. The Declaration requires indemnification of Trustees and officers of the Trust unless the recipient is liable by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

The Declaration provides that each shareholder, by virtue of becoming such, will be held to have expressly assented and agreed to the terms of the Declaration and the Bylaws of the Trust.

The Declaration provides that a shareholder of the Trust may bring a derivative action on behalf of the Trust only if the following conditions are met: (i) shareholders who hold at least 10% of the outstanding shares of the Trust, or 10% of the outstanding shares of the series or class to which such action relates, must join in the request for the Trustees to commence such action; and (ii) the Trustees must be afforded a reasonable amount of time to consider such shareholder request and to investigate the basis of such claim. The Declaration also provides that no person, other than the Trustees, who is not a shareholder of a particular series or class shall be entitled to bring any derivative action, suit or other proceeding on behalf of or with respect to such series or class. The Trustees will be entitled to retain counsel or other advisers in considering the merits of the request and may require an undertaking by the shareholders making such request to reimburse the Trust for the expense of any such advisers in the event that the Trustees determine not to bring such action.

The Trustees may appoint separate Trustees with respect to one or more series or classes of the Trust's shares (the "Series Trustees"). To the extent provided by the Trustees in the appointment of Series Trustees, Series Trustees: (i) may, but are not required to, serve as Trustees of the Trust or any other series or class of the Trust; (ii) may have, to the exclusion of any other Trustee of the Trust, all the powers and authorities of Trustees under the Declaration with respect to such series or class; and/or (iii) may have no power or authority with respect to any other series or class.

The term "majority of the outstanding shares" of either the Trust or a particular Fund or investment portfolio means, with respect to the approval of an investment advisory agreement, a distribution plan or a change in a fundamental investment policy, the vote of the lesser of (i) 67% or more of the shares of the Trust or such Fund or portfolio present at a meeting, if the holders of more than 50% of the outstanding shares of the Trust or such Fund or portfolio are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Trust or such Fund or portfolio.

Absent an applicable exemption or other relief from the SEC or its staff, beneficial owners of more than 5% of the shares of a Fund may be subject to the reporting provisions of Section 13 of the 1934 Act and the SEC's rules promulgated thereunder. In addition, absent an applicable exemption or other relief from the SEC staff, Officers and Trustees of a Fund and beneficial owners of 10% of the shares of a Fund ("Insiders") may be subject to the insider reporting, short-swing profit and short sale provisions of Section 16 of the 1934 Act and the SEC's rules promulgated thereunder. Beneficial owners and Insiders should consult with their own legal counsel concerning their obligations under Sections 13 and 16 of the 1934 Act.



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### **BOOK-ENTRY ONLY SYSTEM**

The following information supplements and should be read in conjunction with the Shareholder Information section in the Prospectus.

The Depository Trust Company (“DTC”) Acts as Securities Depository for the Shares of the Trust. Shares of each Fund are represented by securities registered in the name of DTC or its nominee and deposited with, or on behalf of, DTC.

DTC, a limited-purpose trust company, was created to hold securities of its participants (the “DTC Participants”) and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities’ certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. More specifically, DTC is a subsidiary of the Depository Trust and Clearing Corporation (“DTCC”), which is owned by its member firms including international broker/dealers, correspondent and clearing banks, mutual fund companies and investment banks. Access to the DTC system is also available to others such as banks, brokers, dealers and Trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”).

Beneficial ownership of shares is limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Ownership of beneficial interests in Fund shares (owners of such beneficial interests are referred to herein as “Beneficial Owners”) is shown on, and the transfer of ownership is effected only through, records maintained by DTC (with respect to DTC Participants) and on the records of DTC Participants (with respect to Indirect Participants and Beneficial Owners that are not DTC Participants). Beneficial Owners will receive from or through the DTC Participant a written confirmation relating to their purchase of shares. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability of certain investors to acquire beneficial interests in shares.

Beneficial Owners of shares are not entitled to have shares registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and are not considered the registered holder thereof. Accordingly, each Beneficial Owner must rely on the procedures of DTC, the DTC Participant and any Indirect Participant through which such Beneficial Owner holds its interests, to exercise any rights of a holder of shares. The Trust understands that under existing industry practice, in the event the Trust requests any action of holders of shares, or a Beneficial Owner desires to take any action that DTC, as the record owner of all outstanding shares, is entitled to take, DTC would authorize the DTC Participants to take such action and that the DTC Participants would authorize the Indirect Participants and Beneficial Owners acting through such DTC Participants to take such action and would otherwise act upon the instructions of Beneficial Owners owning through them. As described above, the Trust recognizes DTC or its nominee as the owner of all shares for all purposes.

Conveyance of all notices, statements and other communications to Beneficial Owners is effected as follows. Pursuant to the Depository Agreement between the Trust and DTC, DTC is required to make available to the Trust upon request and for a fee to be charged to the Trust a listing of the share holdings of each DTC Participant. The Trust shall inquire of each such DTC Participant as to the number of Beneficial Owners holding shares of the Funds, directly or indirectly, through such DTC Participant. The Trust shall provide each such DTC Participant with copies of such notice, statement or other communication, in such form, number and at such place as such DTC Participant may reasonably request, in order that such notice, statement or communication may be transmitted by such DTC Participant, directly or indirectly, to such Beneficial Owners. In addition, the Trust shall pay to each such DTC Participant a fair and reasonable amount as reimbursement for the expenses attendant to such transmittal, all subject to applicable statutory and regulatory requirements.

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Share distributions shall be made to DTC or its nominee, Cede & Co., as the registered holder of all shares of the Trust. DTC or its nominee, upon receipt of any such distributions, shall credit immediately DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in shares as shown on the records of DTC or its nominee. Payments by DTC Participants to Indirect Participants and Beneficial Owners of shares held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in a "street name," and will be the responsibility of such DTC Participants. The Trust has no responsibility or liability for any aspects of the records relating to or notices to Beneficial Owners, or payments made on account of beneficial ownership interests in such shares, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and the DTC Participants or the relationship between such DTC Participants and the Indirect Participants and Beneficial Owners owning through such DTC Participants.

DTC may determine to discontinue providing its service with respect to shares of the Trust at any time by giving reasonable notice to the Trust and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trust shall take action either to find a replacement for DTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to issue and deliver printed certificates representing ownership of shares, unless the Trust makes other arrangements with respect thereto satisfactory to the Listing Exchange on which shares are listed.

### **PURCHASE AND REDEMPTION OF CREATION UNIT AGGREGATIONS**

#### **CREATION UNIT AGGREGATIONS**

The Trust issues and sells shares of each Fund only in Creation Unit Aggregations. The Board of Trustees reserves the right to declare a split or a consolidation in the number of shares outstanding of any Fund of the Trust, and to make a corresponding change in the number of shares constituting a Creation Unit, in the event that the per share price in the secondary market rises (or declines) to an amount that falls outside the range deemed desirable by the Board of Trustees.

### **PURCHASE AND ISSUANCE OF CREATION UNIT AGGREGATIONS**

**General.** The Trust issues and sells shares of each Fund only in Creation Units on a continuous basis through the Distributor, without a sales load, at the Fund's NAV next determined after receipt, on any Business Day (as defined herein), of an order in proper form. A "Business Day" with respect to each Fund is any day on which the Listing Exchange is open for business. As of the date of this SAI, each Listing Exchange observes the following holidays, as observed: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

**Portfolio Deposit.** The consideration for purchase of a Creation Unit of shares of a Fund generally consists of the in-kind deposit of a designated portfolio of securities (the "Deposit Securities") constituting an optimized representation of the Fund's Underlying Index and an amount of cash computed as described below (the "Cash Component"). Together, the Deposit Securities and the Cash Component constitute the "Portfolio Deposit," which represents the minimum initial and subsequent investment amount for shares of a Fund. The Cash Component is an amount equal to the Balancing Amount (as defined below). The "Balancing Amount" is an amount equal to the difference between (x) the net asset value (per Creation Unit) of the Fund and (y) the "Deposit Amount" which is the market

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value (per Creation Unit) of the securities deposited with the Trust. The Balancing Amount serves the function of compensating for any differences between the net asset value per Creation Unit and the Deposit Amount. If the Balancing Amount is a positive number (*i.e.*, the net asset value per Creation Unit is more than the Deposit Amount), the Authorized Participant will deliver the Balancing Amount. If the Balancing Amount is a negative number (*i.e.*, the net asset value per Creation Unit is less than the Deposit Amount), the Authorized Participant will receive the Balancing Amount. Payment of any stamp duty or other similar fees and expenses payable upon transfer of beneficial ownership of the Deposit Securities shall be the sole responsibility of the Authorized Participant that purchased the Creation Unit. The Authorized Participant must ensure that all Deposit Securities properly denote change in beneficial ownership.

NTI makes available through the National Securities Clearing Corporation (“NSCC”) on each Business Day, prior to the opening of business on the Listing Exchange, the list of the names and the required number of shares of each Deposit Security to be included in the current Portfolio Deposit (based on information at the end of the previous Business Day) for each Fund. Such Portfolio Deposit is applicable, subject to any adjustments as described below, in order to effect purchases of Creation Units of a given Fund until such time as the next-announced Portfolio Deposit composition is made available.

The identity and number of shares of the Deposit Securities required for a Portfolio Deposit for each Fund changes as rebalancing adjustments and corporate action events are reflected from time to time by NTI with a view to the investment objective of the Fund. The composition of the Deposit Securities may also change in response to adjustments to the weighting or composition of the securities constituting the relevant securities index.

In addition, the Trust reserves the right to permit or require the substitution of an amount of cash (that is a “cash in lieu” amount) to be added to the Cash Component to replace any Deposit Security which may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the systems of DTC, the Clearing Process (discussed below), the Federal Reserve System for U.S. Treasury Securities (discussed below) or for other similar reasons. The Trust also reserves the right to permit or require a “cash in lieu” amount where the delivery of Deposit Securities by the Authorized Participant (as described below) would be restricted under the securities laws or where delivery of Deposit Securities to the Authorized Participant would result in the disposition of Deposit Securities by the Authorized Participant becoming restricted under the securities laws, and in certain other situations. The adjustments described above will reflect changes, known to NTI on the date of announcement to be in effect by the time of delivery of the Portfolio Deposit, in the composition of the subject index being tracked by the relevant Fund, or resulting from stock splits and other corporate actions.

In addition to the list of names and numbers of securities constituting the current Deposit Securities of a Portfolio Deposit, on each Business Day, the Cash Component effective through and including the previous Business Day, per outstanding Creation Unit of each Fund, will be made available.

**Procedures For Creation of Creation Units.** To be eligible to place orders with the Distributor and to create a Creation Unit of a Fund, an entity must be: (i) a “Participating Party,” *i.e.*, a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the NSCC (the “Clearing Process”), a clearing agency that is registered with the SEC, or (ii) a DTC Participant, and must have executed an agreement with the Distributor, with respect to creations and redemptions of Creation Units (“Participant Agreement”) (discussed below). A Participating Party or DTC Participant who has executed a Participant Agreement is referred to as an “Authorized Participant.” Investors should contact the Distributor for the names of Authorized Participants. All shares of a Fund, however created, will be entered on the records of DTC in the name of Cede & Co. for the account of a DTC Participant.

Except as described below, all creation orders must be placed for one or more Creation Units and, whether through a Participating Party or a DTC Participant, must be received by the Distributor in proper form no later than the closing time of the regular trading session of the Listing Exchange (“Closing Time”) (normally 4:00 p.m., Eastern time) on any Business Day in order for creation of Creation Units to be effected based on the NAV of shares of a Fund as next determined on such date. The FlexShares Morningstar Global Upstream Natural Resources Index Fund is hereinafter referred to as the “Foreign Fund.” All other Funds discussed in this SAI are hereinafter referred to as “Domestic Funds.” The date on which an order to create Creation Units (or an order to redeem Creation Units, as discussed below) is timely received in proper form is referred to as the “Transmittal Date.” Orders must be

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transmitted by an Authorized Participant by telephone or other transmission method acceptable to the Distributor pursuant to procedures set forth in the Participant Agreement, as described below. Economic or market disruptions or changes, or telephone or other communication failure, may impede the ability to reach the Distributor or an Authorized Participant.

All orders to create Creation Units shall be placed with an Authorized Participant in the form required by such Authorized Participant. In addition, an Authorized Participant may request that an investor make certain representations or enter into agreements with respect to an order (e.g., to provide for payments of cash). Investors should be aware that their particular broker may not have executed a Participant Agreement and, therefore, orders to create Creation Units of a Fund will have to be placed by the investor's broker through an Authorized Participant. In such cases, there may be additional charges to such investor. A limited number of broker-dealers has executed a Participant Agreement and only a small number of such Authorized Participants have international capabilities. Investors placing orders for Creation Units of Domestic Funds through the Clearing Process should afford sufficient time to permit proper submission of the order to the Distributor prior to the Closing Time on the Transmittal Date. Orders for Creation Units of Domestic Funds that are effected outside the Clearing Process are likely to require transmittal by the DTC Participant earlier on the Transmittal Date than orders effected using the Clearing Process. Those persons placing orders outside the Clearing Process should ascertain the deadlines applicable to DTC and the Federal Reserve Bank wire system by contacting the operations department of the broker or depository institution effectuating such transfer of Deposit Securities and Cash Component.

Investors placing orders for Creation Units of the Foreign Fund should ascertain the applicable deadline for cash transfers by contacting the operations department of the broker or depository institution making the transfer of the Cash Component. This deadline is likely to be significantly earlier than the closing time of the regular trading session on the applicable Listing Exchange. Investors should be aware that the Authorized Participant may require orders for Creation Units placed with it to be in the form required by the individual Authorized Participant, which form may not be the same as the form of purchase order specified by the Trust that the Authorized Participant must deliver to the Distributor.

**Placement of Creation Orders For Domestic Funds Using The Clearing Process.** The Clearing Process is the process of creating or redeeming Creation Units. Fund Deposits made through the Clearing Process must be delivered through a Participating Party that has executed a Participant Agreement. The Participant Agreement authorizes the Distributor to transmit through the Transfer Agent (also known as the Index Receipt Agent) to NSCC, on behalf of the Participating Party, such trade instructions as are necessary to effect the Participating Party's creation order. Pursuant to such trade instructions to NSCC, the Participating Party agrees to deliver the requisite Deposit Securities and the Cash Component to the Trust, together with such additional information as may be required by the Distributor. An order to create Creation Units through the Clearing Process is deemed received by the Distributor on the Transmittal Date if: (i) such order is received by the Distributor not later than the Closing Time on such Transmittal Date; and (ii) all other procedures set forth in the Participant Agreement are properly followed.

**Placement of Creation Orders For Domestic Funds Not Using The Clearing Process.** Fund Deposits made outside the Clearing Process must be delivered through a DTC Participant that has executed a Participant Agreement. A DTC participant who wishes to place an order creating Creation Units to be effected outside the Clearing Process does not need to be a Participating Party, but such orders must state that the DTC Participant is not using the Clearing Process and that the creation of Creation Units will instead be effected through a transfer of securities (other than U.S. government securities) directly through DTC, or through a transfer of U.S. government securities and cash directly through the Federal Reserve System. The Fund Deposit transfer must be ordered by the DTC Participant on the Transmittal Date in a timely fashion so as to ensure the delivery of the requisite number of Deposit Securities through DTC to the account of the Fund by no later than 2:00 p.m., Eastern time, on the "Settlement Date." The Settlement Date is typically the third Business Day following the Transmittal Date. Each of the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund, and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund reserves the right to settle transactions on a basis other than T+3. In certain cases Authorized Participants will create and redeem Creation Units of the same Fund on the same trade date. In these instances, the Trust reserves the right to settle these transactions on a net basis. All questions as to the number of Deposit Securities to be delivered, and the validity, form and eligibility (including time of receipt) for the deposit of any tendered securities, will be determined by the Trust, whose determination shall be final and binding.

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The amount of cash equal to the Cash Component must be transferred directly to the Custodian through the Federal Reserve Bank wire transfer system in a timely manner so as to be received by the Custodian no later than 2:00 p.m., Eastern time, on the Settlement Date. An order to create Creation Units outside the Clearing Process is deemed received by the Distributor on the Transmittal Date if: (i) such order is received by the Distributor not later than the Closing Time on such Transmittal Date; and (ii) all other procedures set forth in the Participant Agreement are properly followed. However, if the Custodian does not receive both the required Deposit Securities and the Cash Component by 2:00 p.m., Eastern time on the Settlement Date, such order may be canceled. Upon written notice to the Distributor, such canceled order may be resubmitted the following Business Day using a Fund Deposit as newly constituted to reflect the then current NAV of the Fund. The delivery of Creation Units so created generally will occur no later than the Settlement Date. Creation Units of Domestic Funds may be created in advance of receipt by the Trust of all or a portion of the applicable Deposit Securities as described below. In these circumstances, the initial deposit will have a value greater than the NAV of the shares on the date the order is placed in proper form since, in addition to available Deposit Securities, cash must be deposited in an amount equal to the sum of (i) the Cash Component, plus (ii) at least [ ]%, which NTI may change from time to time, of the market value of the undelivered Deposit Securities (the "Additional Cash Deposit") with the Fund pending delivery of any missing Deposit Securities.

If an Authorized Participant determines to post an additional cash deposit as collateral for any undelivered Deposit Securities, such Authorized Participant must deposit with the Custodian the appropriate amount of federal funds by 2:00 p.m., Eastern time, on the date of requested settlement. If the Authorized Participant does not place its purchase order by the closing time or the Custodian does not receive federal funds in the appropriate amount by such time, then the order may be deemed to be rejected and the Authorized Participant shall be liable to the Fund for any resulting losses. An additional amount of cash shall be required to be deposited with Custodian, pending delivery of the missing Deposit Securities to the extent necessary to maintain the Additional Cash Deposit with the Trust in an amount at least equal to 110%, which NTI may change from time to time, of the daily marked to market value of the missing Deposit Securities. To the extent that missing Deposit Securities are not received by 2:00 p.m., Eastern time, on the Settlement Date or in the event a marked-to-market payment is not made within one Business Day following notification by the Distributor that such a payment is required, the Trust may use the cash on deposit to purchase the missing Deposit Securities. Authorized Participants will be liable to the Trust for the costs incurred by the Trust in connection with any such purchases. These costs will be deemed to include the amount by which the actual purchase price of the Deposit Securities exceeds the market value of such Deposit Securities on the transmittal date plus the brokerage and related transaction costs associated with such purchases. The Trust will return any unused portion of the Additional Cash Deposit once all of the missing Deposit Securities have been properly received by the Custodian or purchased by the Trust and deposited into the Trust. In addition, a transaction fee, as listed below, will be charged in all cases. The delivery of Creation Units so created generally will occur no later than the Settlement Date.

**Placement of Creation Orders For The Foreign Fund.** For the Foreign Fund, NTI shall cause the sub-custodians of the Fund to maintain an account into which the Authorized Participant shall deliver, on behalf of itself or the party on whose behalf it is acting, the securities included in the designated Portfolio Deposit (or the cash value of all or part of such securities, in the case of a permitted or required cash purchase or "cash in lieu" amount), with any appropriate adjustments as advised by the Trust. Deposit Securities must be delivered to an account maintained at the applicable local sub-custodian(s). Orders to purchase Creation Unit Aggregations must be received by the Distributor from an Authorized Participant on its own or the applicable Listing Exchange on the relevant Business Day. However, when a relevant local market is closed due to local market holidays, the local market settlement process will not commence until the end of the local holiday period. Settlement must occur by 2:00 p.m., Eastern time, on the contractual settlement date.

The Authorized Participant must also make available on or before the contractual settlement date, by means satisfactory to the Trust, immediately available or same day funds estimated by the Trust to be sufficient to pay the Cash Component next determined after acceptance of the purchase order, together with the applicable purchase transaction fee. Any excess funds will be returned following settlement of the issue of the Creation Unit.

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**Acceptance of Purchase Order.** Subject to the conditions that (i) an irrevocable purchase order has been submitted by the Authorized Participant (either on its own or another investor's behalf) and (ii) arrangements satisfactory to the Trust are in place for payment of the Cash Component and any other cash amounts which may be due, the Trust will accept the order, subject to its right (and the right of the Distributor and NTI) to reject any order until acceptance.

Once the Trust has accepted an order, upon next determination of the NAV of the shares, the Trust will confirm the issuance of a Creation Unit of the Fund, against receipt of payment, at such NAV. The Distributor will then transmit a confirmation of acceptance to the Authorized Participant that placed the order.

The Trust reserves the absolute right to reject or revoke acceptance of a purchase order transmitted to it by the Distributor in respect of any Fund if (a) the purchase order is not in proper form; (b) the purchaser or group of purchasers, upon obtaining the shares ordered, would own 80% or more of the currently outstanding shares of any Fund; (c) the Deposit Securities delivered are not as specified by NTI as described above; (d) acceptance of the Deposit Securities would have certain adverse tax consequences to the Fund; (e) the acceptance of the Portfolio Deposit would, in the opinion of counsel, be unlawful; (f) the acceptance of the Portfolio Deposit would otherwise, in the discretion of the Trust or NTI, have an adverse effect on the Trust or the rights of beneficial owners; or (g) in the event that circumstances outside the control of the Trust, the Distributor, Transfer Agent, Custodian, a sub-custodian or NTI make it for all practical purposes impossible to process purchase orders. Examples of such circumstances include acts of God; public service or utility problems; fires, floods or extreme weather conditions; power outages resulting in telephone, telecopy or computer failures; market conditions or activities causing trading halts; systems failures involving computer or other informational systems affecting the Trust, the Distributor, DTC, NSCC, NTI, Transfer Agent, Custodian, a sub-custodian or any other participant in the creation process; and similar extraordinary events. The Distributor shall notify a prospective creator of a Creation Unit and/or Authorized Participant acting behalf of such creator of its rejection of the purchase order. The Trust, Transfer Agent, Custodian, any sub-custodian and the Distributor are under no duty, however, to give notification of any defects or irregularities in the delivery of Portfolio Deposits nor shall either of them incur any liability for the failure to give any such notification. The Trust reserves the right, in its sole discretion, to suspend the offering of Shares of a Fund or to reject purchase orders when, in its judgment, such suspension or rejection would be in the best interests of the Trust or the Fund.

**Issuance of a Creation Unit.** Except as provided herein, a Creation Unit of shares of a Fund will not be issued until the transfer of good title to the Trust of the Deposit Securities and the payment of the Cash Component, or transfer of cash, as applicable, have been completed. When the applicable local sub-custodian(s) have confirmed to the Custodian that the required securities included in the Portfolio Deposit (or the cash value thereof) have been delivered to the account of the applicable local sub-custodian or sub-custodians, the Distributor and the Investment Adviser shall be notified of such delivery, and the Trust will issue, and cause the delivery of the Creation Unit. Creation Units typically are issued on a "T+3 basis" (that is three Business Days after trade date). However, as discussed in Appendix A, each Fund reserves the right to settle Creation Unit transactions on a basis other than T+3 in order to accommodate foreign market holiday schedules, to account for different treatment among foreign and U.S. markets of dividend record dates and ex-dividend dates (that is the last day the holder of a security can sell the security and still receive dividends payable on the security), and in certain other circumstances.

To the extent contemplated by an Authorized Participant's agreement with the Distributor, the Trust will issue Creation Units to such Authorized Participant notwithstanding the fact that the corresponding Portfolio Deposits have not been received in part or in whole, in reliance on the undertaking of the Authorized Participant to deliver the missing Deposit Securities as soon as possible, which undertaking shall be secured by such Authorized Participant's delivery and maintenance of collateral having a value at least equal to 110%, which NTI may change from time to time, of the value of the missing Deposit Securities. Such cash collateral must be delivered no later than 2:00 p.m., Eastern Time, on the contractual settlement date. The only collateral that is acceptable to the Trust is cash in U.S. Dollars or an irrevocable letter of credit in form, and drawn on a bank, that is satisfactory to the Trust. The cash collateral posted by the Authorized Participant may be invested at the risk of the Authorized Participant, and income, if any, on invested cash collateral will be paid to that Authorized Participant. Information concerning

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the Trust's current procedures for collateralization of missing Deposit Securities is available from the Distributor. The Participant Agreement will permit the Trust to buy the missing Deposit Securities at any time and will subject the Authorized Participant to liability for any shortfall between the cost to the Trust of purchasing such securities and the cash collateral or the amount that may be drawn under any letter of credit.

In certain cases, Authorized Participants will create and redeem Creation Units on the same trade date. In these instances, the Trust reserves the right to settle these transactions on a net basis. All questions as to the number of shares of each security in the Deposit Securities and the validity, form, eligibility and acceptance for deposit of any securities to be delivered shall be determined by the Trust, and the Trust's determination shall be final and binding.

**Cash Purchase Method.** Although the Trust does not ordinarily permit cash purchases of Creation Units, when cash purchases of Creation Units are available or specified for a Fund, they will be effected in essentially the same manner as in-kind purchases thereof. The Trust may in its discretion make creation units of any of the Funds available partially or entirely for cash. For the cash purchase portion, the investor must pay the cash equivalent of the designated subset of Deposit Securities it would otherwise be required to provide through an in-kind purchase, plus the same Cash Component required to be paid by an in-kind purchaser. In addition, to offset the Trust's brokerage and other transaction costs associated with using the cash to purchase the requisite Deposit Securities, the investor will be required to pay a fixed purchase transaction fee, plus an additional variable charge for cash purchases, which is expressed as a percentage of the value of the Deposit Securities. The transaction fees for in-kind and cash purchases of Creation Units are described below.

**Purchase Transaction Fee.** A purchase transaction fee payable to the Trust is imposed to compensate the Trust for the transfer and other transaction costs of a Fund associated with the issuance of Creation Units. The standard purchase transaction fee will be the same regardless of the number of Creation Units purchased by the purchaser on the same day. Purchasers of Creation Units for cash are required to pay an additional variable charge to compensate the relevant Fund for brokerage and market impact expenses relating to investing in portfolios securities. Where the Trust permits an in-kind purchaser to substitute cash in lieu of depositing a portion of the Deposit Securities, the purchaser will be assessed the additional variable charge for cash purchases on the "cash in lieu" portion of its investment. Purchasers of Creation Units are responsible for the costs of transferring the securities constituting the Deposit Securities to the account of the Trust. The purchase transaction fees for in-kind purchases and cash purchases (when available) are listed in the table below. This table is subject to revision from time to time.

<u>FUND</u>	<u>Fee for In-Kind and</u>		<u>Maximum Additional</u>
	<u>Cash</u>	<u>Purchases</u>	<u>Variable Charge for</u>
			<u>Cash Purchase*</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	[\$	]	[ %]
FlexShares Morningstar Global Upstream Natural Resources Index Fund	[\$	]	[ %]
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	[\$	]	[ %]
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	[\$	]	[ %]
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	[\$	]	[ %]

\* As a percentage of the value of amount invested.

**Redemption of Creation Units.** Shares of a Fund may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Distributor and only on a Business Day. The Trust will not redeem shares in amounts less than Creation Units. Beneficial owners also may

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sell shares in the secondary market, but must accumulate enough Fund shares to constitute a Creation Unit in order to have such shares redeemed by the Trust. There can be no assurance, however, that there will be sufficient liquidity in the public trading market at any time to permit assembly of a Creation Unit. Investors should expect to incur brokerage and other costs in connection with assembling a sufficient number of shares to constitute a redeemable Creation Unit.

With respect to each Fund, NTI makes available through the NSCC prior to the opening of business on the Listing Exchange (currently 9:30 a.m., Eastern time) on each Business Day, the portfolio securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as defined below) on that day (“Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units. Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit generally consist of Fund Securities as announced by NTI through the NSCC on the Business Day of the request for redemption, plus cash in an amount equal to the difference between the NAV of the shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less the redemption transaction fee described below (“Cash Redemption Amount”). The redemption transaction fee described below is deducted from such redemption proceeds. In the event that the Fund Securities have a value greater than the NAV of the Fund shares, a compensating cash payment equal to such difference is required to be made by or through an Authorized Participant by the redeeming shareholder.

A redemption transaction fee payable to the Trust is imposed to offset transfer and other transaction costs that may be incurred by the relevant Fund. The standard redemption transaction fee will be the same regardless of the number of Creation Units redeemed by an investor on the same day. The redemption transaction fee for redemptions in kind and for cash and the additional variable charge for cash redemptions (when cash redemptions are available or specified) are listed in the table below. Investors will also bear the costs of transferring the Portfolio Deposit from the Trust to their account or on their order. Investors who use the services of a broker or other such intermediary may be charged a fee for such services.

<u>FUND</u>	<u>Fee for In-Kind and Cash Redemptions</u>	<u>Maximum Additional Variable Charge for Cash Redemption*</u>
FlexShares Morningstar US Market Factor Tilt Index Fund	[\$ ]	[ %]
FlexShares Morningstar Global Upstream Natural Resources Index Fund	[\$ ]	[ %]
FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	[\$ ]	[ %]
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	[\$ ]	[ %]
FlexShares iBoxx 7-Year Target Duration TIPS Index Fund	[\$ ]	[ %]

\* As a percentage of the value of amount invested.

**Placement of Redemption Orders For Domestic Funds Using The Clearing Process.** Orders to redeem Creation Units of Domestic Funds through the Clearing Process must be delivered through a Participating Party that has executed the Participant Agreement. An order to redeem Creation Units using the Clearing Process is deemed received by the Trust on the Transmittal Date if: (i) such order is received by the Transfer Agent not later than the Closing Time on such Transmittal Date; and (ii) all other procedures set forth in the Participant Agreement are properly followed. Such order will be effected based on the NAV of the Fund as next determined. An order to redeem Creation Units using the Clearing Process made in proper form but received by the Trust after the Closing Time, will be deemed received on the next Business Day immediately following the Transmittal Date and will be effected at the NAV next determined on such Business Day. The requisite Fund Securities and the Cash Redemption Amount will be transferred by the third NSCC Business Day following the date on which such request for redemption is deemed received.



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**Placement of Redemption Orders For Domestic Funds Outside The Clearing Process.** Orders to redeem Creation Units of Domestic Funds outside the Clearing Process must be delivered through a DTC Participant that has executed the Participant Agreement. A DTC Participant who wishes to place an order for redemption of Creation Units to be effected outside the Clearing Process does not need to be a Participating Party, but such orders must state that the DTC Participant is not using the Clearing Process and that redemption of Creation Units will instead be effected through transfer of shares directly through DTC. An order to redeem Creation Units outside the Clearing Process is deemed received by the Trust on the Transmittal Date if: (i) such order is received by the Transfer Agent not later than the Closing Time on such Transmittal Date; (ii) such order is accompanied or followed by the requisite number of shares of the Fund specified in such order, which delivery must be made through DTC to the Transfer Agent no later than [11:00] a.m., Eastern time, on the contracted settlement date; and (iii) all other procedures set forth in the Participant Agreement are properly followed. After the Trust has deemed an order for redemption outside the Clearing Process received, the Trust will initiate procedures to transfer the requisite Fund Securities which are expected to be delivered within three Business Days and the Cash Redemption Amount to the Authorized Participant on behalf of the redeeming Beneficial Owner by the Settlement Date. Each of the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund, and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund reserves the right to settle transactions on a basis other than T+3. In certain cases Authorized Participants will redeem and create Creation Units of the same Fund on the same trade date. In these instances, the Trust reserves the right to settle these transactions on a net basis.

**Placement of Redemption Orders For The Foreign Fund.** Orders to redeem Creation Units must be delivered through an Authorized Participant. An order in good form to redeem Creation Units is deemed received by the Trust on the Transmittal Date if: (i) a request in satisfactory form to the Trust is received by the Transfer Agent not later than the Closing Time on the Transmittal Date; (ii) such order is accompanied or followed by the requisite number of shares of the Fund specified in such order, which delivery must be made through DTC to the Transfer Agent no later than 10:00 a.m., Eastern time, on the next Business Day following the Transmittal Date; and (iii) all other procedures set forth in the Participant Agreement are properly followed. Deliveries of Fund Securities to redeeming investors generally will be made within three Business Days. Due to the schedule of holidays in certain countries, however, the delivery of in-kind redemption proceeds for the Foreign Fund may take longer than three Business Days after the Transmittal Date. In such cases, the local market settlement procedures will not commence until the end of local holiday periods. See Appendix A for a list of local holidays in the non-U.S. countries relevant to the Foreign Fund.

Investors should be aware that their particular broker may not have executed an Participant Agreement, and that, therefore, requests to redeem Creation Units may have to be placed by the investor's broker through an Authorized Participant who has executed an Participant Agreement. At any given time there will be only a limited number of broker-dealers that have executed an Authorized Participant Agreement. Investors making a redemption request should be aware that such request must be in the form specified by such Authorized Participant. Investors making a request to redeem Creation Units should allow sufficient time to permit proper submission of the request by an Authorized Participant and transfer of the shares to the Trust's Transfer Agent; such investors should allow for the additional time that may be required to effect redemptions through their banks, brokers or other financial intermediaries if such intermediaries are not Authorized Participants.

In connection with taking delivery of shares of Fund Securities upon redemption of shares of the Fund, a redeeming Beneficial Owner or Authorized Participant acting on behalf of such Beneficial Owner must maintain appropriate security arrangements with a qualified broker-dealer, bank or other custody providers in each jurisdiction in which any of the portfolio securities are customarily traded, to which account such portfolio securities will be delivered.

To the extent contemplated by an Authorized Participant's agreement with the Distributor, in the event the Authorized Participant that has submitted a redemption request in proper form is unable to transfer all or part of the Creation Units of shares to be redeemed to the Transfer Agent, at or prior to 10:00 a.m., Eastern time, on the Listing Exchange business day after the date of submission of such redemption request, the Distributor will nonetheless accept the redemption request in reliance on the undertaking by the Authorized Participant to deliver the missing shares as soon as possible, which undertaking shall be secured by the Authorized Participant's delivery and maintenance of collateral consisting of cash having a value at least equal to 110%, which NTI may change from time to time. Such cash collateral must be delivered no later than 2:00 p.m., Eastern time, on the contractual

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settlement date. The only collateral that is acceptable to the Trust is cash in U.S. dollars or an irrevocable letter of credit in form, and drawn on a bank, that is satisfactory to the Trust. The Trust's current procedures for collateralization of missing shares require, among other things, that any cash collateral shall be in the form of U.S. dollars in immediately available funds and shall be held by the Trust's Custodian and marked to market daily, and that the fees of the Custodian and any sub-custodians in respect of the delivery, maintenance and redelivery of the cash collateral shall be payable by the Authorized Participant. The cash collateral posted by the Authorized Participant may be invested at the risk of the Authorized Participant, and income, if any, on invested cash collateral will be paid to that Authorized Participant. The Participant Agreement permits the Trust to purchase the missing shares or acquire the portfolio securities and the Cash Component underlying such shares at any time and subjects the Authorized Participant to liability for any shortfall between the cost to the Trust of purchasing such shares, portfolio securities or Cash Component and the cash collateral or the amount that may be drawn under any letter of credit.

The calculation of the value of the Fund Securities and the Cash Redemption Amount to be delivered upon redemption will be made by the Trust according to the procedures set forth under "Determination of Net Asset Value" above computed on the Business Day on which a redemption order is deemed received in good form by the Trust. Therefore, if a redemption order in proper form is submitted to the Transfer Agent by a DTC Participant not later than Closing Time on the Transmittal Date, and the requisite number of shares of the relevant Fund are delivered to Transfer Agent prior to the DTC Cut-Off-Time, then the value of the Fund Securities and the Cash Redemption Amount to be delivered will be determined by Trust on such Transmittal Date. If, however, a redemption order is submitted to the Transfer Agent by a DTC Participant not later than the Closing Time on the Transmittal Date but either (i) the requisite number of shares of the relevant Fund are not delivered by the DTC Cut-Off-Time, as described above, on such Transmittal Date, or (ii) the redemption order is not submitted in proper form, then the redemption order will not be deemed received as of the Transmittal Date. In such case, the value of the Fund Securities and the Cash Redemption Amount to be delivered will be computed on the Business Day that such order is deemed received by the Trust, (i.e. the Business Day on which the shares of the relevant Fund are delivered through DTC to the Transfer Agent by the DTC Cut-Off-Time) on such Business Day pursuant to a properly submitted redemption order.

If it is not possible to effect deliveries of the portfolio securities, the Trust may in its discretion exercise its option to redeem such shares in cash, and the redeeming Beneficial Owner will be required to receive its redemption proceeds in cash. In addition, an investor may request a redemption in cash that the Fund may, in its sole discretion, permit. In either case, the investor will receive a cash payment equal to the net asset value of its shares based on the NAV of shares of the relevant Fund next determined after the redemption request is received in proper form (minus a redemption transaction fee and additional variable charge for cash redemptions specified above, to offset the Trust's brokerage and other transaction costs associated with the disposition of portfolio securities of the Fund).

Redemptions of shares for Fund Securities will be subject to compliance with applicable U.S. federal and state securities laws and each Fund (whether or not it otherwise permits cash redemptions) reserves the right to redeem Creation Units for cash to the extent that the Fund could not lawfully deliver specific Fund Securities upon redemptions or could not do so without first registering the Fund Securities under such laws. An Authorized Participant or an investor for which it is acting subject to a legal restriction with respect to a particular securities included in the Fund Securities applicable to the redemption of a Creation Unit may be paid an equivalent amount of cash. The Authorized Participant may request the redeeming Beneficial Owner of the shares to complete an order form or to enter into agreements with respect to such matters as compensating cash payment.

Because the portfolio securities of the Foreign Fund may trade on the relevant exchange(s) on days that the Listing Exchange is closed or are otherwise not Business Days for the Fund, shareholders may not be able to redeem their shares of the Fund, or to purchase or sell shares of the Fund on the Listing Exchange, on days when the NAV of the Fund could be significantly affected by events in the relevant foreign markets.

The right of redemption may be suspended or the date of payment postponed with respect to any Fund (1) for any period during which the New York Stock Exchange is closed (other than customary weekend and holiday closings); (2) for any period during which trading on the New York Stock Exchange is suspended or restricted; (3) for any period during which an emergency exists as a result of which disposal of the shares of the Fund's portfolio securities or determination of its net asset value is not reasonably practicable; or (4) in such other circumstance as is permitted by the SEC.

## TAXES

The following summarizes certain additional tax considerations generally affecting the Funds and their shareholders that are not described in the Prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Funds or their shareholders, and the discussions here and in the Prospectus are not intended as a substitute for careful tax planning. Potential investors should consult their tax advisers with specific reference to their own tax situations.

The discussions of the federal tax consequences in the Prospectus and this SAI are based on the Code and the regulations issued under it, and court decisions and administrative interpretations, as in effect on the date of this SAI. Future legislative or administrative changes or court decisions may significantly alter the statements included herein, and any such changes or decisions may be retroactive.

### FEDERAL - GENERAL INFORMATION

Each Fund intends to qualify as a regulated investment company under Subchapter M of Subtitle A, Chapter 1, of the Code. As a regulated investment company, each Fund generally will be exempt from federal income tax on its net investment income and realized capital gains that it distributes to shareholders. To qualify for treatment as a regulated investment company, it must meet three important tests each year.

First, each Fund must derive with respect to each taxable year at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies, other income derived with respect to the Fund's business of investing in stock, securities or currencies, or net income derived from interests in qualified publicly traded partnerships.

Second, generally, at the close of each quarter of the Fund's taxable year, at least 50% of the value of each Fund's assets must consist of cash and cash items, U.S. government securities, securities of other regulated investment companies, and securities of other issuers as to which (a) the Fund has not invested more than 5% of the value of its total assets in securities of the issuer and (b) the Fund does not hold more than 10% of the outstanding voting securities of the issuer, and no more than 25% of the value of each Fund's total assets may be invested in the securities of (1) any one issuer (other than U.S. government securities and securities of other regulated investment companies), (2) two or more issuers that the Fund controls and which are engaged in the same or similar trades or businesses or (3) one or more qualified publicly traded partnerships.

Third, each Fund must distribute an amount equal to at least the sum of 90% of its investment company taxable income (net investment income and the excess of net short-term capital gain over net long-term capital loss), before taking into account any deduction for dividends paid, and 90% of its tax-exempt income, if any, for the year.

Each Fund intends to comply with these requirements. If a Fund were to fail to make sufficient distributions, it could be liable for corporate income tax and for excise tax in respect of the shortfall or, if the shortfall is large enough, the Fund could be disqualified as a regulated investment company. If for any taxable year a Fund were not to qualify as a regulated investment company, all its taxable income would be subject to tax at regular corporate rates without any deduction for distributions to shareholders. In that event, taxable shareholders would recognize dividend income on distributions (including distributions attributable to tax-exempt income) to the extent of the Fund's current and accumulated earnings and profits, and corporate shareholders could be eligible for the dividends-received deduction.

The Code imposes a nondeductible 4% excise tax on regulated investment companies that fail to currently distribute an amount equal to specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses) by the end of each calendar year. Each Fund intends to make sufficient distributions or deemed distributions of its ordinary taxable income and capital gain net income each calendar year to avoid liability for this excise tax.

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The FlexShares Morningstar US Market Factor Tilt Index Fund and FlexShares Morningstar Global Upstream Natural Resources Index Fund intend to distribute annually to their shareholders substantially all of their investment company taxable income, and any net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers). The FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund intend to distribute monthly to their shareholders substantially all of the Funds investment company taxable income, and the Funds intend to distribute annually any net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers). However, if a Fund retains for investment an amount equal to all or a portion of its net long-term capital gains in excess of its net short-term capital losses (including any capital loss carryovers), it will be subject to a corporate tax (currently at a maximum rate of 35%) on the amount retained. In that event, such Fund will designate such retained amounts as undistributed capital gains in a notice to its shareholders who (a) will be required to include in income for U.S. federal income tax purposes, as long-term capital gains, their proportionate shares of the undistributed amount, (b) will be entitled to credit their proportionate shares of the tax paid by such Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent their credits exceed their liabilities, if any, and (c) will be entitled to increase their tax basis, for U.S. federal income tax purposes, in their shares by an amount equal to the amount of undistributed capital gains included in the shareholder's income reduced by their proportionate share of the taxes paid. Organizations or persons not subject to U.S. federal income tax on such capital gains will be entitled to a refund of their pro rata share of such taxes paid by such Fund upon filing appropriate returns or claims for refund with the Internal Revenue Service.

Distributions of net realized long-term capital gains, if any, that a Fund designates as capital gains dividends are taxable as long-term capital gains, regardless of how long a shareholder has held shares of such Fund. All other dividends of a Fund (including dividends from short-term capital gains) from its current and accumulated earnings and profits ("regular dividends") are generally subject to tax as ordinary income.

If an individual trust or estate receives a regular dividend or qualified dividends qualifying for the long-term capital gains rates and such dividend constitutes an "extraordinary dividend," and the individual subsequently recognizes a loss on the sale or exchange of stock in respect of which the extraordinary dividend was paid, then the loss will be long-term capital loss to the extent of such extraordinary dividend. An "extraordinary dividend" on common stock for this purpose is generally a dividend (i) in an amount greater than or equal to 10% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within an 85-day period or (ii) in an amount greater than 20% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within a 365-day period.

Distributions in excess of a Fund's current and accumulated earnings and profits will, as to each shareholder, be treated as a tax-free return of capital to the extent of a shareholder's basis in his shares of such Fund, and as a capital gain thereafter (if the shareholder holds his shares of such Fund as capital assets). Shareholders receiving dividends or distributions in the form of additional shares should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal to the amount of money that the shareholders receiving cash dividends or distributions will receive, and should have a cost basis in the shares received equal to such amount. Dividends paid by a Fund that are attributable to dividends received by a Fund from domestic corporations may qualify for the federal dividends-received deduction for corporations.

Investors considering buying shares just prior to a dividend or capital gain distribution should be aware that, although the price of shares just purchased at that time may reflect the amount of the forthcoming distribution, such dividend or distribution may nevertheless be taxable to them. If a Fund is the holder of record of any stock on the record date for any dividends payable with respect to such stock, such dividends will be included in such Fund's gross income not as of the date received but as of the later of (a) the date such stock became ex-dividend with respect to such dividends (that is, the date on which a buyer of the stock would not be entitled to receive the declared, but unpaid, dividends) or (b) the date such Fund acquired such stock. Accordingly, in order to satisfy its income distribution requirements, a Fund may be required to pay dividends based on anticipated earnings, and shareholders may receive dividends in an earlier year than would otherwise be the case.

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### **BACK-UP WITHHOLDING**

In certain cases, a Fund will be required to withhold at the applicable withholding rate, and remit to the U.S. Treasury such amounts withheld from any distributions paid to a shareholder who: (1) has failed to provide a correct taxpayer identification number; (2) is subject to backup withholding by the Internal Revenue Service; (3) has failed to certify to a Fund that such shareholder is not subject to backup withholding; or (4) has not certified that such shareholder is a U.S. person (including a U.S. resident alien).

### **SECTIONS 351 AND 362**

The Trust on behalf of each Fund has the right to reject an order for a purchase of shares of a Fund if the purchaser (or group of purchasers) would, upon obtaining the shares so ordered, own 80% or more of the outstanding shares of a given Fund and if, pursuant to Sections 351 and 362 of the Code, that Fund would have a basis in the securities different from the market value of such securities on the date of deposit. If a Fund's basis in such securities on the date of deposit was less than market value on such date, such Fund, upon disposition of the securities, would recognize more taxable gain or less taxable loss than if its basis in the securities had been equal to market value. It is not anticipated that the Trust will exercise the right of rejection except in a case where the Trust determines that accepting the order could result in material adverse tax consequences to a Fund or its shareholders. The Trust also has the right to require information necessary to determine beneficial share ownership for purposes of the 80% determination.

### **QUALIFIED DIVIDEND INCOME**

Distributions by each Fund of investment company taxable income (excluding any short-term capital gains) whether received in cash or shares will be taxable either as ordinary income or as qualified dividend income, eligible for the reduced maximum rate to individuals of 15% (5% for individuals in lower tax brackets) to the extent each Fund receives qualified dividend income on the securities it holds and such Fund designates the distribution as qualified dividend income. Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain foreign corporations (*e.g.*, foreign corporations incorporated in a possession of the United States or in certain countries with a comprehensive tax treaty with the United States, or the stock of which is readily tradable on an established securities market in the United States). A dividend will not be treated as qualified dividend income to the extent that (i) the shareholder has not held the shares on which the dividend was paid for more than 60 days during the 121-day period that begins on the date that is 60 days before the date on which the shares become ex dividend with respect to such dividend (and each Fund also satisfies those holding period requirements with respect to the securities it holds that paid the dividends distributed to the shareholder), (ii) the shareholder is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to substantially similar or related property, or (iii) the shareholder elects to treat such dividend as investment income under section 163(d)(4)(B) of the Code. Absent further legislation, the maximum 15% rate on qualified dividend income will not apply to dividends received in taxable years beginning after December 31, 2010. Distributions by each Fund of its net short-term capital gains will be taxable as ordinary income. Capital gain distributions consisting of each Fund's net capital gains will be taxable as long-term capital gains.

### **CORPORATE DIVIDENDS RECEIVED DEDUCTION**

A Fund's dividends that are paid to its corporate shareholders and are attributable to qualifying dividends it received from U.S. domestic corporations may be eligible, in the hands of such shareholders, for the corporate dividends received deduction, subject to certain holding period requirements and debt financing limitations.

### **NET CAPITAL LOSS CARRYFORWARDS**

Net capital loss carryforwards may be applied against any net realized capital gains in each succeeding year, or until their respective expiration dates, whichever occurs first.

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### **EXCESS INCLUSION INCOME**

Certain types of income received by a Fund from real estate investment Trusts (“REITs”), real estate mortgage investment conduits (“REMICs”), taxable mortgage pools or other investments may cause a Fund to designate some or all of its distributions as “excess inclusion income.” To Fund shareholders such excess inclusion income may (1) constitute taxable income, as “unrelated business taxable income” (“UBTI”) for those shareholders who would otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities; (2) as UBTI cause a charitable remainder Trust to be subject to a 100% excise tax on its UBTI; (3) not be offset against net operating losses for tax purposes; (4) not be eligible for reduced U.S. withholding for non-U.S. shareholders even from tax treaty countries; and (5) cause a Fund to be subject to tax if certain “disqualified organizations” as defined by the Code are Fund shareholders.

### **TAXATION OF INCOME FROM CERTAIN FINANCIAL INSTRUMENTS AND PFICS**

The tax principles applicable to transactions in financial instruments and futures contracts and options that may be engaged in by a Fund including the effect of fluctuations in the value of foreign currencies, and investments in passive foreign investment companies (“PFICs”), are complex and, in some cases, uncertain. Such transactions and investments may cause a Fund to recognize taxable income prior to the receipt of cash, thereby requiring such Fund to liquidate other positions, or to borrow money, so as to make sufficient distributions to shareholders to avoid corporate-level tax. Moreover, some or all of the taxable income recognized may be ordinary income or short-term capital gain, so that the distributions may be taxable to shareholders as ordinary income.

In addition, in the case of any shares of a PFIC in which a Fund invests, such Fund may be liable for corporate-level tax on any ultimate gain or distributions on the shares if such Fund fails to make an election to recognize income annually during the period of its ownership of the shares.

### **SALES OF SHARES**

Upon the sale or exchange of his shares, a shareholder will realize a taxable gain or loss equal to the difference between the amount realized and his basis in his shares. A redemption of shares by a Fund will be treated as a sale for this purpose. Such gain or loss will be treated as capital gain or loss if the shares are capital assets in the shareholder’s hands, and will be long-term capital gain or loss if the shares are held for more than one year and short-term capital gain or loss if the shares are held for one year or less. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced, including replacement through the reinvesting of dividends and capital gains distributions in a Fund, within a 61-day period beginning 30 days before and ending 30 days after the disposition of the shares. In such a case, the basis of the shares acquired will be increased to reflect the disallowed loss. Any loss realized by a shareholder on the sale of a Fund share held by the shareholder for six months or less will be treated for U.S. federal income tax purposes as a long-term capital loss to the extent of any distributions or deemed distributions of long-term capital gains received by the shareholder with respect to such share. If a shareholder incurs a sales charge in acquiring shares of a Fund, disposes of those shares within 90 days and then acquires shares in a mutual fund for which the otherwise applicable sales charge is reduced by reason of a reinvestment right (*e.g.*, an exchange privilege), the original sales charge will not be taken into account in computing gain/loss on the original shares to the extent the subsequent sales charge is reduced. Instead, the disregarded portion of the original sales charge will be added to the tax basis of the newly acquired shares. Furthermore, the same rule also applies to a disposition of the newly acquired shares made within 90 days of the second acquisition. This provision prevents a shareholder from immediately deducting the sales charge by shifting his or her investment within a family of mutual funds.

**OTHER TAXES**

Dividends, distributions and redemption proceeds may also be subject to additional state, local and foreign taxes depending on each shareholder's particular situation.

**TAXATION OF NON-U.S. SHAREHOLDERS**

Dividends paid by a Fund to non-U.S. shareholders are generally subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income and short-term capital gains. In order to obtain a reduced rate of withholding, a non-U.S. shareholder will be required to provide an IRS Form W-8BEN certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid to a non-U.S. shareholder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. shareholder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. shareholder were a U.S. shareholder. A non-U.S. corporation receiving effectively connected dividends may also be subject to additional "branch profits tax" imposed at a rate of 30% (or lower treaty rate). A non-U.S. shareholder who fails to provide an IRS Form W-8BEN or other applicable form may be subject to backup withholding at the appropriate rate.

In general, United States federal withholding tax will not apply to any gain or income realized by a non-U.S. shareholder in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of shares of a Fund.

For taxable years of the Funds beginning before January 1, 2012, properly-designated dividends are generally exempt from United States federal withholding tax where they (i) are paid in respect of a Fund's "qualified net interest income" (generally, a Fund's U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which such Fund is at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of a Fund's "qualified short-term capital gains" (generally, the excess of a Fund's net short-term capital gain over such Fund's long-term capital loss for such taxable year). However, depending on its circumstances, a Fund may designate all, some or none of its potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. shareholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute Form). In the case of shares held through an intermediary, the intermediary may withhold even if a Fund designates the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. shareholders should contact their intermediaries with respect to the application of these rules to their accounts.

For foreign shareholders of a Fund a distribution attributable to such Fund's sale of a real estate investment Trust or other U.S. real property holding company may be treated as real property gain subject to 35% withholding tax if 50% or more of the value of such Fund's assets are invested in real estate investment trusts and other U.S. real property holding corporations and if the foreign shareholder has held more than 5% of a class of stock at any time during the one-year period ending on the date of the distribution. A distribution from a Fund will be treated as attributable to a U.S. real property interest if such distribution is attributable to a distribution received by such Fund from a real estate investment trust. Restrictions apply regarding wash sales and substitute payment transactions.

**REPORTING**

If a shareholder recognizes a loss with respect to a Fund's shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder may be required to file with the Internal Revenue Service a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax

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advisors to determine the applicability of these regulations in light of their individual circumstances. Under recently enacted legislation, certain tax-exempt entities and their managers may be subject to excise tax if they are parties to certain reportable transactions.

The foregoing discussion is a summary only and is not intended as a substitute for careful tax planning. Purchasers of shares should consult their own tax advisers as to the tax consequences of investing in such shares, including under state, local and foreign tax laws. Finally, the foregoing discussion is based on applicable provisions of the Code, regulations, judicial authority and administrative interpretations in effect on the date of this Statement of Additional Information. Changes in applicable authority could materially affect the conclusions discussed above, and such changes often occur.

### **NET ASSET VALUE**

Securities are valued at fair value. Securities traded on U.S. securities exchanges or in the NASDAQ National Market System are valued at the regular trading session closing price on the exchange or system in which such securities are principally traded. If any such security is not traded on a valuation date, it is valued at the most recent quoted bid price. Over-the-counter securities that are not reported in the NASDAQ National Market System also generally are valued at the most recent quoted bid price. Fixed-income securities, however, may be valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair market value of such securities. Such prices may be determined taking into account securities prices, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. The values of securities of foreign issuers generally are based upon market quotations which, depending upon local convention or regulation, may be the last sale price, the last bid price or the mean between the last bid and asked price as of, in each case, the close of the appropriate exchange or other designated time. Foreign fixed-income securities, however, may, like domestic fixed-income securities, be valued based on evaluated prices provided by independent pricing services when such prices are believed to reflect the fair market value of such securities. Shares of open-end investment companies are valued at NAV. Shares of exchange-traded funds are valued at their closing price on the exchange or system on which such securities are principally traded. Spot and forward currency exchange contracts generally are valued using an independent pricing service. Exchange-traded financial futures and options are valued at the settlement price as established by the exchange on which they are traded. Over-the-counter options are valued at broker-provided bid prices, as are swaps, caps, collars and floors. The foregoing prices may be obtained from one or more independent pricing services or, as needed or applicable, independent broker-dealers. Short-term investments are valued at amortized cost, which the Investment Adviser has determined, pursuant to Board authorization, approximates fair value. Any securities for which market quotations are not readily available or are believed to be incorrect are valued at fair value as determined in good faith by the Investment Adviser under the supervision of the Board of Trustees. Circumstances in which securities may be fair valued include periods when trading in a security is limited, corporate actions and announcements take place, or regulatory news is released such as government approvals. Additionally the Trust, in its discretion, may make adjustments to the prices of securities held by a Fund if an event occurs after the publication of market values normally used by a Fund but before the time as of which the Fund calculates its NAV, depending on the nature and significance of the event, consistent with applicable regulatory guidance. This may occur particularly with respect to certain foreign securities held by a Fund, in which case the Trust may use adjustment factors obtained from an independent evaluation service that are intended to reflect more accurately the fair value of those securities as of the time the Fund's NAV is calculated. Other events that can trigger fair valuing of foreign securities include, for example, significant fluctuations in general market indicators, government actions, or natural disasters. The use of fair valuation involves the risk that the values used by the Funds to price their investments may be higher or lower than the values used by other unaffiliated investment companies and investors to price the same investments.

The time at which transactions and shares are priced and the time by which orders must be received may be changed in case of an emergency or if regular trading on the New York Stock Exchange is stopped at a time other than 4:00 p.m. Eastern Standard Time. The Trust reserves the right to reprocess purchase and redemption transactions that were processed at a NAV other than the Fund's official closing NAV. On any business day when the Securities Industry and Financial Markets Association ("SIFMA") recommends that the bond markets close early, the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration



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TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund reserve the right to close at or prior to the SIFMA recommended closing time and credit will be given on the next business day. For instance, if a pricing error is discovered that impacts a Fund's NAV, the corrected NAV would be the official closing NAV and the erroneous NAV would be a NAV other than the Fund's official closing NAV. Those transactions that were processed using the erroneous NAV may then be reprocessed using the official closing NAV. The Trust reserves the right to advance the time by which purchase and redemption orders must be received for same business day credit as otherwise permitted by the SEC. In addition, each Fund may compute its NAV as of any time permitted pursuant to any exemption, order or statement of the SEC or its staff.

The Investment Adviser is not required to calculate the NAV of a Fund on days during which no shares are tendered to a Fund for redemption and no orders to purchase or sell shares are received by a Fund, or on days on which there is an insufficient degree of trading in a Fund's portfolio securities for changes in the value of such securities to affect materially the NAV per share.

## **DIVIDENDS AND DISTRIBUTIONS**

### **GENERAL POLICIES**

Dividends from net investment income, including any net foreign currency gains, are declared and paid at least annually (except for the FlexShares iBoxx 3-Year Target Duration TIPS Index Fund, FlexShares iBoxx 5-Year Target Duration TIPS Index Fund and FlexShares iBoxx 7-Year Target Duration TIPS Index Fund, which declare and pay any dividends monthly) and any net realized securities gains, if any, generally are distributed at least annually. In order to improve tracking error or comply with the distribution requirements of the Internal Revenue Code of 1986, dividends may be declared and paid more frequently than annually for certain Funds. Dividends and securities gains distributions are distributed in U.S. dollars and cannot be automatically reinvested in additional shares of the Funds. The Trust reserves the right to declare special distributions if, in its reasonable discretion, such action is necessary or advisable to preserve the status of the Fund as a RIC or to avoid imposition of income or excise taxes on undistributed income.

Dividends and other distributions on Fund Shares are distributed, as described below, on a pro rata basis to Beneficial Owners of such Shares. Dividend payments are made through DTC Participants and Indirect Participants to Beneficial Owners then of record with proceeds received from the Fund.

### **DIVIDEND REINVESTMENT SERVICE**

No dividend reinvestment service is provided by the Trust. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by Beneficial Owners of Funds for reinvestment of their dividend distributions. Beneficial Owners should contact their broker to determine the availability and costs of the service and the details of participation therein. Brokers may require Beneficial Owners to adhere to specific procedures and timetables. If this service is available and used, dividend distributions of both income and realized gains will be automatically reinvested in additional whole shares of the same Fund purchased in the secondary market.

### **OTHER INFORMATION**

#### **COUNSEL**

Drinker Biddle & Reath LLP, with offices at One Logan Square, Ste. 2000, Philadelphia, PA 19103-6996, is counsel to the Trust.

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### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP, located at 111 South Wacker Drive, Chicago, Illinois 60606-4301, serves as the independent registered public accounting firm of the Trust, audits the Funds' financial statements and may perform other services.

### **ADDITIONAL INFORMATION**

The Prospectus and this SAI do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act with respect to the securities offered by the Trust's Prospectus. Certain portions of the Registration Statement have been omitted from the Prospectus and this SAI pursuant to the rules and regulations of the SEC. The Registration Statement, including the exhibits filed therewith, may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectus or in this SAI as to the contents of any contract or other documents referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectus and this SAI form a part, each such statement being qualified in all respects by such reference.

**APPENDIX A**

Each Fund generally intends to effect deliveries of Creation Units and portfolio securities on a basis of “T” plus three business days. Each Fund may effect deliveries of Creation Units and portfolio securities on a basis other than T plus three in order to accommodate local holiday schedules, to account for different treatment among foreign and U.S. markets of dividend record dates and ex-dividend dates, or under certain other circumstances. The ability of the Trust to effect in-kind creations and redemptions within three business days of receipt of an order in good form is subject, among other things, to the condition that, within the time period from the date of the order to the date of delivery of the securities, there are no days that are holidays in the applicable foreign market. For every occurrence of one or more intervening holidays in the applicable foreign market that are not holidays observed in the U.S. equity market, the redemption settlement cycle may be extended by the number of such intervening holidays. In addition to holidays, other unforeseeable closings in a foreign market due to emergencies may also prevent the Trust from delivering securities within the normal settlement period.

The securities delivery cycles currently practicable for transferring portfolio securities to redeeming investors, coupled with foreign market holiday schedules, may require a delivery process longer than seven calendar days for the FlexShares Morningstar Global Upstream Natural Resources Index Fund in certain circumstances. The holidays applicable to the Fund during the remainder of calendar year 2011 and for the calendar year 2012 are listed below, as are instances where more than seven days may be needed to deliver redemption proceeds. Although certain holidays may occur on different dates in subsequent years, the number of days required to deliver redemption proceeds in any given year is not expected to exceed the maximum number of days listed below for the Fund. The proclamation of new holidays, the treatment by market participants of certain days as “informal holidays” (e.g., days on which no or limited securities transactions occur, as a result of substantially shortened trading hours), the elimination of existing holidays, or changes in local securities delivery practices, could affect the information set forth herein at some time in the future.

**Regular Holidays during the remainder of calendar year 2011.**

**Australia**

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October 3	December 26
November 1	December 27
December 23*	December 30 *

\* closes early

**Austria**

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October 26	December 26
November 1	December 30
December 8	

**Brazil**

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September 7	November 15
October 12	December 30
November 2	

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### Canada

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September 5                      December 26  
October 10                        December 27  
November 11

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### Chil 

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September 19                    November 1  
October 10                        December 8  
October 31

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### China

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September 12                    October 6  
October 3                         October 7  
October 4                         December 26  
October 5                         December 27

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### Colombia

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October 17                        November 14  
November 7                        December 8

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### Denmark

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December 26

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### Finland

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December 6  
December 26

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### France

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December 26

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### Germany

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December 26

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### Greece

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October 28  
December 26

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### Hong Kong

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September 13                    December 26  
October 5                         December 27

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### **India**

September 1	October 27
September 30	November 7
October 6	November 10
October 26	December 6

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### **Indonesia**

September 1	December 26
September 2	

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### **Israel**

September 28	October 13
September 29	October 19
October 12	October 20

The Israeli market is closed every Friday.

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### **Italy**

December 26

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### **Japan**

September 19	November 3
September 23	November 23
October 10	December 23

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### **Malaysia**

September 16	November 28
October 26	December 26
November 7	

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### **Mexico**

September 16	November 21
November 2	December 12

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### **Netherlands**

December 26

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### **New Zealand**

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October 24                      December 27

December 26

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### **Norway**

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December 26

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### **Peru**

---

November 1

December 8

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### **Poland**

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November 1                      December 26

November 11

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### **Russia**

---

November 4

---

### **Singapore**

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October 26                      December 26

November 7

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### **South Africa**

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December 16

December 26

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### **South Korea**

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September 12                      October 3

September 13                      December 30

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### **Spain**

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December 26

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### **Sweden**

---

December 26

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### **Switzerland**

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December 26

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### **Taiwan**

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September 12

October 10

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### **The United Kingdom**

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December 23*	December 27
December 26	December 30 *

\* closes early

### **Regular Holidays during the calendar year 2012.**

#### **Australia**

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January 2	April 9	June 11	December 25
January 26	April 25	August 6	December 31
March 5	May 7	August 15	
March 12	May 21	October 1	
April 6	June 6	November 6	

#### **Austria**

---

January 6	May 17	October 26	December 26
April 6	May 28	November 1	December 31
April 9	June 7	December 24	
May 1	August 15	December 25	

#### **Brazil**

---

January 20	April 6	October 12	December 24
January 25	May 1	November 2	December 25
February 20	July 9	November 15	December 31
February 21	September 7	November 20	

#### **Canada**

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January 2	May 21	September 3	December 26
February 20	July 2	October 8	
April 6	August 6	December 25	

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### Chilé

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April 6	July 2	October 15
May 1	August 15	November 1
May 21	September 18	December 25
June 4	September 19	December 31

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### China

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January 2	January 30	May 7	October 4
January 16	January 31	May 28	October 5
January 23	February 20	July 4	October 8
January 24	May 1	September 3	November 12
January 25	May 2	October 1	November 22
January 26	May 3	October 2	December 25
January 27	May 4	October 3	

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### Colombia

---

January 9	May 21	August 7	December 25
March 19	June 11	August 20	December 31
April 5	June 18	October 15	
April 6	July 2	November 5	
May 1	July 20	November 12	

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### Denmark

---

April 5	May 17	December 25
April 6	May 18	December 26
April 9	June 5	
May 4	December 24	

---

### Finland

---

January 6	May 17	December 25
April 6	June 22	December 26
April 9	December 6	December 31
May 1	December 24	

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### France

---

April 6	May 8	November 1
April 9	May 17	December 25
May 1	August 15	December 26



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### Germany

---

January 6	May 1	August 15	December 25
February 20	May 17	October 3	December 26
April 6	May 28	November 1	December 31
April 9	June 7	December 24	

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### Greece

---

January 6	April 13	June 4	
February 27	April 16	August 15	
April 6	May 1	December 25	
April 9		December 26	

---

### Hong Kong

---

January 2	April 4	July 2	December 25
January 23	April 6	October 1	December 26
January 24	April 9	October 2	
January 25	May 1	October 23	

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### India

---

January 26	April 4	August 20	November 13
February 20	April 6	August 22	November 15
March 8	May 1	September 19	November 28
March 23	July 2	October 2	December 25
April 2	August 15	October 24	

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### Indonesia

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January 23	June 18	August 23	December 24
February 6	August 17	August 24	December 25
March 23	August 20	October 26	December 26
April 6	August 21	November 15	December 31
May 17	August 22	November 16	

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### Israel

---

March 8	May 27	September 18	October 7
April 12	July 29	September 25	October 8
April 25	September 16	September 26	
April 26	September 17	September 30	
		October 1	

The Israeli market is closed every Friday.



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### Italy

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April 6	August 15	December 26
April 9	December 25	December 31

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### Japan

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January 2	April 30	July 16	November 23
January 9	May 3	September 17	December 23
March 20	May 4	October 8	December 24

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### Malaysia

---

January 2	February 6	August 20	October 26
January 23	February 7	August 21	November 13
January 24	May 1	August 31	November 15
February 1	May 7		December 25

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### Mexico

---

February 6	April 6	November 20
March 19	May 1	December 12
March 21	November 2	December 25
April 5	November 19	

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### Netherlands

---

April 6	May 1	December 25
April 9	May 17	December 26
April 30	May 28	

---

### New Zealand

---

January 2	April 6	June 4	December 25
January 3	April 9	October 22	December 26
January 30	April 25		

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### Norway

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April 4*	April 9	December 25
April 5	May 17	December 26
April 6	May 28	

\* closes early

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### Peru

---

April 5	August 30	December 25
April 6	October 8	December 31
May 1	November 1	
June 29	December 24	

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### Poland

---

January 6	May 3	December 24
April 6	June 7	December 25
April 9	August 15	December 26
May 1	November 1	December 31

---

### Russia

---

January 2	January 6	March 9	June 11
January 3	January 9	April 30	November 5
January 4	February 23	May 1	December 31
January 5	March 8	May 9	

---

### Singapore

---

January 2	May 7	October 26
January 23	August 9	November 13
April 6	August 20	December 25
May 1		

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### South Africa

---

March 21	April 27	September 24	December 26
April 6	May 1	December 17	
April 9	August 9	December 25	

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### South Korea

---

January 23	April 12	August 15	December 25
January 24	May 1	October 1	December 31
March 1	May 28	October 3	
April 5	June 6	December 19	
April 11	July 17	December 20	

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### Spain

---

April 6	May 1	August 15	December 6
April 9	May 2	October 12	December 25
	May 15	November 1	December 26
		November 9	

---

### Sweden

---

January 6	May 17	December 25
April 6	June 6	December 26
April 9	June 22	December 31
May 1	December 24	

---

### Switzerland

---

January 2	May 1	August 1	December 25
January 6	May 17	August 15	December 26
March 19	May 28	September 6	December 31
April 6	June 7	November 1	
April 9	June 29	December 24	

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### Taiwan

---

January 19	January 24	April 4
January 20	January 25	May 1
January 23	February 28	October 10

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### The United Kingdom

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January 2	May 7	August 27	December 26
April 6	June 4	December 24*	December 31*
April 9	June 5	December 25	

\* early close

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**Redemption.** The longest redemption cycle for the Fund is a function of the longest redemption cycles among the countries whose securities comprise the Fund. For the remainder of calendar year 2011 and in calendar year 2012, the dates of regular holidays affecting the following securities markets present the worst-case redemption cycles\* for the Fund as follows:

### 2011

<u>Country</u>	<u>Redemption Request Date</u>	<u>Redemption Settlement Date</u>	<u>Number of Days to Settle</u>
Australia	12/20/11	12/28/11	8
	12/21/11	12/29/11	8
	12/22/11	01/03/12	12
China	09/28/11	10/10/11	12
	09/29/11	10/11/11	12
	09/30/11	10/12/11	12
Russia	12/28/11	01/10/12	13
	12/29/11	01/11/12	13
	12/30/11	01/12/12	13
South Africa	12/09/11	12/19/11	10
	12/12/11	12/20/11	8
	12/13/11	12/21/11	8
	12/14/11	12/22/11	8
	12/15/11	12/23/11	8
	12/19/11	12/27/11	8
	12/20/11	12/28/11	8
	12/21/11	12/29/11	8
	12/22/11	12/30/11	8
	12/23/11	01/02/12	10
The United Kingdom	12/20/11	12/28/11	8
	12/21/11	12/29/11	8
	12/22/11	01/03/12	12

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2012

<u>Country</u>	<u>Trade Date</u>	<u>Settlement Date</u>	<u>Number of Days to Settle</u>
Austria	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	11
China	01/18/12	02/01/12	14
	01/19/12	02/02/12	14
	01/20/12	02/03/12	14
	04/26/12	05/08/12	12
	04/27/12	05/09/12	12
	04/30/12	05/10/12	10
	09/26/12	10/09/12	13
	09/27/12	10/10/12	13
	09/28/12	10/11/12	13
Denmark	04/02/12	04/10/12	8
	04/03/12	04/11/12	8
	04/04/12	04/12/12	8
	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	12/31/12	10
Finland	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	11
Germany	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	11
Hong Kong	01/18/12	01/20/12	8
	01/19/12	01/27/12	8
	01/20/12	01/30/12	10
	04/02/12	04/10/12	8
	04/03/12	04/11/12	8
India	03/30/12	04/09/12	10
Indonesia	08/14/12	08/27/12	13
	08/15/12	08/28/12	13





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2012

<u>Country</u>	<u>Trade Date</u>	<u>Settlement Date</u>	<u>Number of Days to Settle</u>
	08/16/12	08/29/12	13
	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	11
Israel	09/13/12	09/23/12	10
Italy	12/24/12	01/01/13	8
Malaysia	01/31/12	02/08/12	8
Norway	04/02/12	04/11/12	9
	04/03/12	04/12/12	9
Poland	12/21/12	01/01/13	11
Russia	12/27/12	01/09/13	13
	12/28/12	01/10/13	13
	12/30/12	01/12/13	13
South Africa	12/27/11	01/04/12	8
	12/28/11	01/05/12	8
	12/29/11	01/06/12	8
	12/30/11	01/09/12	10
	03/14/12	03/22/12	8
	03/15/12	03/23/12	8
	03/16/12	03/26/12	10
	03/19/12	03/27/12	8
	03/20/12	03/28/12	8
	03/30/12	04/10/12	11
	04/02/12	04/11/12	9
	04/03/12	04/12/12	9
	04/04/12	04/13/12	9
	04/05/12	04/16/12	11
	04/20/12	04/30/12	10
	04/23/12	05/02/12	9
	04/24/12	05/03/12	9
	04/25/12	05/04/12	9
	04/26/12	05/07/12	11



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2012

<u>Country</u>	<u>Trade Date</u>	<u>Settlement Date</u>	<u>Number of Days to Settle</u>
	08/02/12	08/10/12	8
	08/03/12	08/13/12	10
	08/06/12	08/14/12	8
	08/07/12	08/15/12	8
	08/08/12	08/16/12	8
	09/17/12	09/25/12	8
	09/18/12	09/26/12	8
	09/19/12	09/27/12	8
	09/20/12	09/29/12	8
	09/21/12	10/01/12	10
	12/10/12	12/18/12	8
	12/11/12	12/19/12	8
	12/12/12	12/20/12	8
	12/13/12	12/21/12	8
	12/14/12	12/24/12	10
	12/18/12	12/27/12	9
	12/19/12	12/28/12	9
	12/20/12	12/31/12	11
	12/21/12	01/01/13	11
	12/24/12	01/02/13	9
South Korea	12/18/12	12/26/12	8
Sweden	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	11
Switzerland	12/19/12	12/27/12	8
	12/20/12	12/28/12	8
	12/21/12	01/01/13	8

\* These worst-case redemption cycles are based on information regarding regular holidays, which may be out of date. Based on changes in holidays, longer (worse) redemption cycles are possible.

**APPENDIX B**

As stated in the Prospectus, the Funds may enter into certain futures transactions. Some of these transactions are described in this Appendix. The Funds may also enter into other futures transactions or other securities and instruments that are available in the markets from time to time.

**I. Index and Security Futures Contracts**

A stock index assigns relative values to the stocks included in the index, which fluctuates with changes in the market values of the stocks included. Some stock index futures contracts are based on broad market indexes, such as the S&P 500 or the New York Stock Exchange Composite Index. In contrast, certain futures contracts relate to narrower market indexes, such as the S&P 100® or indexes based on an industry or market segment, such as oil and gas stocks. Since 2001, trading has been permitted in futures based on a single stock and on narrow-based security indexes (as defined in the Commodity Futures Modernization Act of 2000) (together “security futures”; broader-based index futures are referred to as “index futures”). Some futures contracts are traded on organized exchanges regulated by the CFTC. These exchanges may be either designated by the CFTC as a contract market or registered with the CFTC as a Derivatives Transaction Execution Facility (DTEF). Transactions on such exchanges are cleared through a clearing corporation, which guarantees the performance of the parties to each contract. Futures contracts also may be traded on electronic trading facilities or over-the-counter. These various trading facilities are licensed and/or regulated by varying degrees by the CFTC. To the extent consistent with its investment objective, a Fund may also engage in transactions, from time to time, in foreign stock index futures such as the ALL-ORDS (Australia), CAC40 (France), TOPIX (Japan) and the FTSE-100 (United Kingdom).

**II. Futures Contracts on Foreign Currencies**

A futures contract on foreign currency creates a binding obligation on one party to deliver, and a corresponding obligation on another party to accept delivery of, a stated quantity of foreign currency for an amount fixed in U.S. dollars. Foreign currency futures may be used by a Fund to help the Fund track the price and yield performance of its Underlying Index.

**III. Margin Payments**

Unlike purchases or sales of portfolio securities, no price is paid or received by a Fund upon the purchase or sale of a futures contract. Initially, the Funds will be required to deposit with the broker or in a segregated account with a custodian or sub-custodian an amount of liquid assets, known as initial margin, based on the value of the contract. The nature of initial margin in futures transactions is different from that of margin in security transactions in that futures contract margin does not involve the borrowing of funds by the customer to finance the transactions. Rather, the initial margin is in the nature of a performance bond or good faith deposit on the contract, which is returned to the Funds upon termination of the futures contract assuming all contractual obligations have been satisfied. Subsequent payments, called variation margin, to and from the broker, will be made on a daily basis as the price of the underlying instruments fluctuates making the long and short positions in the futures contract more or less valuable, a process known as “marking-to-market.” For example, when a Fund has purchased a futures contract and the price of the contract has risen in response to a rise in the underlying instruments, that position will have increased in value and the Fund will be entitled to receive from the broker a variation margin payment equal to that increase in value. Conversely, where a Fund has purchased a futures contract and the price of the future contract has declined in response to a decrease in the underlying instruments, the position would be less valuable and the Fund would be required to make a variation margin payment to the broker. Prior to expiration of the futures contract, the Investment Adviser may elect to close the position by taking an opposite position, subject to the availability of a secondary market, which will operate to terminate a Fund’ s position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or gain.

**IV. Risks of Transactions in Futures Contracts**

There are several risks in connection with the use of futures by the Funds, even for futures that are used for hedging (non-speculative) purposes. One risk arises because of the imperfect correlation between movements in the price of the futures and movements in the price of the instruments which are the subject of the hedge. The price of the future may move more than or less than the price of the instruments being hedged. If the price of the futures moves less than the price of the instruments which are the subject of the hedge, the hedge will not be fully effective but, if the price of the instruments being hedged has moved in an unfavorable direction, a Fund would be in a better position than if it had not hedged at all. If the price of the instruments being hedged has moved in a favorable direction, this advantage will be partially offset by the loss on the futures. If the price of the futures moves more than the price of the hedged instruments, the Fund involved will experience either a loss or gain on the futures which will not be completely offset by movements in the price of the instruments that are the subject of the hedge. To compensate for the imperfect correlation of movements in the price of instruments being hedged and movements in the price of futures contracts, the Funds may buy or sell futures contracts in a greater dollar amount than the dollar amount of instruments being hedged if the volatility over a particular time period of the prices of such instruments has been greater than the volatility over such time period of the futures, or if otherwise deemed to be appropriate by the Investment Adviser. Conversely, a Fund may buy or sell fewer futures contracts if the volatility over a particular time period of the prices of the instruments being hedged is less than the volatility over such time period of the futures contract being used, or if otherwise deemed to be appropriate by the Investment Adviser.

In addition to the possibility that there may be an imperfect correlation, or no correlation at all, between movements in the futures and the instruments being hedged, the price of futures may not correlate perfectly with movement in the cash market due to certain market distortions. Rather than meeting additional margin deposit requirements, investors may close futures contracts through off-setting transactions which could distort the normal relationship between the cash and futures markets. Second, with respect to financial futures contracts, the liquidity of the futures market depends on participants entering into off-setting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced thus producing distortions. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may also cause temporary price distortions. Due to the possibility of price distortion in the futures market, and because of the imperfect correlation between the movements in the cash market and movements in the price of futures, a correct forecast of general market trends or interest rate movements by the Investment Adviser may still not result in a successful hedging transaction over a short time frame.

In general, positions in futures may be closed out only on an exchange, board of trade or other trading facility, which provides a secondary market for such futures. Although the Funds intend to purchase or sell futures only on trading facilities where there appear to be active secondary markets, there is no assurance that a liquid secondary market on any trading facility will exist for any particular contract or at any particular time. In such an event, it may not be possible to close a futures investment position, and in the event of adverse price movements, the Funds would continue to be required to make daily cash payments of variation margin. However, in the event futures contracts have been used to hedge portfolio securities, such securities will not be sold until the futures contract can be terminated. In such circumstances, an increase in the price of the securities, if any, may partially or completely offset losses on the futures contract. However, as described above, there is no guarantee that the price of the securities will in fact correlate with the price movements in the futures contract and thus provide an offset on a futures contract.

Further, it should be noted that the liquidity of a secondary market in a futures contract may be adversely affected by “daily price fluctuation limits” established by commodity exchanges which limit the amount of fluctuation in a futures contract price during a single trading day. Once the daily limit has been reached in the contract, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open futures positions. The trading of futures contracts is also subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm or clearing house or other disruptions of normal trading activity, which could at times make it difficult or impossible to liquidate existing positions or to recover excess variation margin payments.

Successful use of futures by Funds is also subject to the Investment Adviser’s ability to predict correctly movements in the direction of the market. In addition, in such situations, if a Fund has insufficient cash, it may have

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to sell securities to meet daily variation margin requirements. Such sales of securities may be, but will not necessarily be, at increased prices which reflect the rising market. The Fund may have to sell securities at a time when it may be disadvantageous to do so.

Futures purchased or sold by a Fund (and related options) may be traded on foreign exchanges. Participation in foreign futures and foreign options transactions involves the execution and clearing of trades on or subject to the rules of a foreign board of trade. Neither the National Futures Association nor any domestic exchange regulates activities of any foreign boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs. For these reasons, customers who trade foreign futures or foreign options contracts may not be afforded certain of the protective measures provided by the Commodity Exchange Act, the CFTC regulations and the rules of the National Futures Association and any domestic exchange or other trading facility (including the right to use reparations proceedings before the CFTC and arbitration proceedings provided by the National Futures Association or any domestic futures exchange), nor the protective measures provided by the Securities and Exchange Commission's rules relating to security futures. In particular, the investments of the Funds in foreign futures, or foreign options transactions may not be provided the same protections in respect to transactions on United States futures trading facilities. In addition, the price of any foreign futures or foreign options contract may be affected by any variance in the foreign exchange rate between the time an order is placed and the time it is liquidated, offset or exercised.

### **V. Options on Futures Contracts**

The Funds may purchase and write options on the futures contracts described above. A futures option gives the holder, in return for the premium paid, the right to buy (call) from or sell (put) to the writer of the option of a futures contract at a specified price at any time during the period of the option. Upon exercise, the writer of the option is obligated to pay the difference between the cash value of the futures contract and the exercise price. Like the buyer or seller of a futures contract, the holder, or writer, of an option has the right to terminate its position prior to the scheduled expiration of the option by selling, or purchasing an option of the same series, at which time the person entering into the closing transaction will realize a gain or loss. A Fund will be required to deposit initial margin and variation margin with respect to put and call options on futures contracts written by it pursuant to brokers' requirements similar to those described above. Net option premiums received will be included as initial margin deposits.

Investments in futures options involve some of the same considerations that are involved in connection with investments in futures contracts (for example, the existence of a liquid secondary market). See "Risks of Transactions in Futures Contracts" above. In addition, the purchase or sale of an option also entails the risk that changes in the value of the underlying futures contract will not correspond to changes in the value of the option purchased. Depending on the pricing of the option compared to either the futures contract upon which it is based, or upon the price of the securities being hedged, an option may or may not be less risky than ownership of the futures contract or such securities. In general, the market prices of options can be expected to be more volatile than the market prices on the underlying futures contract. Compared to the purchase or sale of futures contracts, however, the purchase of call or put options on futures contracts may frequently involve less potential risk to the Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). The writing of an option on a futures contract involves risks similar to those risks relating to the sale of futures contracts.

### **VI. Other Matters**

The Funds intend to comply with the regulations of the CFTC exempting it from registration as a "Commodity Pool Operator." The Funds are operated by persons who have claimed an exclusion from the definition of the term "Commodity Pool Operator" under the Commodity Exchange Act and, therefore, are not subject to registration or regulations as a pool operator under such Act. Accounting for futures contracts will be in accordance with generally accepted accounting principles.

APPENDIX C

FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund  
(a portfolio of FlexShares Trust)  
STATEMENT OF ASSETS AND LIABILITIES  
August 23, 2011

<u>ASSETS:</u>	
Cash	\$100,000
<b>TOTAL ASSETS</b>	<b>\$100,000</b>
Liabilities	0
Net assets	<u>\$100,000</u>
Components of Net Assets:	
<b>Paid-in Capital</b>	<b>\$100,000</b>
Shares of beneficial interest outstanding (unlimited amount authorized, par value \$0.0001)	2,000
Net asset value per share	<u>\$50.00</u>

See accompanying notes to  
the Statement of Assets and Liabilities.

FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund  
(a portfolio of FlexShares Trust)  
STATEMENT OF ASSETS AND LIABILITIES  
August 23, 2011

**1. Organization**

FlexShares™ Trust (the “Trust”), a Maryland statutory trust, was formed on May 13, 2010, originally named NT ETF Trust, and renamed FlexShares™ Trust as of April 12, 2011. The Trust is authorized to have multiple series or portfolios and is registered as a non-diversified, open-end management investment company under the Investment Company Act of 1940 (the “1940 Act”). The FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund (the “Fund”) is a series of the Trust.

The Trust has had no operations to date other than matters relating to its registration and the sale and issuance of 2,000 shares of beneficial interest in the Fund to Northern Trust Corporation at a net asset value of \$50 per share. The Fund’s investment objective is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the iBoxx 3-Year Target Duration TIPS Index.

**2. Summary of Significant Accounting Policies**

***Use of Estimates:***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in this statement of assets and liabilities. Actual results could differ from those estimates.

***Federal Income Tax:***

The Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and to distribute substantially all of its net investment income and net capital gains to its shareholders. Therefore, no federal income tax provision is required.

***Organizational Expenses:***

All organizational and offering expenses of the Trust will be borne by the Northern Trust Investments, Inc. (“Adviser”). As a result, organizational and offering expenses are not reflected in the statement of assets and liabilities, and a statement of operations is not presented.



FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund  
(a portfolio of FlexShares Trust)  
STATEMENT OF ASSETS AND LIABILITIES  
August 23, 2011

**3. Investment Advisory and Other Agreements**

Under the terms of the Trust's Investment Advisory and Ancillary Services Agreement (the "Advisory Agreement"), the Adviser is subject to the supervision of the Board of Trustees and will be responsible for the day-to-day investment management of the Funds in accordance with the Fund's investment objectives and policies. As compensation for its advisory services and assumption of Fund expenses, the Adviser is entitled to a management fee, computed daily and payable monthly, at an annual rate of 0.20% of average daily net assets of the Fund, upon commencement of the Fund's operations.

JPMorgan Chase Bank, N.A., serves as administrator, custodian and transfer agent to the Trust and the Fund.

Foreside Fund Services, LLC serves as the distributor.

**4. Related Parties**

At August 23, 2011, certain officers of the Trust were also employees of the Adviser. The Trust's officers do not receive fees from the Trust for services in any capacity.

**5. Concentration of Credit Risk**

Cash at August 23, 2011, is on deposit at JPMorgan Chase Bank, N.A. in a non-interest bearing account.

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholder of  
FlexShares Trust:

We have audited the accompanying statement of assets and liabilities of the FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund, a series of FlexShares Trust (the “Trust”), as of August 23, 2011. This financial statement is the responsibility of the Trust’s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets and liabilities is free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of assets and liabilities provides a reasonable basis for our opinion.

In our opinion, the statement of assets and liabilities referred to above presents fairly, in all material respects, the financial position of FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund as of August 23, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
September 1, 2011

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PART C

OTHER INFORMATION

- Item 28.**                      **Exhibits**
- (a)                              (1) Certificate of Trust dated May 13, 2010\*
  - (2) Amendment to the Certificate of Trust dated April 12, 2011\*
  - (3) Amended and Restated Agreement and Declaration of Trust dated June 28, 2011\*\*\*
  - (b)                              Amended and Restated By-Laws of the Trust\*\*\*
  - (c)                              Articles IV, V, VI, VII and IX of the Amended and Restated Agreement and Declaration of Trust dated June 28, 2011\*\*\*
  - (d)                              Investment Advisory and Ancillary Services Agreement between the Trust and Northern Trust Investments, Inc.\*\*\*
    - (1) Inc.\*\*\*
    - (2) Expense Reimbursement Agreement between the Trust and Northern Trust Investments, Inc.\*\*\*
  - (e)                              (1) Form of Distribution Agreement between the Trust and Foreside Fund Services, LLC\*\*\*
  - (2) Form of Authorized Participant Agreement\*\*\*
  - (f)                              Not applicable
  - (g)                              (1) Global Custody Agreement between the Trust and J.P. Morgan Chase Bank, N.A.\*\*\*
  - (h)                              (1) Agency Services Agreement between the Trust and J.P. Morgan Chase Bank, N.A.\*\*\*
  - (2) Form of Fund Servicing Agreement between the Trust and the J.P. Morgan Chase Bank, N.A.\*\*\*
  - (3) Form of Sublicense Agreement between the Trust and Northern Trust Investments, Inc.\*\*\*
  - (i)                              Opinion of Drinker Biddle & Reath LLP\*\*\*

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- (j) Consent of independent registered public accounting firm\*\*\*
- (k) Not applicable
- (l) Initial Capital Agreement\*\*\*
- (m) Distribution and Service Plan, adopted July 14, 2011\*\*\*
- (n) Not applicable
- (o) Not applicable
- (p) (1) Code of Ethics of the Trust\*\*  
(2) Code of Ethics of Northern Trust Investments, Inc.\*\*
- (Other) Power of Attorney\*\*\*

\* Incorporated herein by reference to the Initial Registration Statement filed on May 5, 2011.

\*\* Incorporated herein by reference to Pre-Effective Amendment No. 1 filed on August 8, 2011.

\*\*\* Filed herewith.

### **Item 29. Persons Controlled by or Under Common Control with Registrant**

None.

### **Item 30. Indemnification**

Section 3 of Article IV of the Registrant's Amended and Restated Agreement and Declaration of Trust provides for indemnification of the Registrant's officers and Trustees under certain circumstances.

Section 8 of the Investment Advisory and Ancillary Services Agreement between the Registrant and the investment adviser (the "Adviser") provides for indemnification of the Adviser or, in lieu thereof, contribution by Registrant, in connection with certain claims and liabilities to which the Adviser may be subject.

Paragraph 6 of the Distribution Agreement between the Registrant and Foreside Fund Services, LLC ("Foreside") provides that the Registrant will indemnify Foreside against certain liabilities relating to untrue statements or omissions of material fact except those resulting from the reliance on information furnished to the Registrant by Foreside, or those resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of Foreside. Paragraph 6 of the Distribution Agreement also provides that Foreside will indemnify the Trustees and officers of the Registrant against certain liabilities relating to allegations of wrongful acts of Foreside, Foreside's breach of any obligation, representation or warranty under the Distribution Agreement, Foreside's failure to comply in any material respect with applicable securities laws, and allegations of untrue statements or omissions of material fact resulting from the reliance on information furnished to the Registrant by Foreside.

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A mutual fund trustee and officer liability policy purchased by the Registrant insures the Registrant and its Trustees and officers, subject to the policy's coverage limits and exclusions and varying deductibles, against loss resulting from claims by reason of any act, error, omission, misstatement, misleading statement, neglect or breach of duty.

### **Item 31. Business and Other Connections of the Investment Adviser**

Northern Trust Investments, Inc. ("NTI") an indirect subsidiary of The Northern Trust Corporation, serves as the investment adviser of the Funds. NTI is referred to as the "Investment Adviser." NTI is located at 50 South LaSalle Street, Chicago, Illinois 60603. NTI is an Illinois state bank and an investment adviser registered under the Investment Advisers Act of 1940, as amended. It primarily manages assets for institutional and individual separately managed accounts, investment companies and bank common and collective funds. Northern Trust Corporation is regulated by the Board of Governors of the Federal Reserve System as a financial holding company under the U.S. Bank Holding Company Act of 1956, as amended. Set forth below is a list of officers and directors of NTI, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by such officers and directors during the past two years. Most officers and directors of NTI hold comparable positions with The Northern Trust Company (other than as director), as indicated below, and certain other officers of NTI hold comparable positions with Northern Trust Bank, N.A., a wholly-owned subsidiary of Northern Trust Corporation.

Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Abdul Karim, Walid T. Vice President	The Northern Trust Company	Vice President
Adams, Bradford S. Senior Vice President	The Northern Trust Company	Senior Vice President
Aitcheson, James A. Senior Vice President	The Northern Trust Company	Senior Vice President
Alongi, David M. Senior Vice President	The Northern Trust Company	Senior Vice President
Amaya, Luis Vice President	The Northern Trust Company	Vice President
Anast, Angela H. Vice President	The Northern Trust Company	Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Anderson, Timothy Vice President	The Northern Trust Company	Vice President
Antonacci, Jeffrey M. Senior Vice President	The Northern Trust Company	Senior Vice President
Atkins, Stephen G. Vice President	The Northern Trust Company	Vice President
Ayres, Scott R. Senior Vice President	The Northern Trust Company	Senior Vice President
Azar, Frederick A. Vice President	The Northern Trust Company	Vice President
Baldwin, Florette L. Vice President	The Northern Trust Company	Vice President
Balon, Jr., Richard E. Senior Vice President	The Northern Trust Company	Senior Vice President
Bandar, Walid S. Vice President	The Northern Trust Company	Vice President
Bandura, Daniel T. Vice President	The Northern Trust Company	Vice President
Baras, Ellen G. Vice President	The Northern Trust Company	Vice President
Baron, Tracy L. Vice President	The Northern Trust Company	Vice President
Barr, Andrea C. Vice President	The Northern Trust Company	Vice President
Bartczyszyn, Michael S. Vice President	The Northern Trust Company	Vice President
Basch, Brian A. Vice President	The Northern Trust Company	Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Basso, Belinda M. Vice President	The Northern Trust Company	Vice President
Beckman, Carl P. Senior Vice President & Treasurer	The Northern Trust Company	Senior Vice President
Behar, Gregory S. Senior Vice President	The Northern Trust Company	Senior Vice President
Benson, Jacquelyn M. Vice President	The Northern Trust Company	Vice President
Bergson, Robert H. Senior Vice President	The Northern Trust Company	Senior Vice President
Bieber, Christopher Vice President	The Northern Trust Company	Vice President
Blair, Timothy P. Vice President	The Northern Trust Company	Vice President
Bleecker, Ali K. Senior Vice President	The Northern Trust Company	Senior Vice President
Boeckmann, Eric Vonn Senior Vice President	The Northern Trust Company	Senior Vice President
Boeckmann, Lizabeth Rose Vice President	The Northern Trust Company	Vice President
Bohlin, Andrew P. Vice President	The Northern Trust Company	Vice President
Borel, Ainsley J. Senior Vice President	The Northern Trust Company	Senior Vice President
Browne, Kieran Senior Vice President	The Northern Trust Company	Senior Vice President
Browne, Robert P. Executive Vice President, Director and CIO	The Northern Trust Company	Executive Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Buckley, Melissa A. Senior Vice President	The Northern Trust Company	Senior Vice President
Buerckholtz, Elizabeth J. Senior Vice President	The Northern Trust Company	Senior Vice President
Bugajski, James Edward Vice President	The Northern Trust Company	Vice President
Bukoll, Martin B. Senior Vice President	The Northern Trust Company	Senior Vice President
Burgul, Cevdet Sertan Vice President	The Northern Trust Company	Vice President
Bursua, Brian M. Vice President	The Northern Trust Company	Vice President
Carberry, Craig R. Secretary	The Northern Trust Company	Senior Attorney
Carlson, Christopher W. Senior Vice President, Director and Chief Operating Officer	The Northern Trust Company	Senior Vice President
Carlson, Mark D. Senior Vice President	The Northern Trust Company	Senior Vice President
Carlson, Robert A. Vice President	The Northern Trust Company	Vice President
Carroll, Keith D. Vice President	The Northern Trust Company	Vice President
Castino, Michael T. Senior Vice President	The Northern Trust Company	Senior Vice President
Chico, Michael R. Vice President	The Northern Trust Company	Vice President
Clark, Richard L. Senior Vice President	The Northern Trust Company	Senior Vice President



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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Cohodes, Jeffrey D. Director	The Northern Trust Company	Executive Vice President
Connellan, Kevin Anthony Senior Vice President	The Northern Trust Company	Senior Vice President
Costello, Joseph H. Vice President	The Northern Trust Company	Vice President
Cousins, Stephen J. Senior Vice President	The Northern Trust Company	Senior Vice President
Cristello, John P. Vice President	The Northern Trust Company	Vice President
Cubeles, Alain Senior Vice President	The Northern Trust Company	Senior Vice President
Czochara, Susan C. Senior Vice President	The Northern Trust Company	Senior Vice President
D' Arienzo, Louis R. Vice President	Northern Trust Bank, N.A.	Vice President
Danaher, James Senior Vice President	The Northern Trust Company	Senior Vice President
Dehnert, Melissa Ann Vice President	The Northern Trust Company	Vice President
Dekhayser, Jordan D. Vice President	The Northern Trust Company	Vice President
Delaney, Michael J. Vice President	The Northern Trust Company	Vice President
Dering, Michael C. Vice President	The Northern Trust Company	Vice President
Detroy, Timothy J. Vice President	The Northern Trust Company	Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Diehl, Jr., Joseph R. Senior Vice President	The Northern Trust Company	Senior Vice President
Dorsey, Jennifer Ann Vice President	The Northern Trust Company	Vice President
Doucette, Mary S. Senior Vice President	The Northern Trust Company	Senior Vice President
Doyle, Michael T. Vice President	The Northern Trust Company	Vice President
Driscoll, Peter John Vice President	The Northern Trust Company	Vice President
Drucker, Michael J. Vice President	The Northern Trust Company	Vice President
Duvall, Margret Eva Senior Vice President	The Northern Trust Company	Senior Vice President
Dwyer, Patrick E. Vice President	The Northern Trust Company	Vice President
Dzanic, Marie E Senior Vice President .	The Northern Trust Company	Senior Vice President
Ebel, Christopher John Vice President	The Northern Trust Company	Vice President
Egizio, Michael P. Vice President	The Northern Trust Company	Vice President
Escalante, Patrick D. Vice President	The Northern Trust Company	Vice President
Evans, Megan Chapman Senior Vice President	The Northern Trust Company	Senior Vice President
Everett, Steven R. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Ewing, Peter K. Senior Vice President	The Northern Trust Company	Senior Vice President
Ferguson, Jr., John Allen Vice President	The Northern Trust Company	Vice President
Finegan, Sean A. Vice President	The Northern Trust Company	Vice President
Fitzgerald, Maurice J. Vice President	The Northern Trust Company	Vice President
Fletcher, Christina Lee Vice President	The Northern Trust Company	Vice President
Flinn, John E. Vice President	The Northern Trust Company	Vice President
Flood, Peter J. Senior Vice President	The Northern Trust Company	Senior Vice President
Flowers, Joseph J. Vice President	The Northern Trust Company	Vice President
Franklin, Carolyn D. Vice President	The Northern Trust Company	Vice President
Freitag, Lee R. Vice President	The Northern Trust Company	Vice President
Fronk, Christopher A. Senior Vice President	The Northern Trust Company	Senior Vice President
Gayle III, Robert Harold Vice President	The Northern Trust Company	Vice President
Geisler, Maria Vice President	The Northern Trust Company	Vice President
Gellen, Sophia S. Vice President	The Northern Trust Company	Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Geller, Stephanie L. Senior Vice President	The Northern Trust Company	Senior Vice President
Geraghty, Kim Marie Vice President	The Northern Trust Company	Former Vice President
Ginsberg, Lynne Noel Vice President	The Northern Trust Company	Vice President
Gordon, Denise Christina Vice President	The Northern Trust Company	Vice President
Gossett, Mark C. Director	The Northern Trust Company	Executive Vice President
Gould, Betty C. Vice President	The Northern Trust Company	Vice President
Grant Williams, Allison Senior Vice President	The Northern Trust Company	Senior Vice President
Gregg, Laura Jean Vice President	The Northern Trust Company	Vice President
Griffin, Michelle D. Senior Vice President	The Northern Trust Company	Senior Vice President
Halter, Ann M. Senior Vice President	The Northern Trust Company	Senior Vice President
Hammer, Alice S. Vice President	The Northern Trust Company	Vice President
Harrell, Alec Vice President	The Northern Trust Company	Vice President
Harris, Nora J. Vice President	The Northern Trust Company	Vice President
Hausken, Philip D. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Hawkins, Sheri Barker Senior Vice President	The Northern Trust Company	Senior Vice President
Hearty, Stephen Aprea Senior Vice President	The Northern Trust Company	Senior Vice President
Hecimovich, Sandra M. Vice President	The Northern Trust Company	Vice President
Heckler, Jennifer A. Vice President	The Northern Trust Company	Vice President
Hersted, Jillian R. Vice President	The Northern Trust Company	Vice President
Hest, Stefanie Jaron Senior Vice President	The Northern Trust Company	Senior Vice President
Hickman, Joanne Senior Vice President	The Northern Trust Company	Senior Vice President
Holland, Jean-Pierre Vice President	The Northern Trust Company	Vice President
Honold, Christopher M. Vice President	The Northern Trust Company	Vice President
Howe, Luke J. Senior Vice President	The Northern Trust Company	Senior Vice President
Huemmen, Christopher G. Vice President	The Northern Trust Company	Vice President
Hurley, William F. Vice President	The Northern Trust Company	Vice President
Hyatt, William E. Vice President	The Northern Trust Company	Vice President
Hynes, Daniel T. Vice President	The Northern Trust Company	Vice President

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<u>Name and Position with Investment Adviser (NTI)</u>	<u>Name of Other Company</u>	<u>Position with Other Company</u>
Inzunza, Richard J. Vice President	The Northern Trust Company	Vice President
Iwanicki, John W. Senior Vice President	The Northern Trust Company	Senior Vice President
Jackson, John Vice President	The Northern Trust Company	Vice President
Jackson, Tamara L. Senior Vice President	The Northern Trust Company	Senior Vice President
Jacobs, Peter M. Senior Vice President	The Northern Trust Company	Senior Vice President
Jaeger, Christopher J. Vice President	The Northern Trust Company	Vice President
Jaffe, Harry Y. Vice President	The Northern Trust Company	Vice President
Jampani, Madhavi Choudary Vice President	The Northern Trust Company	Vice President
Jenkins, John Scott Vice President	The Northern Trust Company	Vice President
Johnston, Lucia A. Vice President	The Northern Trust Company	Vice President
Jones, Brian D. Vice President	The Northern Trust Company	Vice President
Jorgensen, Joseph H. Vice President	The Northern Trust Company	Vice President
Joves, Evangeline Mendoza Vice President	The Northern Trust Company	Vice President
Kalp, Kathleen Senior Vice President	The Northern Trust Company	Senior Vice President

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<u>Name and Position with Investment Adviser (NTI)</u>	<u>Name of Other Company</u>	<u>Position with Other Company</u>
Kalter, Kristin M. Vice President	The Northern Trust Company	Vice President
Kane, James P. Senior Vice President	The Northern Trust Company	Senior Vice President
Kanter, Ann F. Senior Vice President	The Northern Trust Company	Senior Vice President
Katz, Evan S. Vice President	The Northern Trust Company	Vice President
Katz, Naomi E. Vice President	The Northern Trust Company	Vice President
Kazaz, Tayfun Vice President	The Northern Trust Company	Vice President
Kelley, Michelle M. Vice President	The Northern Trust Company	Vice President
Kennedy, Michael Vice President	The Northern Trust Company	Vice President
Kenzer, David T. Vice President	The Northern Trust Company	Vice President
King III, Archibald E. Senior Vice President	The Northern Trust Company	Senior Vice President
Kinney, Lorrie Ann Vice President	The Northern Trust Company	Vice President
Klein, Stephanie K. Senior Vice President	The Northern Trust Company	Senior Vice President
Koch, Deborah L. Senior Vice President	The Northern Trust Company	Senior Vice President
Konstantos, John A. Vice President	The Northern Trust Company	Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Korytowski, Donald H. Vice President	The Northern Trust Company	Vice President
Kotsogiannis, Nikolas Vice President	The Northern Trust Company	Vice President
Kovacs, Michael R. Senior Vice President	The Northern Trust Company	Senior Vice President
Krauter, Michael L. Vice President	The Northern Trust Company	Vice President
Kresnicka, Kevin R. Vice President	The Northern Trust Company	Vice President
LaBelle, John C. Vice President	The Northern Trust Company	Vice President
Latella, Regina J. Vice President	The Northern Trust Company	Vice President
Leahey, Jodie Terese Senior Vice President	The Northern Trust Company	Senior Vice President
Ledford, Diana L. Vice President	The Northern Trust Company	Vice President
Leon, Michael Senior Vice President	The Northern Trust Company	Senior Vice President
Letts, Heather M. Vice President	The Northern Trust Company	Vice President
Lico, Dennis Vice President	The Northern Trust Company	Vice President
Lillis, James E. Vice President	The Northern Trust Company	Vice President
Loftus, Julie M. Vice President	The Northern Trust Company	Vice President



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<u>Name and Position with Investment Adviser (NTI)</u>	<u>Name of Other Company</u>	<u>Position with Other Company</u>
Logan, Lyle Director & Executive Vice President	The Northern Trust Company	Executive Vice President
Ludwig, Jeanne M. Senior Vice President	The Northern Trust Company	Senior Vice President
Lukic, Mary Vice President	The Northern Trust Company	Vice President
Lupi, Lisa Ann Vice President	The Northern Trust Company	Vice President
Lyne, Cary J. Senior Vice President	The Northern Trust Company	Senior Vice President
Lyons, William A. Vice President	The Northern Trust Company	Vice President
Mastuantuono, Deborah A. Senior Vice President	The Northern Trust Company	Senior Vice President
McCart, Mary Jane Senior Vice President	The Northern Trust Company	Senior Vice President
McDonald, James D. Senior Vice President	The Northern Trust Company	Senior Vice President
McDougal, Lisa M. Vice President	The Northern Trust Company	Vice President
McEldowney, Douglas J. Senior Vice President	The Northern Trust Company	Senior Vice President
McGregor, Timothy T. Senior Vice President	The Northern Trust Company	Senior Vice President
Meadows III, Edmund C. Vice President	The Northern Trust Company	Vice President
Mecca, Melinda S. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Meehan, Michael G. Vice President	The Northern Trust Company	Vice President
Mehta, Ashish R. Vice President	The Northern Trust Company	Vice President
Merrit, Hollis E. Vice President	The Northern Trust Company	Vice President
Meservey, Marilyn J. Vice President & Assistant Treasurer	The Northern Trust Company	Vice President
Miller, Nathan D. Vice President	The Northern Trust Company	Vice President
Mirante, John P. Vice President	The Northern Trust Company	Vice President
Mitchell, James L. Senior Vice President	The Northern Trust Company	Senior Vice President
Muench, Scott O. Senior Vice President	The Northern Trust Company	Senior Vice President
Murphy, Shaun D. Senior Vice President	The Northern Trust Company	Senior Vice President
Nass, Curtis A. Vice President	The Northern Trust Company	Vice President
Nellans, Charles J. Vice President	The Northern Trust Company	Vice President
Nelson, Daniel J. Vice President	The Northern Trust Company	Vice President
Newman, Greg Vice President	The Northern Trust Company	Vice President
Nickey III, William M. Vice President	The Northern Trust Company	Vice President

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<u>Name and Position with Investment Adviser (NTI)</u>	<u>Name of Other Company</u>	<u>Position with Other Company</u>
Northfell, Catherine J. Senior Vice President	The Northern Trust Company	Senior Vice President
O' Brien, Jacqueline A. Senior Vice President	The Northern Trust Company	Senior Vice President
O' Brien, Thomas E. Vice President	The Northern Trust Company	Vice President
O' Connor, Eileen M. Vice President	The Northern Trust Company	Vice President
O' Connor, Michael P. Vice President	The Northern Trust Company	Vice President
O' Rourke, Kevin P. Vice President	The Northern Trust Company	Vice President
Ortega, Leigh Ann Vice President	The Northern Trust Company	Vice President
O' Shaughnessy, Kevin J. Vice President	The Northern Trust Company	Vice President
Padilla, Francis R. G. Vice President	The Northern Trust Company	Vice President
Pedersen, Brad T. Vice President	The Northern Trust Company	Vice President
Peron, Matthew Senior Vice President	The Northern Trust Company	Senior Vice President
Personette, Daniel J. Vice President	The Northern Trust Company	Vice President
Peters, Michael J. Vice President	The Northern Trust Company	Vice President
Pincus, Jonathan S. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Pollak, Donald R. Senior Vice President	The Northern Trust Company	Senior Vice President
Ponton, Mark S. Vice President	The Northern Trust Company	Vice President
Potter, Ofelia M. Senior Vice President	The Northern Trust Company	Senior Vice President
Potter, Stephen N. Chairman, President and Chief Executive Officer	The Northern Trust Company	Executive Vice President
Pries, Katie D. Senior Vice President	The Northern Trust Company	Senior Vice President
Provanzana, Beth Marie Senior Vice President, Chief Financial Officer and Director	The Northern Trust Company	Senior Vice President
Provo, Brian Allen Vice President	The Northern Trust Company	Vice President
Quinn, Patrick D. Vice President	The Northern Trust Company	Vice President
Rakowski, Andrew F. Vice President	The Northern Trust Company	Vice President
Rakvin, Chad M. Senior Vice President	The Northern Trust Company	Senior Vice President
Reeder, Brent D. Senior Vice President	The Northern Trust Company	Senior Vice President
Rein, Randall Senior Vice President	The Northern Trust Company	Senior Vice President
Reller, Jacqueline R. Vice President	The Northern Trust Company	Vice President
Renaud, Donna Lee Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Richardson, Kristina Anne Senior Vice President	The Northern Trust Company	Senior Vice President
Robertson, Alan W. Director	The Northern Trust Company	Executive Vice President
Robertson, Colin A. Senior Vice President	The Northern Trust Company	Senior Vice President
Rocha, Heather Parkes Vice President	The Northern Trust Company	Vice President
Roncoroni, Jaime Lauren Vice President	The Northern Trust Company	Vice President
Ryer, Alexander D. Vice President	The Northern Trust Company	Vice President
St. Clair, Joyce Director	The Northern Trust Company	Executive Vice President
Sampson, Jeffrey David Vice President	The Northern Trust Company	Vice President
Santiccioli, Steven J. Vice President	The Northern Trust Company	Vice President
Schweitzer, Eric K. Senior Vice President	The Northern Trust Company	Senior Vice President
Sclafani, Guy J. Senior Vice President	The Northern Trust Company	Senior Vice President
Severs, Matthew C. Vice President	The Northern Trust Company	Vice President
Shane, Adam Marshall Vice President	The Northern Trust Company	Vice President
Shapley, Brian J. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Shipley, Christopher D. Vice President	The Northern Trust Company	Vice President
Simoncek, Trista Drobysh Senior Vice President	The Northern Trust Company	Senior Vice President
Sodergren, Mark C. Vice President	The Northern Trust Company	Vice President
Spartz, Carol J. Vice President	The Northern Trust Company	Vice President
Staff, Maggie R. Vice President	The Northern Trust Company	Vice President
Stewart, Allison Walpole Vice President	The Northern Trust Company	Vice President
Stoeber, Kurt S. Vice President	The Northern Trust Company	Vice President
Stolfi, James R. Vice President	The Northern Trust Company	Vice President
Sullivan, Carol H. Senior Vice President	The Northern Trust Company	Senior Vice President
Sullivan, Catherine M. Senior Vice President	The Northern Trust Company	Senior Vice President
Sullivan, Kevin P. Senior Vice President	The Northern Trust Company	Senior Vice President
Szaflik, Carolyn B. Senior Vice President	The Northern Trust Company	Senior Vice President
Szostak II, Jon E. Vice President	The Northern Trust Company	Vice President
Szymanek, Frank D. Senior Vice President	The Northern Trust Company	Senior Vice President

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Name and Position with Investment Adviser (NTI)	Name of Other Company	Position with Other Company
Taylor, Cynthia Vice President	The Northern Trust Company	Vice President
Thomas, Shundraun Senior Vice President	The Northern Trust Company	Senior Vice President
Thomas, Wanda Williams Vice President	The Northern Trust Company	Vice President
Thompson, Jane W. Senior Vice President	The Northern Trust Company	Senior Vice President
Towle, Michael J. Vice President	The Northern Trust Company	Vice President
Trafford, Edward Vice President	The Northern Trust Company	Vice President
Tungol, John Vice President	The Northern Trust Company	Vice President
Turner, Betsy Licht Senior Vice President	The Northern Trust Company	Senior Vice President
Tushman, Matthew R. Senior Vice President	The Northern Trust Company	Senior Vice President
Unger, David J. Vice President	The Northern Trust Company	Vice President
Van Alstyne, Christopher W. Senior Vice President	The Northern Trust Company	Senior Vice President
Varchetto, Brett A. Vice President	The Northern Trust Company	Vice President
Vardas, Michael A. Director	The Northern Trust Company	Senior Vice President
Vigsnes II, Richard Allan Senior Vice President	The Northern Trust Company	Senior Vice President

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<u>Name and Position with Investment Adviser (NTI)</u>	<u>Name of Other Company</u>	<u>Position with Other Company</u>
Wagner, Christopher M. Vice President	The Northern Trust Company	Senior Vice President
Warland, Jeff M. Senior Vice President	The Northern Trust Company	Senior Vice President
Warner, Scott B. Vice President	The Northern Trust Company	Vice President
Waters, Courtney Vice President	The Northern Trust Company	Vice President
Weaver, Jacob C. Senior Vice President	The Northern Trust Company	Senior Vice President
Wennlund, Lloyd A. Director and Executive Vice President	The Northern Trust Company Northern Trust Securities, Inc.	Executive Vice President President
Wilczek, Diane M. Vice President	The Northern Trust Company	Vice President
Wilkins, Anthony E. Senior Vice President	The Northern Trust Company	Senior Vice President
Williams, David R. Vice President	The Northern Trust Company	Vice President
Williams, II, Gregory L. Vice President	The Northern Trust Company	Vice President
Williams, Thomas C. Vice President	The Northern Trust Company	Vice President
Winters, Marie C. Vice President	The Northern Trust Company	Vice President
Wolfe, Joseph E. Vice President	The Northern Trust Company	Vice President
Wright, Mary Kay Vice President	The Northern Trust Company	Vice President
Yi, Peter Vice President	The Northern Trust Company	Vice President



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### **Item 32. Principal Underwriters**

- (a) Foreside Fund Services, LLC, Registrant' s underwriter, serves as principal underwriter for the following investment companies registered under the Investment Company Act of 1940, as amended:
1. AdvisorShares Trust
  2. American Beacon Funds
  3. American Beacon Mileage Funds
  4. American Beacon Select Funds
  5. Bennett Group of Funds
  6. Bridgeway Funds, Inc.
  7. Center Coast MLP Focus Fund, Series of the Investment Managers Series Trust
  8. Central Park Group Multi-Event Fund
  9. Century Capital Management Trust
  10. del Rey Global Investors Funds
  11. Direxion Shares ETF Trust
  12. DundeeWealth Funds
  13. FocusShares Trust
  14. Forum Funds
  15. Henderson Global Funds
  16. Ironwood Institutional Multi-Strategy Fund LLC
  17. Ironwood Multi-Strategy Fund LLC
  18. Javelin Exchange-Traded Trust
  19. Liberty Street Horizon Fund, Series of the Investment Managers Series Trust
  20. Nomura Partners Funds, Inc.
  21. PMC Funds, Series of the Trust for Professional Managers
  22. Precidian ETFs Trust
  23. RevenueShares ETF Trust
  24. Sound Shore Fund, Inc.
  25. Turner Funds
  26. Wintergreen Fund, Inc.
- (b) The following are officers and directors of Foreside Fund Services, LLC, the Registrant' s underwriter. Their main business address is Three Canal Plaza, Suite 100, Portland, Maine 04101.

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<u>Name</u>	<u>Address</u>	<u>Position with Underwriter</u>	<u>Position with Registrant</u>
Mark A. Fairbanks	Three Canal Plaza, Suite 100, Portland, ME 04101	President and Manager	None
Richard J. Berthy	Three Canal Plaza, Suite 100, Portland, ME 04101	Vice President, Treasurer and Manager	None
Jennifer E. Hoopes	Three Canal Plaza, Suite 100, Portland, ME 04101	Secretary	None
Nanette K. Chern	Three Canal Plaza, Suite 100, Portland, ME 04101	Vice President and Chief Compliance Officer	None
Lisa S. Clifford	Three Canal Plaza, Suite 100, Portland, ME 04101	Vice President and Director of Compliance	None

(c) Not applicable.

### **Item 33. Location of Accounts and Records**

The Amended and Restated Agreement and Declaration of Trust, By-Laws and minute books of the Registrant are in the physical possession of J.P. Morgan Chase Bank, N.A., One Beacon Street, Boston, Massachusetts 02108. Records for Foreside Fund Services, LLC, the distributor, are located at 3 Canal Plaza, Portland, Maine 04101. All other accounts, books and other documents required to be maintained under Section 31(a) of the Investment Company Act of 1940, as amended, and the Rules promulgated thereunder are in the physical possession of The Northern Trust Company, 50 S. LaSalle Street, Chicago, Illinois 60603 and NTI, 50 S. LaSalle Street, Chicago, Illinois 60603.

### **Item 34. Management Services**

Not Applicable.

### **Item 35. Undertakings**

Not Applicable.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Investment Company Act of 1940, as amended, the Registrant has duly caused this Pre-Effective Amendment No. 2 to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago and State of Illinois on the 1<sup>st</sup> day of September 2011.

FLEXSHARES TRUST

By: /s/ Shundrawn A. Thomas  
Shundrawn A. Thomas  
Trustee and President

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Sarah N. Garvey</u> Sarah N. Garvey	Trustee	September 1, 2011
<u>/s/ Philip G. Hubbard</u> Philip G. Hubbard	Trustee	September 1, 2011
<u>/s/ Eric T. McKissack</u> Eric T. McKissack	Trustee	September 1, 2011
<u>/s/ Shundrawn A. Thomas</u> Shundrawn A. Thomas	Trustee and President (Principal Executive Officer)	September 1, 2011
<u>/s/ Randal Rein</u> Randal Rein	Treasurer (Principal Financial Officer and Principal Accounting Officer)	September 1, 2011

**Exhibit Index**

- (a)(3) Amended and Restated Agreement and Declaration of Trust dated June 28, 2011
- (b) Amended and Restated By-Laws of the Trust
- (d)(1) Investment Advisory and Ancillary Services Agreement between the Trust and Northern Trust Investments, Inc.
- (d)(2) Expense Reimbursement Agreement between the Trust and Northern Trust Investments, Inc.
- (e)(1) Form of Distribution Agreement between the Trust and Foreside Fund Services, LLC
- (e)(2) Form of Authorized Participant Agreement
- (g)(1) Global Custody Agreement between the Trust and J.P. Morgan Chase Bank, N.A.
- (h)(1) Agency Services Agreement between the Trust and J.P. Morgan Chase Bank, N.A.
- (h)(2) Form of Fund Servicing Agreement between the Trust and the J.P. Morgan Chase Bank, N.A.
- (h)(3) Form of Sublicense Agreement between the Trust and Northern Trust Investments, Inc.
- (i) Opinion of Drinker Biddle & Reath LLP
- (j) Consent of independent registered public accounting firm
- (l) Initial Capital Agreement
- (m) Distribution and Service Plan, adopted July 14, 2011
- (Other) Power of Attorney

**AMENDED AND RESTATED  
AGREEMENT AND DECLARATION OF TRUST  
OF  
FLEXSHARES TRUST**

Dated June 28, 2011

THIS AMENDED AND RESTATED AGREEMENT AND DECLARATION OF TRUST is made as of this 28th day of June, 2011 by the undersigned Trustee (together with all other persons from time to time duly elected, qualified and serving as Trustees in accordance with the provisions of Article II hereof, the "Trustees") under the Maryland Act (as defined below);

WHEREAS, a Certificate of Trust (the "Certificate") has been filed with the State Department of Assessments and Taxation of Maryland (the "State") on May 13, 2010 for the purpose of forming a statutory trust for the investment and reinvestment of funds contributed thereto;

WHEREAS, an amendment to the Certificate was filed on April 13, 2011 with the State for the purpose of changing the name of the trust to "FlexShares Trust."

WHEREAS, the Trustees executed an Agreement and Declaration of Trust of NT ETF Trust on May 13, 2010;

WHEREAS, the Trustees desire to amend and restate such Declaration of Trust in its entirety;

WHEREAS, the Trustees desire that the beneficial interest in the trust assets be divided into transferable shares of beneficial interest, as hereinafter provided;

WHEREAS, the Trustees declare that all money and property contributed to the trust established hereunder shall be held and managed in trust for the benefit of the holders, from time to time, of the shares of beneficial interest issued hereunder and subject to the provisions hereof;

NOW, THEREFORE, in consideration of the foregoing premises and the agreements contained herein, the undersigned, being all of the Trustees of the Trust, hereby declare as follows:

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ARTICLE I

NAME AND DEFINITIONS

Section 1. Name. The name of the Trust created by this Agreement and Declaration of Trust is “FlexShares Trust” and the Trustees shall conduct the business of the Trust under that name or any other name as they may from time to time determine.

Section 2. Definitions. Unless otherwise provided or required by the context:

(a) “Administrator” or “Administrators” means the party or parties, other than the Trust, to any contract described in Article III, Section 3 hereof.

(b) “Bylaws” means the Bylaws of the Trust adopted by the Trustees, as amended from time to time, which Bylaws are expressly herein incorporated by reference as part of the “governing instrument” within the meaning of the Maryland Act; provided that in the event of a conflict between the provisions of this Declaration and the Bylaws, the provisions of this Declaration shall control.

(c) “Certificate of Trust” means the certificate of trust of the Trust, as filed with the SDAT (as defined below) in accordance with the Maryland Act, and as such certificate of trust may be amended or amended and restated from time to time.

(d) “Class” means any class of Shares of a Series established pursuant to Article V.

(e) “Commission,” “Interested Person” and “Principal Underwriter” have the meanings provided in the 1940 Act. Except as such term may be otherwise defined by the Trustees in conjunction with the establishment of any Series of Shares, the term “vote of a majority of the Shares outstanding and entitled to vote” or “Shares representing a majority of the votes entitled to be cast” shall have the same meaning as is assigned to the term “vote of a majority of the outstanding voting securities” in the 1940 Act (except as shall be necessary to give effect to voting on a net asset basis in accordance with Article VII, Section 1).

(f) “Covered Person” means a person so defined in Article IV, Section 3.

(g) “Creation Unit” has the meaning set forth in Article V, Section 3.

(h) “Custodian” means any Person other than the Trust who has custody of any Trust Property as required by Section 17(f) of the 1940 Act, but does not include a system for the central handling of securities described in said Section 17(f).

(i) “Declaration” shall mean this Agreement and Declaration of Trust, as amended or restated from time to time. Reference in this Agreement and Declaration of Trust to “Declaration,” “hereof,” “herein,” and “hereunder” shall be deemed to refer to this Declaration rather than exclusively to the article or section in which such words appear.

(j) “Distributor” means the party, other than the Trust, to the contract described in Article III, Section 1 hereof.

(k) “His” shall include the feminine and neuter, as well as the masculine, genders.

(l) “Investment Adviser” or Investment Advisers” means the party or parties, other than the Trust, to any contract described in Article III, Section 2 hereof.

(m) “Maryland Act” means Title 12 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time.

(n) “Net Asset Value” means the net asset value of each Series of the Trust, determined as provided in Article VI, Section 3.

(o) “Person” means natural persons, corporations, partnerships, limited partnerships, limited liability companies, associations, joint ventures, trusts, estates and other individuals or entities, and governments and agencies and political subdivisions, thereof, whether domestic or foreign.

(p) “SDAT” means the State Department of Assessments and Taxation of Maryland.

(q) “Series” means a series of Shares established pursuant to Article V.

(r) “Shareholder” means a record owner of Outstanding Shares.

(s) “Shares” means the equal proportionate transferable units of interest into which the beneficial interest of each Series or Class is divided from time to time (including whole Shares and fractions of Shares). “Outstanding Shares” means Shares shown in the books of the Trust or its transfer agent as then issued and outstanding, but does not include Shares which have been repurchased, redeemed, cancelled or terminated by the Trust.

(t) “Transfer Agent” means any Person other than the Trust who maintains the Shareholder records of the Trust, such as the list of Shareholders, the number of Shares credited to each account, and the like.

(u) “Trust” means NT ETF Trust established under the Maryland Act by this Declaration and the filing of the Certificate of Trust with the SDAT, and reference to the Trust, when applicable to one or more Series, refers to such Series.

(v) “Trustees” means the person who has signed this Declaration, so long as he or she shall continue in office in accordance with the terms hereof, and all other persons who may from time to time be duly qualified and serving as Trustees in accordance with Article II, in all cases in their capacities as Trustees hereunder.

(w) “Trust Property” means any and all property, real or personal, tangible or intangible, which is owned or held by or for the account of the Trust or any Series or by the Trustees on behalf of the Trust or any Series.

(x) The “1940 Act” means the Investment Company Act of 1940, as amended from time to time.

Section 3. Nature and Purpose of Trust. The purpose of the Trust is to engage in, operate and carry on the business of an open-end management investment company through one or more Series, and to do any and all acts or things as are necessary, convenient, appropriate, incidental or customary in connection therewith, both within and without the State of Maryland, and without limiting the foregoing or the other provisions hereof, the Trust may exercise all powers conferred by the laws of the State of Maryland upon a Maryland statutory trust formed pursuant to the Maryland Act.

Section 4. Principal Place of Business; Registered Agent. The principal place of business of the Trust in the State of Maryland is 351 West Camden Street, Baltimore, Maryland 21201. Unless otherwise required by applicable law, the Trust shall at all times maintain at least one resident agent who shall be either a citizen of the State of Maryland who resides in such State or a Maryland corporation. The Trustees may change the principal place of business or such resident agent of the Trust from time to time by making the appropriate filing or filings with the SDAT.

## ARTICLE II

### THE TRUSTEES

Section 1. Management of the Trust; Duties. The business and affairs of the Trust shall be managed under the direction of the Trustees, and they shall have all powers necessary or desirable to carry out that responsibility. The Trustees may execute all instruments and take all action they deem necessary or desirable to promote the interests of the Trust. Any determination made by the Trustees in good faith as to what is in the interests of the Trust shall be conclusive. In construing the provisions of this Declaration, the presumption shall be in favor of a grant of power to the Trustees. The Trustees shall have the duties set forth in Section 12-402(b) of the Act. An act of a Trustee shall be presumed to satisfy the standards of such section of the Act.



Section 2. Powers. The Trustees in all instances shall act as principals, free of the control of the Shareholders. The Trustees shall have full power and authority to take or refrain from taking any action and to execute any contracts and instruments that they may consider necessary or desirable in the management of the Trust. The Trustees shall not in any way be bound or limited by current or future laws or customs applicable to trust investments, but shall have full power and authority to make any investments which they, in their sole discretion, deem proper to accomplish the purposes of the Trust. The Trustees may exercise all of their powers without recourse to any court or other authority. Subject to any applicable limitation herein or in the Bylaws or resolutions of the Trust, the Trustees shall have power and authority, without limitation to, or to cause the Trust to:

(a) Operate as and carry on the business of an investment company, and exercise all the powers necessary and appropriate to the conduct of such operations.

(b) Invest in, hold for investment, or reinvest in, cash, including foreign currencies; securities, including common, preferred and preference stocks; warrants; subscription rights; profit-sharing interests or participation and all other contracts for or evidence of equity interests; bonds, debentures, bills, time notes and all other evidences of indebtedness; negotiable or non-negotiable instruments; government securities, including securities of any state, municipality or other political subdivision thereof, or any governmental or quasi-governmental agency or instrumentality; and money market instruments including bank certificates of deposit, finance paper, commercial paper, bankers' acceptances and all kinds of repurchase agreements, of any corporation, company, trust, association, firm or other business organization however established, and of any country, state, municipality or other political subdivision, or any governmental or quasi-governmental agency or instrumentality; or any other security, foreign currency, property or instrument in which the Trust or any of its Series shall be authorized to invest.

(c) Acquire (by purchase, subscription or otherwise), to hold, to trade in and deal in, to acquire any rights or options to purchase or sell, to sell or otherwise dispose of, to lend and to pledge any such securities and foreign currencies to enter into repurchase agreements, reverse repurchase agreements, firm commitment agreements and forward foreign currency exchange contracts, to purchase and sell options on securities, securities indices, currencies and other financial assets, futures contracts and options on futures contracts of all descriptions and to engage in all other types of transactions in which the Trust or any of its Series shall be authorized to engage.

(d) Exercise all rights, powers and privileges of ownership or interest in all securities, foreign currencies, repurchase agreements and other property and instruments included in the Trust Property, including the right to vote thereon and otherwise act with respect thereto and to do all acts for the preservation, protection, improvement and enhancement in value of all such securities, foreign currencies and repurchase agreements.

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(e) Acquire (by purchase, lease or otherwise) and to hold, use, maintain, develop and dispose of (by sale or otherwise) any property, real or personal, including cash or foreign currency, and any interest therein.

(f) Borrow money or other property in the name of the Trust or any of its Series exclusively for Trust purposes and in this connection issue notes or other evidence of indebtedness; to secure borrowings by mortgaging, pledging or otherwise subjecting as security the Trust Property; and to endorse, guarantee, or undertake the performance of any obligation or engagement of any other Person and to lend Trust Property.

(g) Aid by further investment any corporation, company, trust, association or firm, any obligation of or interest in which is included in the Trust Property or in the affairs of which the Trustees have any direct or indirect interest; to do all acts and things designed to protect, preserve, improve or enhance the value of such obligation or interest; and to guarantee or become surety on any or all of the contracts, stocks, bonds, notes, debentures and other obligations of any such corporation, company, trust, association or firm.

(h) Adopt Bylaws not inconsistent with this Declaration providing for the conduct of the business of the Trust and to amend and repeal them to the extent such right is not reserved to the Shareholders.

(i) Elect and remove such officers and appoint and terminate such agents as they deem appropriate.

(j) Employ as custodian of any assets of the Trust, subject to any provisions herein or in the Bylaws, one or more banks, trust companies or companies that are members of a national securities exchange, or other entities permitted by the Commission to serve as such.

(k) Retain one or more transfer agents and shareholder servicing agents, or both.

(l) Provide for the distribution of Shares either through a Principal Underwriter as provided herein or by the Trust itself, or both, or pursuant to a distribution plan of any kind and to adopt on behalf of any Series or Class distribution, authorized dealer service, administration, service or other plans providing for the compensation by such Series or Class for distribution, administration, shareholder liaison or similar services.

(m) Set record dates in the manner provided for herein or in the Bylaws.

(n) Delegate such authority as they consider desirable to any officers of the Trust and to any agent, independent contractor, manager, investment adviser, custodian, underwriter or other Person.

(o) Hold any security or other property (i) in a form not indicating any trust, whether in bearer, book entry, unregistered or other negotiable form, or (ii) either in the Trust's or Trustees' own name or in the name of a custodian or a nominee or nominees, subject to safeguards according to the usual practice of statutory trusts or investment companies.

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(p) Establish separate and distinct Series with separately defined investment objectives and policies and distinct investment purposes, and with separate Shares representing beneficial interests in such Series, and to establish separate Classes, all in accordance with the provisions of Article V.

(q) Allocate assets, liabilities and expenses of the Trust to a particular Series and assets, liabilities and expenses to a particular Class or apportion the same between or among two or more Series or Classes, to the full extent permitted by Section 12-501 of the Maryland Act, provided that any liabilities or expenses incurred by a particular Series or Class shall be payable solely out of the assets belonging to that Series or Class as provided for in Article V, Section 4.

(r) Consent to or participate in any plan for the reorganization, consolidation or merger of any corporation or concern whose securities are held by the Trust; to consent to any contract, lease, mortgage, purchase, or sale of property by such corporation or concern; and to pay calls or subscriptions with respect to any security held in the Trust.

(s) Compromise, arbitrate, or otherwise adjust claims in favor of or against the Trust or any matter in controversy including, but not limited to, claims for taxes.

(t) Make distributions of income, capital gains, returns of capital (if any) and redemption proceeds to Shareholders in the manner hereinafter provided for.

(u) Establish committees for such purposes, with such membership, and with such responsibilities as the Trustees may consider proper.

(v) Issue, sell, repurchase, redeem, cancel, retire, acquire, hold, resell, reissue, dispose of and otherwise deal in Shares; to establish terms and conditions regarding the issuance, sale, repurchase, redemption, cancellation, retirement, acquisition, holding, resale, reissuance, disposition of or dealing in Shares; and, subject to Articles V and VI, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares any funds or property of the Trust or of the particular Series or Class with respect to which such Shares are issued.

(w) Invest part or all of the Trust Property (or part or all of the assets of any Series), or Dispose of part or all of the Trust Property (or part or all of the assets of any Series) and invest the proceeds of such disposition, in interests issued by one or more other investment companies or pooled portfolios (including investment by means of transfer of part or all of the Trust Property in exchange for an interest or interests in such one or more investment companies or pooled portfolios) all without any requirement of approval by Shareholders. Any such other investment company or pooled portfolio may (but need not) be a trust (formed under the laws of any state or jurisdiction) which is classified as a partnership for federal income tax purposes.

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(x) Sell or exchange any or all of the assets of the Trust, subject to Article IX, Section 4.

(y) Enter into joint ventures, partnerships and other combinations and associations.

(z) Join with other security holders in acting through a committee, depository, voting trustee or otherwise, and in that connection to deposit any security with, or transfer any security to, any such committee, depository or trustee, and to delegate to them such power and authority with relation to any security (whether or not so deposited or transferred) as the Trustees shall deem proper, and to agree to pay, and to pay, such portion of the expenses and compensation of such committee, depository or trustee as the Trustees shall deem proper.

(aa) Purchase and pay for entirely out of Trust Property such insurance as the Trustees may deem necessary or appropriate for the conduct of the business, including, without limitation, insurance policies insuring the assets of the Trust or payment of distributions and principal on its portfolio investments, and, subject to applicable law and any restrictions set forth in the Bylaws, insurance policies insuring the Shareholders, Trustees, officers, employees, agents, investment advisers, Principal Underwriters, or independent contractors of the Trust, individually, against all claims and liabilities of every nature arising by reason of holding Shares, holding, being or having held any such office or position, or by reason of any action alleged to have been taken or omitted by any such Person as Trustee, officer, employee, agent, investment adviser, Principal Underwriter, or independent contractor, including any action taken or omitted that may be determined to constitute negligence, whether or not the Trust would have the power to indemnify such Person against liability.

(bb) Adopt, establish and carry out pension, profit-sharing, share bonus, share purchase, savings, thrift and other retirement, incentive and benefit plans and trusts, including the purchasing of life insurance and annuity contracts as a means of providing such retirement and other benefits, for any or all of the Trustees, officers, employees and agents of the Trust.

(cc) Enter into contracts of any kind and description.

(dd) Interpret the investment policies, practices or limitations of any Series or Class.

(ee) Guarantee indebtedness and contractual obligations of others.

(ff) Take any other action that may be taken by a Board of Directors of a business corporation organized under the laws of the State of Maryland.

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(gg) Engage in and to prosecute, defend, compromise, abandon, or adjust by arbitration, or otherwise, any actions, suits, proceedings, disputes, claims and demands relating to the Trust, and out of the assets of the Trust or any Series thereof to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of the Trustees or any appropriate committee thereof, in the exercise of their or its good faith business judgment, to dismiss any action, suit, proceeding, dispute, claim or demand, derivative or otherwise, brought by any person, including a Shareholder in its own name or the name of the Trust, whether or not the Trust or any of the Trustees may be named individually therein or the subject matter arises by reason of business for or on behalf of the Trust.

(hh) Carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary or desirable to accomplish any purpose or to further any of the foregoing powers, and to take every other action incidental to the foregoing business or purposes, objects or powers.

The clauses above shall be construed as objects and powers, and the enumeration of specific powers shall not limit in any way the general powers of the Trustees or the Trust. Any action by one or more of the Trustees in their capacity as such hereunder shall be deemed an action on behalf of the Trust or the applicable Series, and not an action in an individual capacity. No one dealing with the Trustees shall be under any obligation to make any inquiry concerning the authority of the Trustees, or to see to the application of any payments made or property transferred to the Trustees or upon their order. In construing this Declaration, the presumption shall be in favor of a grant of power to the Trustees.

Section 3. Certain Transactions. Except as prohibited by applicable law, the Trustees may, on behalf of the Trust, cause the Trust to buy any securities from or sell any securities to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member acting as principal, or have any such dealings with any investment adviser, administrator, distributor or transfer agent for the Trust or with any Interested Person of such person. The Trust may employ any such person or entity in which such person is an Interested Person, as broker, legal counsel, registrar, investment adviser, administrator, distributor, transfer agent, dividend disbursing agent, custodian or in any other capacity upon customary terms.

Section 4. Initial Trustees; Election and Number of Trustees. The initial Trustees shall be the persons initially signing this Declaration. The number of Trustees (other than the initial Trustees) shall be fixed from time to time by a majority of the Trustees; provided, that there shall be at least one (1) Trustee. The Trustee (other than the initial Trustees) shall be appointed by the Trustees pursuant to Section 6 of this Article II, provided that the Trustees shall be elected by the Shareholders as and to the extent required under the 1940 Act on such dates as the Trustees may fix from time to time. The Trustees are sometimes referred to in this Declaration as the "Board of Trustees."

Section 5. Term of Office of Trustees. Each Trustee shall hold office for life (or until the attainment of any mandatory retirement age or term limits established by a majority of the Trustees) or until his successor is elected and qualifies or the Trust terminates; except that (a) any Trustee may resign by delivering to the other Trustees or to any Trust officer a written resignation effective upon such delivery or a later date specified therein; (b) any Trustee may be removed with or without cause at any time by a written instrument signed by at least a majority of the then Trustees, specifying the effective date of removal; (c) any Trustee who requests to be retired, or who is declared bankrupt or has become physically or mentally incapacitated or is otherwise unable to serve, may be retired either by a written instrument signed by a majority of the other Trustees or in accordance with a By-law or other action approved by a majority of the other Trustees, in each case, specifying the effective date of retirement; and (d) any Trustee may be removed at any meeting of the Shareholders by a vote of at least two-thirds of the Outstanding Shares.

Section 6. Vacancies; Election of Trustees. Whenever a vacancy shall exist in the Board of Trustees, regardless of the reason for such vacancy, the remaining Trustees may appoint any person as they determine in their sole discretion to fill that vacancy, consistent with the limitations under the 1940 Act, unless the remaining Trustees determine to decrease the size of the Board to the number of remaining Trustees. Such election shall be made by a written instrument signed by a majority of the Trustees or by a resolution of the Trustees, duly adopted and recorded in the records of the Trust, specifying the effective date of the election. The Trustees may appoint a new Trustee as provided above in anticipation of a vacancy expected to occur because of the retirement, resignation or removal of a Trustee, or an increase in number of Trustees, provided that such election shall become effective only at or after the expected vacancy occurs. Upon acceptance of his election, the trust estate shall vest in the new Trustee, together with the continuing Trustees, without any further act or conveyance, and he shall be deemed a Trustee hereunder. The Trustees' power of election is subject to Section 16 of the 1940 Act. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled as provided in this Article II, the Trustees in office, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by the Declaration.

Section 7. Temporary Vacancy or Absence. Whenever a vacancy in the Board of Trustees shall occur, until such vacancy is filled, or while any Trustee is absent from his domicile (unless that Trustee has made arrangements to be informed about, and to participate in, the affairs of the Trust during such absence), or is physically or mentally incapacitated, the remaining Trustees shall have all the powers hereunder and their certificate as to such vacancy, absence, or incapacity shall be conclusive. Any Trustee may, by power of attorney, delegate his powers as Trustee for a period not exceeding six (6) months at any one time to any other Trustee or Trustees.

Section 8. Chairman. The Trustees may, but need not, appoint from among their number a Chairman. When present he may preside at the meetings of the Shareholders and of the Trustees. He may call meetings of the Trustees and of any committee thereof whenever he deems it necessary. The Chairman shall have such other powers and duties as from time to time

may be conferred upon or assigned to him by this Declaration, the Bylaws or the Trustees, but shall not by reason of performing and executing those powers and duties be deemed an officer or employee of the Trust.

Section 9. Action by the Trustees. Except as otherwise provided by law or as provided herein with respect to action taken by any Trustee or Trustees or committee pursuant to delegation by a majority vote of the Trustees, the Trustees shall act by majority vote at a meeting duly called at which a quorum is present, including a meeting held by conference telephone, teleconference or other electronic media or communication equipment by means of which all persons participating in the meeting can communicate with each other; or by written consent of a majority of Trustees (or such greater number as may be required by applicable law) without a meeting. A quorum for all meetings of the Trustees shall be one-third, but not less than two, of the Trustees in office. If there is only one Trustee in office, the quorum shall be one. Meetings of the Trustees may be called orally or in writing by the President or by any one of the Trustees. Notice of the time, date and place of all Trustees' meetings shall be given to each Trustee as set forth in the Bylaws. In the absence of a quorum, a majority of the Trustees present may adjourn the meeting from time to time until a quorum shall be present. Notice of an adjourned meeting need not be given. Subject to applicable law, the Trustees by majority vote may delegate to any Trustee or Trustees or committee (which may, in addition to or in lieu of Trustees, include officers of the Trust) authority to approve particular matters or take any particular actions on behalf of the Trust including action for and binding upon the Trustees and the Trust with respect to the institution, prosecution, dismissal, settlement, review or investigation of any legal action, suit or proceeding pending or threatened. Approval of any particular matter or the taking of any particular action on behalf of the Trust pursuant to any such delegation shall be taken by a majority of the Trustees or committee to whom the authority is delegated (unless a single Trustee is delegated to act with respect thereto or unless the Trustees in delegating such responsibility shall specify a different standard or a different standard is otherwise required by applicable law). Any written consent or waiver may be provided and delivered to the Trust by facsimile or other electronic transmission.

Section 10. Ownership of Trust Property. The Trust Property of the Trust and of each Series shall be held separate and apart from any assets now or hereafter held in any capacity other than as Trustee hereunder by the Trustees or any successor Trustees. Legal title in and beneficial ownership of all of the assets of the Trust shall at all times be vested in the Trust, except that the Trustees may cause legal title in and beneficial ownership of any Trust Property to be held by, or in the name of one or more of the Trustees acting for and on behalf of the Trust, or in the name of any person as nominee acting for and on behalf of the Trust. No Shareholder shall be deemed to have a severable ownership in any individual asset of the Trust or of any Series or any right of partition or possession thereof, but each Shareholder shall have, as provided in Article V, a proportionate undivided beneficial interest in the Trust or Series or Class thereof represented by Shares. The Shares shall be personal property giving only the rights specifically set forth in this Declaration. The Trust, or at the determination of the Trustees one or more of the Trustees or a nominee acting for and on behalf of the Trust, shall be deemed to hold legal title and beneficial ownership of any income earned on securities of the Trust issued by any business entities formed, organized, or existing, under the laws of any jurisdiction, including the laws of any foreign

country. Upon the resignation or removal of a Trustee, or his otherwise ceasing to be a Trustee (other than as a result of his death or incapacity), he shall execute and deliver such documents as the remaining Trustees shall require for the purpose of conveying to the Trust or the remaining Trustees any Trust Property held in the name of the resigning or removed Trustee. Upon the incapacity or death of any Trustee, his legal representative shall execute and deliver on his behalf such documents as the remaining Trustees shall require as provided in the preceding sentence.

Section 11. Effect of Trustees Not Serving. The death, resignation, retirement, removal, incapacity or inability or refusal to serve of the Trustees, or any one or more or all of them, shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of this Declaration.

Section 12. Trustees, etc. as Shareholders. Subject to any restrictions in the Bylaws, any Trustee, officer, agent or independent contractor of the Trust may acquire, own and dispose of Shares to the same extent as any other Shareholder; and the Trustees may issue and sell Shares to and buy Shares from any such person or any firm or company in which such person is interested, subject only to any general limitations herein.

Section 13. Series of Trustees. In connection with the establishment of one or more Series or Classes, the Trustees establishing such Series or Class may elect, to the extent permitted by the Maryland Act, separate Trustees with respect to such Series or Classes (the "Series Trustees"). To the extent provided by the Trustees in the election of Series Trustees, the Series Trustees: (a) may, but are not required to, serve as Trustees of the Trust or any other Series or Class of the Trust; (b) may have, to the exclusion of any other Trustee of the Trust, all the powers and authorities of Trustees hereunder with respect to such Series or Class, including, without limitation, the power to elect additional or successor Series Trustees; and/or (c) may have no power or authority with respect to any other Series or Class. Any provision of this Declaration relating to election of Trustees by Shareholders only shall entitle the Shareholders of a Series or Class for which Series Trustees have been elected to vote with respect to the election of such Series Trustees and the Shareholders of any other Series or Class shall not be entitled to participate in such vote. In the event that Series Trustees are elected, the Trustees initially appointing such Series Trustees shall, without the approval of any Outstanding Shares, amend either the Declaration or the Bylaws to provide for the respective rights, duties, powers, authorities and responsibilities of the Trustees and the Series Trustees in circumstances where an action of the Trustees or Series Trustees affects all Series of the Trust or two or more Series represented by different Trustees.

### ARTICLE III

#### CONTRACTS WITH SERVICE PROVIDERS

Section 1. Underwriting Contract. The Trustees may in their discretion from time to time approve an exclusive or non-exclusive distribution contract or contracts providing for the sale of the Shares whereby the Trust may either agree to sell the Shares to the other party to the



contract or appoint such other party as the Trust's sales agent for the Shares, and in either case on such terms and conditions, if any, as may be prescribed in the Bylaws, and such further terms and conditions as the Trustees may in their discretion determine not inconsistent with the provisions of this Article III or of the Bylaws; and such contract may also provide for the repurchase of the Shares by such other party as agent of the Trust.

Section 2. Advisory or Management Contract. The Trustees may in their discretion from time to time approve one or more investment advisory or management contracts or, if the Trustees establish multiple Series, separate investment advisory or management contracts with respect to one or more Series whereby the other party or parties to any such contracts shall undertake to furnish the Trust or such Series management, investment advisory, administration, accounting, legal, statistical and research facilities and services, promotional or marketing activities, and such other facilities and services, if any, as the Trustees shall from time to time consider desirable and all upon such terms and conditions as the Trustees may in their discretion determine. Notwithstanding any provisions of the Declaration, the Trustees may authorize the Investment Advisers or persons to whom the Investment Advisers delegate certain or all of their duties, or any of them, under any such contracts (subject to such general or specific instructions as the Trustees may from time to time adopt), including duties relating to purchases, sales, loans or exchanges of portfolio securities and other investments of the Trust or may authorize any officer, employee or Trustee to effect such duties, including those relating to purchases, sales, loans or exchanges pursuant to recommendations of such Investment Advisers, or any of them (and all without further action by the Trustees). Any such purchases, sales, loans and exchanges shall be deemed to have been authorized by all of the Trustees.

Section 3. Administration Agreement. The Trustees may in their discretion from time to time approve an administration agreement or, if the Trustees establish multiple Series or Classes, separate administration agreements with respect to each Series or Class, whereby the other party or parties to such agreement shall undertake to manage the business affairs of the Trust or of a Series or Class thereof of the Trust and furnish the Trust or a Series or a Class thereof with office facilities, and shall be responsible for the ordinary clerical, bookkeeping and recordkeeping services at such office facilities, and other facilities and services, if any, and all upon such terms and conditions as the Trustees may in their discretion determine.

Section 4. Service Agreements. The Trustees may in their discretion from time to time approve service agreements with respect to one or more Series or Classes of Shares whereby the other parties to such service agreements will provide or arrange for the provision of distribution, administration and/or support services pursuant to distribution, authorized dealer service, administration, service or similar plans, including without limitation plans subject to Rule 12b-1 under the 1940 Act, and all upon such terms and conditions as the Trustees in their discretion may determine.

Section 5. Transfer Agent. The Trustees may in their discretion from time to time approve one or more transfer agency and shareholder service contracts whereby the other party to such contracts shall undertake to furnish transfer agency and shareholder services to the Trust or one or more Classes of Shares. The contracts shall have such terms and conditions as the Trustees may in their discretion determine not inconsistent with the Declaration. Such services may be provided by one or more Persons.

Section 6. Custodian. The Trustees may appoint or otherwise engage one or more banks or trust companies, or any other entity, to serve as Custodian with authority as the Trust's agent, but subject to such restrictions, limitations and other requirements, if any, as may be contained in the Bylaws of the Trust. The Trustees may also authorize the Custodian to employ one or more sub-custodians, including such foreign banks and securities depositories, upon such terms and conditions as may be agreed upon between the Custodian and such sub-custodian, to hold securities and other assets of the Trust and to perform the acts and services of the Custodian, subject to applicable provisions of law and resolutions adopted by the Trustees.

Section 7. Other Contracts. Subject to compliance with the provisions of the 1940 Act, but notwithstanding any limitations of present and future law or custom in regard to delegation of powers by trustees generally, the Trustees may, at any time and from time to time and without limiting the generality of their powers and authority otherwise set forth herein, approve other contracts with any one or more corporations, trusts, associations, partnerships, limited partnerships, other type of organizations, or individuals to provide for the performance and assumption of such other services, duties and responsibilities in addition to those set forth above as the Trustees may determine to be appropriate.

Section 8. Affiliations of Trustees or Officers, Etc. The fact that:

(a) any of the Shareholders, Trustees or officers of the Trust or any Series thereof is a shareholder, director, officer, partner, trustee, employee, manager, adviser or distributor of or for any partnership, corporation, trust, association or other organization or of or for any parent or affiliate of any organization, with which a contract of the character described in Sections 1, 2, 3, or 4 of this Article III, or for services as Custodian, Transfer Agent, disbursing agent or for any other services approved by the Trustees with respect to any Series or Class may have been or may hereafter be made, or that any such organization, or any parent or affiliate thereof, is a Shareholder of or has an interest in the Trust, or that

(b) any partnership, corporation, trust, association or other organization with which a contract of the character described in Sections 1, 2, 3 or 4 of this Article III or for services as Custodian, Transfer Agent or disbursing agent or for any other services approved by the Trustees with respect to any Series or Class may have been or may hereafter be made also has any one or more of such contracts with one or more other partnerships, corporations, trusts, associations or other organizations, or has other business or interests,

shall not affect the validity of any such contract or disqualify any Shareholder, Trustee or officer of the Trust from voting upon or executing the same or create any liability or accountability to the Trust or its Shareholders.

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ARTICLE IV

COMPENSATION, LIMITATION OF LIABILITY AND INDEMNIFICATION

Section 1. Compensation. The Trustees as such shall be entitled to reasonable compensation from the Trust, and they may fix the amount of such compensation. Nothing herein shall in any way prevent the employment of any Trustee for advisory, management, legal, accounting, investment banking or other services and payment for the same by the Trust.

Section 2. Limitation of Liability.

(a) No Liability to Third Parties. A Trustee, when acting in such capacity, shall not be personally liable to any Person other than the Trust or a Shareholder of the Trust for any act, omission or obligation of the Trust or any Trustee. All persons contracting with or having any claim against the Trust or a particular Series shall look only to the assets of the Trust or such particular Series for payment under such contract or claim; and neither the Trustees nor, when acting in such capacity, any of the Trust' s officers, employees or agents, whether past, present or future, shall be personally liable therefor.

(b) Limitation of Liability to Trust and Shareholders. Subject to applicable federal law, no person who is or has been a trustee or officer of the Trust shall be liable to the Trust or to any Shareholder for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

(c) No Liability for Acts of Others. Without limiting the foregoing limitations of liability contained in this Section 2, the Trustees and officers of the Trust shall not be responsible or liable for any act or omission or for neglect or wrongdoing of any officer, agent, employee, investment adviser or independent contractor of the Trust, or of any other Person, but nothing contained in this Declaration or in the Maryland Act shall protect any Trustee or officer of the Trust against liability to the Trust or to Shareholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Section 3. Indemnification and Advance of Expenses.

(a) Subject to subsection (b) below:

(i) every person who is, or has been, a Trustee or an officer of the Trust or any Series (including any individual who serves at its request as director, officer, partner, trustee or the like of another organization in which it has any interest as a shareholder, creditor or otherwise) and such person' s heirs, executors, administrators and other legal

representatives (“Covered Person”) shall be indemnified by the Trust or the appropriate Series to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Covered Person and against amounts paid or incurred by him in the settlement thereof; and

(ii) as used herein, the words “claim,” “action,” “suit,” or “proceeding” shall apply to all claims, actions, suits, investigations, regulatory inquiries or proceedings (civil, criminal or other, including appeals before any court or administrative or legislative body), actual or threatened, and the words “liability” and “expenses” shall include, without limitation, reasonable attorneys’ fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(b) No indemnification shall be provided hereunder to a Covered Person to the extent such indemnification is prohibited by applicable law.

(c) The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not be exclusive of or affect any other rights to which any Covered Person may now or hereafter be entitled, and shall inure to the benefit of the heirs, executors and administrators of a Covered Person.

(d) To the maximum extent permitted by applicable law, expenses in connection with the preparation and presentation of a defense to any claim, action, suit or proceeding of the character described in subsection (a) of this Section may be paid by the Trust or applicable Series from time to time prior to final disposition thereof.

(e) Any repeal or modification of this Article IV by the Shareholders, or adoption or modification of any other provision of the Declaration or Bylaws inconsistent with this Article, shall be prospective only, to the extent that such repeal, or modification would, if applied retrospectively, adversely affect any limitation on the liability of any Covered Person or indemnification available to any Covered Person with respect to any act or omission which occurred prior to such repeal, modification or adoption.

(f) The right of indemnification provided by this Section 3 shall not be exclusive of or affect any other rights to which any Covered Person may be entitled.

Section 4. Indemnification of Shareholders. If any Shareholder or former Shareholder of any Series shall be held personally liable solely by reason of his being or having been a Shareholder and not because of his acts or omissions or for some other reason, the Shareholder or former Shareholder (or his heirs, executors, administrators or other legal representatives or in the case of any entity, its general successor) shall be entitled to be held harmless from and indemnified against all loss and expense arising from such liability out of the assets belonging to the applicable Series whose Shares were held by such Shareholder at the time the act or event occurred and to which the liability against the Shareholder relates. The Trust, on behalf of the affected Series, shall, upon request by such Shareholder, assume the defense of any claim made against such Shareholder for any act or obligation of the Series and satisfy any judgment thereon from the assets of such Series.

Section 5. No Bond Required of Trustees. No Trustee shall be obligated to give any bond or other security for the performance of any of his duties hereunder.

Section 6. No Duty of Investigation, Notice in Trust Instruments, Etc. No purchaser, lender, transfer agent or other Person dealing with the Trustees or any officer, employee or agent of the Trust or a Series thereof shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, instrument, certificate, Share, other security of the Trust or a Series thereof or undertaking, and every other act or thing whatsoever executed in connection with the Trust shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration or in their capacity as officers, employees or agents of the Trust or a Series thereof. Every written obligation, contract, instrument, certificate, Share, other security of the Trust or a Series or Class thereof or undertaking made or issued by the Trustees may recite that the same is executed or made by them not individually, but as Trustees under the Declaration, and that the obligations of the Trust or a Series or Class thereof under any such instrument are not binding upon any of the Trustees, officers or Shareholders individually, but bind only the Trust Property or the Trust Property of the applicable Series or Class, and may contain any further recital which they may deem appropriate, but the omission of such recital shall not operate to bind the Trustees, officers or Shareholders individually. The Trustees may maintain insurance for the protection of the Trust Property or the Trust Property of the applicable Series, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees, officers or Shareholders shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable and as required by the 1940 Act.

Section 7. Reliance on Experts, Etc. Each Trustee, officer or employee of the Trust or a Series thereof shall, in the performance of his duties, powers and discretion hereunder be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust or a Series or Class thereof, upon an opinion of counsel, or upon reports made to the Trust or a Series or Class thereof by any of its officers or employees or by the Investment Adviser, the Administrator, the Distributor, Transfer Agent, selected dealers, accountants, appraisers or other experts or consultants selected with reasonable care by the Trustees, officers or employees of the Trust, regardless of whether such counsel or other Person may also be a Trustee.

Section 8. No Accounting. Except to the extent required by the 1940 Act, or by the other Trustees if determined by them to be necessary or appropriate under circumstances which would justify his removal for cause, no person ceasing to be a Trustee for reasons including, but not limited to, death, resignation, retirement, removal or incapacity (nor the estate of any such person) shall be required to make an accounting to the Shareholders or remaining Trustees upon such cessation.

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## ARTICLE V

### SERIES; CLASSES, SHARES

Section 1. Establishment of Series or Class. The Trust shall consist of one or more Series and Classes listed on Schedule A hereto and separate and distinct records shall be maintained by the Trust for each Series and Class. The Trustees shall have full power and authority, in their sole discretion, and without obtaining any prior authorization or vote of the Shareholders of any Series or Class of the Trust, to establish and designate and to change in any manner any initial or additional Series or Classes and to fix such preferences, voting powers, rights and privileges of such Series or Classes as the Trustees may from time to time determine, to divide or combine the Shares or any Series or Classes into a greater or lesser number, to classify or reclassify any issued Shares or any Series or Classes into one or more Series or Classes of Shares, and to take such other action with respect to the Shares as the Trustees may deem desirable. Unless another time is specified by the Trustees, the establishment and designation of any Series or Class shall be effective upon the adoption of a resolution by the Trustees setting forth such establishment and designation and the preferences, powers, rights and privileges of the Shares of such Series or Class, whether directly in such resolution or by reference to, or approval of, another document that sets forth such relative rights and preferences of such Series or Class including, without limitation, any registration statement of the Trust, or as otherwise provided in such resolution. The Trust may issue any number of Shares of each Series or Class and need not issue certificates for any Shares.

All references to Shares in this Declaration shall be deemed to be Shares of any or all Series or Classes as the context may require. All provisions herein relating to the Trust shall apply equally to each Series and Class of the Trust except as the context otherwise requires.

All Shares of each Class of a particular Series shall represent an equal proportionate interest in the assets belonging to that Series (subject to the liabilities belonging to the Series, and, in the case of each Class, to the liabilities belonging to that Class), and each Share of any Class of a particular Series shall be equal to each other Share of that Class; but the provisions of this sentence shall not restrict any distinctions permissible under this Section 1.

Section 2. Shares. The beneficial interest in the Trust shall be divided into transferable Shares of one or more separate and distinct Series or Classes established by the Trustees. The number of Shares of each Series and Class is unlimited and each Share shall have \$.0001 par value per Share or such other amount as the Trustees may establish. All Shares issued hereunder shall be fully paid and nonassessable. Shareholders shall have no preemptive or other right to subscribe for any additional Shares or other securities issued by the Trust. The Trustees shall have full power and authority, in their sole discretion and without obtaining Shareholder approval, to cause the Trust to issue original or additional Shares at such times and on such terms and conditions and for such consideration as they deem appropriate; to issue fractional Shares; to establish and to change in any manner Shares of any Series or Classes with such preferences,

terms of conversion, voting powers, rights and privileges as the Trustees may determine; to divide or combine the Shares of any Series or Classes into a greater or lesser number; to classify or reclassify any unissued Shares of any Series or Classes into one or more Series or Classes of Shares; to abolish any one or more Series or Classes of Shares; to issue Shares to acquire other assets (including assets subject to, and in connection with, the assumption of liabilities) and businesses; and to take such other action with respect to the Shares as the Trustees may deem desirable.

Section 3. Investment in the Trust. Subject to applicable law, the Trustees shall accept investments in any Series or Class from such persons and on such terms as they may from time to time authorize. Without limiting the generality of the foregoing, at the Trustees' discretion, such investments may be in the form of cash or securities in which that Series is authorized to invest, valued as provided in Article VI, Section 3. The Shares of any Series, if the Trustees so determine, shall be issued only in aggregations of such number of those Shares (each, a "Creation Unit") and on such days as the Trustees determine or as determined pursuant to procedures or methods the Trustees prescribe or approve from time to time with respect to such Series; a Series will not issue fractional Creation Units. The Trustees shall have the unrestricted power to alter the number of Shares constituting a Creation Unit by resolution adopted by them, at any time. Investment in a Series shall be credited to the investing Shareholder's account in the form of full (and, unless the Shareholder is purchasing a Creation Unit, fractional) Shares at the Net Asset Value per Share next determined after the investment is received or accepted, as the Trustees determine; provided that the Trustees may, in their sole discretion, (a) impose a sales charge, transaction fee, or other fee in connection with the sale of, or purchase price adjustment upon investments in, Shares of any Series or Class, (b) issue fractional Shares, (c) determine the Net Asset Value per Share of the initial capital contribution or (d) authorize the issuance of Shares at a price other than Net Asset Value to the extent permitted by the 1940 Act or any rule, order or interpretation of the Commission thereunder for any Series. The Trustees shall have the right to refuse to accept investments in any Series at any time without any cause or reason therefore whatsoever.

Section 4. Assets and Liabilities of Series. All consideration received by the Trust for the issue or sale of Shares of a particular Series or Class, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits, and proceeds thereof (including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be), shall be held and accounted for separately from the assets of every other Series and the Trust generally and are referred to as "assets belonging to" that Series. The assets belonging to a Series shall belong only to that Series for all purposes, and to no other Series, subject only to the rights of creditors of that Series. Any assets, income, earnings, profits, and proceeds thereof, funds, or payments which are not readily identifiable as belonging to any particular Series shall be allocated by the Trustees between and among one or more Series as the Trustees deem fair and equitable. Each such allocation shall be conclusive and binding upon the Shareholders of all Series for all purposes, and such assets, earnings, income, profits or funds, or payments and proceeds thereof shall be referred to as assets belonging to that Series. The assets belonging to a Series shall be so recorded upon the books of such Series in a manner that is separate and distinct

from the records of any other Series of the Trust generally and such assets shall be held by the Trust for the benefit of the Shareholders of that Series. The assets belonging to a Series shall be charged with the liabilities of that Series and all expenses, costs, charges and reserves attributable to that Series, except that liabilities, expenses, costs, charges and reserves allocated by the Trustees solely to a particular Class shall be borne by that Class. Any general liabilities, expenses, costs, charges or reserves of the Trust which are not readily identifiable as belonging to any particular Series or Class shall be allocated and charged by the Trustees between or among any one or more of the Series or Classes in such manner as the Trustees deem fair and equitable. Each such allocation shall be conclusive and binding upon the Shareholders of all Series and Classes for all purposes.

Without limiting the foregoing, but subject to the right of the Trustees to allocate general liabilities, expenses, costs, charges or reserves as herein provided, the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to a particular Series shall be enforceable against the assets of such Series only, and not against the assets of the Trust generally, including the assets of any other Series. Notice of this contractual limitation on liabilities among Series shall be set forth in the certificate of trust of the Trust (whether originally or by amendment) as filed or to be filed with the SDAT pursuant to the Maryland Act, and upon the giving of such notice in the certificate of trust, the provisions relating to limitations on liabilities among Series shall become applicable to the Trust and each Series. Any person extending credit to, contracting with or having any claim against any Series may look only to the assets of that Series to satisfy or enforce any debt, with respect to that Series. No Shareholder or former Shareholder of any Series shall have a claim on or any right to any assets allocated or belonging to any other Series.

Section 5. Ownership and Transfer of Shares. The Trust or a transfer or similar agent for the Trust shall maintain a register containing the names and addresses of the Shareholders of each Series and Class thereof, the number of Shares of each Series and Class held by such Shareholders, and a record of all Share transfers. The register shall be conclusive as to the identity of Shareholders of record and the number of Shares held by them from time to time. The Trustees may authorize the issuance of certificates representing Shares and adopt rules governing their use. The Trustees may make rules governing the transfer of Shares, whether or not represented by certificates. Except as otherwise provided by the Trustees, Shares shall be transferable on the books of the Trust only by the record holder thereof or by his duly authorized agent upon delivery to the Trustees or the Trust's Transfer Agent of a duly executed instrument of transfer, together with a Share certificate if one is outstanding, and such evidence of the genuineness of each such execution and authorization and of such other matters as may be required by the Trustees. Upon such delivery, and subject to any further requirements specified by the Trustees or contained in the Bylaws, the transfer shall be recorded on the books of the Trust. Until a transfer is so recorded, the Shareholder of record of Shares shall be deemed to be the holder of such Shares for all purposes hereunder and neither the Trustees nor the Trust, nor any transfer agent or registrar or any officer, employee or agent of the Trust, shall be affected by any notice of a proposed transfer.



Section 6. Status of Shares; Limitation of Shareholder Liability. Shares shall be deemed to be personal property giving Shareholders only the rights provided in this Declaration. Every Shareholder, by virtue of having acquired a Share, shall be held expressly to have assented to and agreed to be bound by the terms of this Declaration and the Bylaws. No Shareholder shall be personally liable for the debts, liabilities, obligations and expenses incurred by, contracted for, or otherwise existing with respect to, the Trust or any Series solely by reason of being a shareholder. The death, incapacity, dissolution, termination or bankruptcy of a Shareholder during the existence of the Trust shall not operate to terminate the Trust, nor entitle the representative of any such Shareholder to an accounting or to take any action in court or elsewhere against the Trust or the Trustees, but entitles such representative only to the rights of such Shareholder under this Trust. Ownership of Shares shall not entitle the Shareholder to any title in or to the whole or any part of the Trust Property or right to call for a partition or division of the same or for an accounting, nor shall the ownership of Shares constitute the Shareholders as partners. Neither the Trust nor the Trustees shall have any power to bind any Shareholder personally or to demand payment from any Shareholder for anything, other than as agreed by the Shareholder. Shareholders shall have the same limitation of personal liability as is extended to shareholders of a corporation incorporated in the State of Maryland.

## ARTICLE VI

### DISTRIBUTIONS AND REDEMPTIONS

Section 1. Distributions. The Trustees or a committee of one or more Trustees and/or one or more officers may authorize and cause the Trust to declare and pay dividends and other distributions, including dividends on Shares of a particular Series and other distributions from the assets belonging to that Series. No dividend or distribution, including, without limitation, any distribution paid upon termination of the Trust or of any Series (or Class) with respect to, nor any redemption or repurchase of, the Shares of any Series (or Class) shall be effected by the Trust other than from the assets held with respect to such Series, nor shall any Shareholder of any particular Series otherwise have any right or claim against the assets held with respect to any other Series except to the extent that such Shareholder has such a right or claim hereunder as a Shareholder of such other Series. The Trustees shall have full discretion to determine which items shall be treated as income and which items as capital; and each such determination and allocation shall be conclusive and binding upon the Shareholders. The amount and payment of dividends or distributions and their form, whether they are in cash, Shares or other Trust Property, shall be determined by the Trustees. Dividends and other distributions may be paid pursuant to a standing resolution adopted once or more often as the Trustees determine. All dividends and other distributions on Shares of a particular Class shall be distributed pro rata to the Shareholders of that Class in proportion to the number of Shares of that Class they held on the record date established for such payment, except that in connection with any dividend or distribution program or procedure the Trustees may determine that no dividend or distribution shall be payable on Shares as to which the Shareholder's purchase order and/or payment in the prescribed form has not been received by the time or times established by the Trustees under such program or procedure. The Trustees may adopt and offer to Shareholders such dividend reinvestment plans, cash dividend payout plans or similar plans as the Trustees deem appropriate.

**Section 2. Redemptions.** Each holder of Shares in the form of Creation Unit(s) , on request to the Trust in accordance with procedures the Trustees establish, shall be entitled to require the Trust to redeem all or any number of such holder' s Shares standing in the holder' s name on the Trust' s books (but only in full Creation Units in the case of any Series as to which the Trustees have determined that its Shares shall be redeemable only in full Creation Units), at a redemption price per share equal to an amount determined by the Trustees in accordance with applicable laws. The Trustees may specify conditions, prices (based on the Net Asset Value per Share next determined after receipt of a proper order therefore), and places of redemption, binding requirements for the proper form or forms of requests for redemption, and the amount of any deferred sales charge to be withheld from redemption proceeds. Payment of the redemption price may be wholly or partly made in cash and/or securities or other assets at their value used in determining the Net Asset Value per Share on which such redemption price is based. After redemption, Shares may be reissued from time to time. The Trustees may cause the Trust to redeem Shares at the option of the Trust for any reason under terms the Trustees set, including, but not limited to (a) the failure of a Shareholder to supply a taxpayer identification number if required to do so, to have the minimum investment required (which may vary by Series or Class), to pay when due for the purchase of Shares issued to him, or to pay any charge relating to a transaction effected for the benefit of such Shareholder as provided in the prospectus relating to such Shares; or (b) the determination by the Trustees in their sole discretion that failure to so redeem may have materially adverse consequences to the Shareholders of any Series or Class of the Trust. To the extent permitted by law, the Trustees may retain the proceeds of any redemption of Shares they require for payment of amounts due and owing by a Shareholder to the Trust or any Series or Class or any governmental authority. Notwithstanding the foregoing, the Trustees may postpone payment of the redemption price and may suspend the right of the Shareholders to require any Series or Class to redeem Shares during any period of time when and to the extent permissible under the 1940 Act. The Shares of any Series or Class shall be redeemable only in such Creation Unit aggregations and on such days as the Trustees determine or as determined pursuant to procedures or methods the Trustees prescribe or approve from time to time with respect to such Series or Class; provided, however, that the Trustees may, in their sole discretion, specify that Shares of any Series or Class may be redeemable individually and not in Creation Unit aggregations.

**Section 3. Determination of Net Asset Value.** The Trustees shall cause the Net Asset Value of Shares of each Series or Class to be determined from time to time in a manner consistent with applicable laws and regulations. The Trustees may delegate the power and duty to determine Net Asset Value per Share to one or more Trustees or officers of the Trust or to a custodian, depository or other agent appointed for such purpose. The Net Asset Value of Shares shall be determined separately for each Series or Class at such times as may be prescribed by the Trustees or, in the absence of action by the Trustees, as of the close of regular trading on the New York Stock Exchange on each day for all or part of which such Exchange is open for unrestricted trading.

The Trustees may determine to maintain the Net Asset Value per Share of any Series or Class at a designated constant dollar amount and in connection therewith may adopt procedures not inconsistent with the 1940 Act for the continuing declarations of income attributable to that Series or Class as dividends payable in additional Shares of that Series or Class at the designated constant dollar amount and for the handling of any losses attributable to that Series or Class. Such procedures may provide that in the event of any loss each Shareholder of a Series or Class shall be deemed to have contributed to the capital of the Trust attributable to that Series or Class his pro rata portion of the total number of Shares required to be cancelled in order to permit the Net Asset Value per Share of that Series or Class to be maintained, after reflecting such loss, at the designated constant dollar amount. Each Shareholder of the Trust shall be deemed to have agreed, by his investment in the Trust, to make the contribution referred to in the preceding sentence in the event of any such loss.

Section 4. Suspension of Right of Redemption. If, as referred to in Section 2 of this Article, the Trustees suspend the right of Shareholders to redeem their Shares, such suspension shall take effect at the time the Trustees shall specify. Thereafter, Shareholders shall have no right of redemption or payment until the Trustees declare the end of the suspension. If the right of redemption is suspended, any Shareholder having tendered a redemption request may either withdraw his request for redemption or receive payment based on the Net Asset Value per Share next determined after the suspension terminates.

Section 5. Repurchase by Agreement. In addition to the redemption of Shares otherwise provided in this Article VI, the Trust may repurchase Shares directly, or through the Distributor or another agent designated for the purpose, by agreement with the owner thereof at a price not exceeding the Net Asset Value per Share determined as of the time when the purchase or contract of purchase is made or the Net Asset Value as of any time which may be later determined.

## ARTICLE VII

### SHAREHOLDERS' VOTING POWERS AND MEETINGS

Section 1. Voting Powers. The Shareholders shall have power to vote only with respect to (a) the election of Trustees to the extent and as provided in Section 4 of Article II; (b) the removal of Trustees as provided in Article II, Section 5(d); (c) any matter required to be approved by Shareholders of the Trust or any Series or Class thereof under the 1940 Act; (d) any termination of the Trust to the extent and as provided in Article IX, Section 4; (e) the amendment of this Declaration to the extent and as provided in Article IX, Section 8; (f) the matters referred to in Article IX, Section 12; and (g) such additional matters relating to the Trust as may be required by this Declaration or the Bylaws or any registration of the Trust with the Commission or any State, or as the Trustees may consider desirable.

On any matter submitted to a vote of the Shareholders, unless the Trustees determine otherwise, all Shares shall be voted in the aggregate and not by individual Series or Class, except (a) when required by the 1940 Act, other applicable law or the attributes applicable to any Series or Class, Shares shall be voted by individual Series or Class, and (b) when the Trustees have determined that the matter affects the interests of only one or more Series or Class, then only the Shareholders of all such Series or Classes shall be entitled to vote thereon. As determined by the Trustees without the vote or consent of Shareholders, on any matter submitted to a vote of Shareholders, either (i) each whole Share shall be entitled to one vote as to such matter on which it is entitled to vote and each fractional Share shall be entitled to a proportionate fractional vote or (ii) each dollar of Net Asset Value (number of Shares owned times Net Asset Value per share of such Series or Class, as applicable) shall be entitled to one vote on such matter on which such Shares are entitled to vote and each fractional dollar amount shall be entitled to a proportionate fractional vote. Without limiting the power of the Trustees in any way to designate otherwise in accordance with the preceding sentence, the Trustees hereby establish that each whole Share shall be entitled to one vote as to any matter on which it is entitled to vote and each fractional Share shall be entitled to a proportionate fractional vote. There shall be no cumulative voting in the election of Trustees. Shares may be voted in person or by proxy or in any manner provided for in the Bylaws. The Bylaws may provide that proxies may be given by any electronic or telecommunications device or in any other manner, but if a proposal by anyone other than the officers or Trustees is submitted to a vote of the Shareholders of any Series or Class, or if there is a proxy contest or proxy solicitation or proposal in opposition to any proposal by the officers or Trustees, Shares may be voted only in person or by written proxy. Until Shares of a Series are issued, as to that Series the Trustees may exercise all rights of Shareholders and may take any action required or permitted to be taken by Shareholders by law, this Declaration or the Bylaws. Meetings of Shareholders (including meetings involving only the holders of Shares of one or more but less than all Series or Classes) may be called by the Trustees from time to time to be held at such place within or without the State of Maryland, and on such date as may be designated in the call thereof for the purpose of taking action upon any matter as to which the vote or authority of the Shareholders is required or permitted as provided in this Declaration. Special meetings of the Shareholders shall be called by the Trustees upon the written request of Shareholders owning at least a majority of the Shares outstanding and entitled to vote, except to the extent that a lesser percentage is prescribed by the 1940 Act. Notice thereof and record dates therefor shall be given and set as provided in the Bylaws.

Section 2. Quorum, Required Vote. Holders of Shares of the Trust, Series or Class, as applicable, representing one-third of the votes entitled to be cast at the meeting in person or by proxy shall be a quorum for the transaction of business at a Shareholders' meeting. Any lesser number shall be sufficient for adjournments. Any adjourned session of a Shareholders' meeting may be held within a reasonable time without further notice. Except when a larger vote is required by law, this Declaration, the Bylaws or the Trustees, holders of Shares representing a majority of votes cast at a Shareholders' meeting in person or by proxy shall decide any matters to be voted upon with respect to the entire Trust except that a plurality of votes cast shall elect a Trustee; provided, that if this Declaration or applicable law permits or requires that Shares be voted on any matter by individual Series or Classes, then holders, except when a larger vote is required by law, this Declaration, the Bylaws or the Trustees, of Shares of that Series or Class representing a majority of the votes cast at a Shareholders' meeting in person or by proxy on the matter shall decide that matter insofar as that Series or Class is concerned, except that a plurality

of such votes cast shall elect a Series Trustee. With respect to any matter presented to the Shareholders for approval, the Shareholders may act as to the Trust or any Series or Class by the written consent of holders of Shares of the Trust, Series or Class, as the case may be, representing a majority (or such other amount as may be required by applicable law) of the votes entitled to be cast on the matter subject to such consent. Such consent shall be treated for all purposes as a vote taken at a meeting of Shareholders.

Section 3. Access to Trust Records. Shareholders shall have only such right to inspect the records, documents, accounts and books of the Trust as may be granted from time to time by the Trustees.

Section 4. Additional Provisions. The Bylaws may include further provisions for Shareholders' votes and meetings and related matters.

## ARTICLE VIII

### EXPENSES OF THE TRUST AND SERIES

Section 1. Payment of Expenses by the Trust. Subject to Article IV, Section 4, and Article IV, Section 3, the Trust or a particular Series shall pay, or shall reimburse the Trustees from the assets belonging to all Series or the particular Series, for their expenses (or the expenses of a Class of such Series) and disbursements, including, but not limited to, interest charges, taxes, brokerage fees and commissions; expenses of issue, repurchase and redemption of Shares; insurance premiums; applicable fees, interest charges and expenses of third parties, including the Trust's investment advisers, managers, administrators, distributors, custodians, transfer agents and fund accountants; fees of pricing, interest, dividend, credit and other reporting services; costs of membership in trade associations; telecommunications expenses; funds transmission expenses; auditing, legal and compliance expenses (including, if approved by the Trustees, an allocated portion of the legal, accounting and compliance expenses incurred by the Investment Advisers, Administrators or other service providers to the Trust); costs of forming the Trust and its Series and maintaining its existence; costs of preparing and printing the prospectuses of the Trust and each Series, statements of additional information and Shareholder reports and delivering them to Shareholders; expenses of meetings of Shareholders and proxy solicitations therefor; costs of maintaining books and accounts; costs of reproduction, stationery and supplies; fees and expenses of the Trustees; compensation of the Trust's officers and employees and costs of other personnel performing services for the Trust or any Series; costs of Trustee meetings; Commission registration fees and related expenses; state or foreign securities laws registration fees and related expenses; and for such non-recurring items as may arise, including litigation to which the Trust or a Series (or a Trustee or officer of the Trust acting as such) is a party, and for all losses and liabilities by them incurred in administering the Trust.

Section 2. Payment of Expenses by Shareholders. The Trustees shall have the power, as frequently as they may determine, to cause each Shareholder, or each Shareholder of any particular Series or Class thereof, to pay directly, in advance or arrears, for charges of the Trust's

custodian or transfer, shareholder servicing or similar agent, an amount fixed from time to time by the Trustees, by setting off such charges due from such Shareholder from declared but unpaid dividends owed such Shareholder and/or by reducing the number of Shares in the account of such Shareholder by that number of full and/or fractional Shares which represents the outstanding amount of such charges due from such Shareholder.

## ARTICLE IX

### MISCELLANEOUS

Section 1. Trust Not a Partnership. This Declaration creates a trust and not a partnership. No Trustee shall have any power to bind personally either the Trust's officers or any Shareholder.

Section 2. Trustee Action. Any action taken or determination made by or pursuant to the direction of the Trustees in good faith and consistent with the provisions of this Declaration shall be final and conclusive and shall be binding upon the Trust, every holder at any time of Shares and any other Person.

Section 3. Record Dates. The Trustees may close the Share transfer books of the Trust or any Series or Class for a period not exceeding one hundred twenty (120) days preceding the date of any meeting of Shareholders, or the date for the payment of any dividends or other distributions, or the date for the allotment of rights, or the date when any change or conversion or exchange of Shares shall go into effect; or in lieu of closing the stock transfer books as aforesaid, the Trustees may fix in advance a date not exceeding one hundred twenty (120) days before the scheduled date of any Shareholders' meeting, or the date for the payment of any dividends or other distributions, or the date for the allotment of rights, or the date when any change or conversion or exchange of Shares shall go into effect as a record date for the determination of the Shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of such dividend or other distribution, or to receive any such allotment of rights, or to exercise such rights in respect of any such change, conversion or exchange of Shares, and in such case such Shareholders and only such Shareholders shall be Shareholders of record on the date so fixed and entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend or other distribution, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any Shares on the books of the Trust after any such record date fixed as aforesaid. Nothing in this Section shall be construed as precluding the Trustees from setting different record dates for, or from closing the register or transfer books with respect to, different Series (or Classes).

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#### Section 4. Termination of the Trust.

(a) This Trust shall have perpetual existence. Nonetheless, the Trustees may:

(i) sell and convey all or substantially all of the assets of all Series or any affected Series or Class to another Series or to another trust, partnership, association, corporation or other entity, or to a separate series or class thereof, organized under the laws of any jurisdiction, for adequate consideration, which may include the assumption of all outstanding obligations, taxes and other liabilities, accrued or contingent, of the Trust or any affected Series or Class, and which may include shares of or interests in such Series, trust, partnership, association, corporation or other entity, or series or class thereof; or

(ii) at any time sell and convert into money all or substantially all of the assets of all Series or any affected Series or Class.

Subject to the provisions of Article IX, Section 12, upon paying or making reasonable provision for the payment of all known liabilities of all Series or any affected Series or Class in either (i) or (ii), by such assumption or otherwise, the Shareholders of each Class of a Series involved in such sale or conversion shall be entitled to receive, as a Class, when and as declared by the Trustees, the excess of the assets belonging to that Series that are allocated to such Class over the liabilities belonging to that Series that are allocated to such Class. The assets so distributable to the Shareholders of any particular Class of a Series shall be distributed among such Shareholders in proportion to the number of Shares of that Class held by them and recorded on the books of the Trust.

(b) Subject to the provisions of Article IX, Section 12, the Trustees may take any of the actions specified in subsection (a) (i) and (ii) above without obtaining the vote of a majority of the Outstanding Shares entitled to vote of the Trust or any Series or Class if a majority of the Trustees determines, in their sole discretion, that the continuation of the Trust or such Series or Class is not in the best interests of the Trust, such Series, such Class or their respective Shareholders. In reaching such determination, the Trustees may consider such factors as the Trustees, in their sole discretion, deem to be appropriate, which factors may include the inability of the Trust or a Series or Class to maintain its assets at an appropriate size, changes in laws or regulations governing the Trust or the Series or Class or affecting assets of the type in which the Trust or such Series invests, or economic developments or trends having a significant adverse impact on the business or operations of the Trust or such Series or Class.

(c) Upon completion of the distribution of the remaining proceeds or assets pursuant to subsection (a), the Trust or any affected Series or Class shall terminate and the Trustees and the Trust shall be discharged of any and all further liabilities and duties hereunder with respect thereto and the right, title and interest of all parties therein shall be canceled and discharged. Upon termination of the Trust, following completion of winding up of its business, the Trustees shall cause a certificate of cancellation of the Trust's certificate of trust to be filed in accordance with the Maryland Act, which certificate of cancellation may be signed by a majority of the Trustees or by an officer of the Trust duly authorized by a majority of the Trustees.

Section 5. Reorganization and Master/Feeder.

(a) Notwithstanding anything else herein other than the provisions of Article IX, Section 12, a majority of the Trustees may, without Shareholder approval unless such approval is required by applicable law, (i) cause the Trust to merge or consolidate with or into one or more trusts, partnerships, associations, corporations or other entities organized under the laws of any jurisdiction, (ii) cause the Shares to be exchanged under or pursuant to any state or federal statute to the extent permitted by law, or (iii) cause the Trust to incorporate under the laws of Maryland or any other jurisdiction. Any agreement of merger or consolidation or certificate of merger may be signed by a majority of Trustees and facsimile signatures conveyed by electronic or telecommunication means shall be valid.

(b) Pursuant to and in accordance with the provisions of Section 12-607 of the Maryland Act, an agreement of merger or consolidation approved by the Trustees in accordance with this Section 5 may effect any amendment to the Declaration or effect the adoption of a new governing instrument of the Trust if it is the successor trust in the merger or consolidation.

(c) The Trustees may cause to be organized or assist in organizing a corporation or corporations under the laws of any jurisdiction or any other trust, partnership, association or other organization to take over all or portion of the Trust Property or the Trust Property allocated or belonging to any one or more Series or to carry on any business in which the Trust shall directly or indirectly have any interest, or to sell, convey and transfer all or a portion of the Trust Property or the Trust Property allocated or belonging to such Series to any such corporation, trust, association or organization in exchange for the shares or securities thereof or otherwise, and to lend money to, subscribe for the shares or securities of, and enter into any contracts with any such corporation, trust, partnership, association, or organization or any corporation, partnership, trust, association or organization in which the Trust or such Series holds or is about to acquire shares or any other interest. The Trustees may also cause a merger or consolidation between the Trust or any successor thereto and any such corporation, trust, partnership, association or other organization if and to the extent permitted by law, as provided under the law then in effect. Nothing contained herein shall be construed as requiring approval of Shareholders for the Trustees to organize or assist in organizing one or more corporations, trusts, partnerships, associations or other organizations and to sell, convey or transfer all or a portion of the Trust Property to such organizations or entities.

(d) Notwithstanding anything else herein, the Trustees may, without Shareholder approval unless such approval is required by applicable law, invest all or a portion of the Trust Property of any Series, or dispose of all or a portion of the Trust Property of any Series, and invest the proceeds of such disposition in interests issued by one or more other investment companies or pooled portfolios. Any such other investment company or pooled portfolio may (but need not) be a trust (formed under the laws of any state or jurisdiction) (or subtrust thereof) which is classified as a partnership for federal income tax purposes. Notwithstanding anything else herein, the Trustees may, without Shareholder approval unless such approval is required by applicable law, cause a Series that is organized in the



master/feeder fund structure to withdraw or redeem its Trust Property from the master fund and cause such Series to invest its Trust Property directly in securities and other financial instruments or in another master fund.

Section 6. Declaration of Trust. The original or a copy of this Declaration of Trust and of each amendment hereto or Declaration of Trust supplemental shall be kept at the office of the Trust where it may be inspected by any Shareholder. Anyone dealing with the Trust may rely on a certificate by a Trustee or an officer of the Trust as to the authenticity of the Declaration of Trust or any such amendments or supplements and as to any matters in connection with the Trust. Headings herein are for convenience only and shall not affect the construction of this Declaration of Trust. This Declaration of Trust may be executed in any number of counterparts, each of which shall be deemed an original.

Section 7. Applicable Law. This Declaration and the Trust organized hereunder are governed by and construed and administered according to the Maryland Act and the applicable laws of the State of Maryland; provided, however, that there shall not be applicable to the Trust, the Trustees or this Declaration of Trust any provisions of the laws (statutory or common) of the State of Maryland pertaining to trusts which relate to or regulate (a) the filing with any court or governmental body or agency of trustee accounts or schedules of trustee fees and charges, (b) affirmative requirements to post bonds for trustees, officers, agents or employees of a trust, (c) the necessity for obtaining court or other governmental approval concerning the acquisition, holding or disposition of real or personal property, (d) fees or other sums payable to trustees, officers, agents or employees of a trust, (e) the allocation of receipts and expenditures to income or principal, (f) restrictions or limitations on the permissible nature, amount or concentration of trust investments or requirements relating to the titling, storage or other manner of holding of trust assets, or (g) the establishment of fiduciary or other standards of responsibilities or limitations on the acts or powers of trustees, which are inconsistent with the limitations or liabilities or authorities and powers of the Trustees set forth or referenced in this Declaration. The Trust shall be of the type commonly called a Maryland statutory trust, and, without limiting the provisions hereof, the Trust may exercise all powers which are ordinarily exercised by such a trust under Maryland law. The Trust specifically reserves the right to exercise any of the powers or privileges afforded to trusts or actions that may be engaged in by trusts under the Maryland Act, and the absence of a specific reference herein to any such power, privilege or action shall not imply that the Trust may not exercise such power or privilege or take such actions.

Section 8. Amendments. The Trustees may, without any Shareholder vote, amend or otherwise supplement this Declaration by making an amendment, a Declaration of Trust supplemental hereto or an amended and restated trust instrument; provided, that Shareholders shall have the right to vote on any amendment (a) which would adversely affect the voting rights of Shareholders granted in Article VII, Section 1, (b) to this Section 8, (c) required to be approved by Shareholders by the Trust's registration statements filed with the Commission, and (d) submitted to them by law or by the Trustees in their discretion. Any amendment submitted to Shareholders which the Trustees determine would affect the Shareholders of one or more Series or Classes shall be authorized by vote of the Shareholders of each Series or Class affected and no vote shall be required of Shareholders of a Series or Class not affected. Notwithstanding

anything else herein, any amendment to Article IV which would have the effect of reducing the indemnification and other rights provided thereby to Trustees or officers of the Trust or to Shareholders or former Shareholders, and any repeal or amendment of this sentence shall each require the affirmative vote of the holders of two-thirds of the Outstanding Shares of the Trust entitled to vote thereon.

Section 9. Derivative Actions. A Shareholder may bring a derivative action on behalf of the Trust only if the following conditions are met:

(a) Shareholders who hold at least 10% of the Outstanding Shares of the Trust, or 10% of the Outstanding Shares of the Series or Class to which such action relates, shall join in the request for the Trustees to commence such action; and

(b) the Trustees must be afforded a reasonable amount of time to consider such Shareholder request and to investigate the basis of such claim. The Trustees shall be entitled to retain counsel or other advisers in considering the merits of the request and shall require an undertaking by the Shareholders making such request to reimburse the Trust for the expense of any such advisers in the event that the Trustees determine not to bring such action.

No person, other than the Trustees, who is not a Shareholder of a particular Series or Class shall be entitled to bring any derivative action, suit or other proceeding on behalf of or with respect to such Series or Class.

Section 10. Fiscal Year. The fiscal year of the Trust and of each Series shall end on a specified date as determined from time to time by the Trustees; provided that different Series may have different fiscal years. The Trustees may change the fiscal year of the Trust or any Series without Shareholder approval.

Section 11. Severability. The provisions of this Declaration are severable. If the Trustees determine, with the advice of counsel, that any provision hereof conflicts with the 1940 Act, the regulated investment company provisions of the Internal Revenue Code or with other applicable laws and regulations, the conflicting provision shall be deemed never to have constituted a part of this Declaration; provided, however, that such determination shall not affect any of the remaining provisions of this Declaration or render invalid or improper any action taken or omitted prior to such determination. If any provision hereof shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision only in such jurisdiction and shall not affect any other provision of this Declaration.

Section 12. Special Treatment of Holders of Shares of Same Class. Notwithstanding anything else herein, in connection with the termination or reorganization of the Trust or any Series or Class by way of merger, consolidation, the sale of all or substantially all of the assets, or otherwise, the Trustees may classify the holders of Shares of a Class into one or more separate groups by reference to any facts or circumstances that the Trustees deem relevant in their sole discretion and may provide for the mandatory treatment for Shares of the Class held by particular groups of Shareholders that differs materially from the treatment accorded other groups of

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Shareholders holding Shares of the same Class, provided that (a) each group of holders of any Shares of a Class so classified who are to receive the same treatment shall be entitled to vote as a special class in respect of such termination or reorganization regardless of any limitations stated in this Declaration or the Bylaws on the voting rights of any Class, and (b) such termination or reorganization shall be approved by a majority of the outstanding voting securities (as defined in the 1940 Act) of each such special class.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the date first written above.

/s/ Peter K. Ewing

Peter K. Ewing

as sole initial Trustee and not individually

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SCHEDULE A

**AMENDED AND RESTATED**

**BY-LAWS**

**OF**

**FLEXSHARES TRUST**

Dated as of June 28, 2011

ARTICLE I

DEFINITIONS

All capitalized terms have the respective meanings given them in the Amended and Restated Agreement and Declaration of Trust of FlexShares Trust (the "Trust") dated as of June 28, 2011, as amended or restated from time to time.

ARTICLE II

OFFICES

Section 1. Principal Office. Until changed by the Trustees, the principal office of the Trust shall be located at 50 S. LaSalle Street, Chicago, Illinois 60603. A separate principal office may be designated with respect to any Series of the Trust.

Section 2. Other Offices. The Trust may have offices in such other places without as well as within the State of Maryland as the Trustees may from time to time determine.

Section 3. Registered Office and Registered Agent. The Board of Trustees shall establish a registered office in the State of Maryland and shall appoint as the Trust's registered agent for service of process in the State of Maryland an individual resident of the State of Maryland or a Maryland corporation or a corporation authorized to transact business in the State of Maryland; in each case the business office of such registered agent for service of process shall be identical with the registered Maryland office of the Trust.

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## ARTICLE III

### SHAREHOLDERS

Section 1. Meetings. Meetings of the Shareholders of the Trust or a Series or Class thereof shall be held as provided in the Declaration at such place within or without the State of Maryland as the Trustees shall designate.

Section 2. Notice of Meetings. Notice of all meetings of the Shareholders, stating the time, place and purposes of the meeting, shall be given by the Trustees by mail or telegraphic or electronic means to each Shareholder at his address as recorded on the register of the Trust mailed or transmitted at least seven (7) days before the meeting provided, however, that notice of a meeting need not be given to a Shareholder to whom such notice need not be given under the proxy rules of the Commission under the 1940 Act and the Securities Exchange Act of 1934, as amended. Any adjourned meeting may be held as adjourned without further notice. No notice need be given to any Shareholder who shall have failed to inform the Trust of his current address or if a written waiver of notice, executed before or after the meeting by the Shareholder or his attorney thereunto authorized, is filed with the records of the meeting.

Section 3. Organization. The Chairman of the Board, any Vice Chairman or the President, and in their absence, any Vice President, and in their absence, any person chosen by the Shareholders present shall call all meetings of the Shareholders to order and shall act as chairman of such meetings, and the Secretary, and in his absence any Assistant Secretary, shall act as secretary of all meetings of the Shareholders but, in the absence of the Secretary and all Assistant Secretaries, the presiding officer may appoint any other person to act as secretary of any meeting.

Section 4. Proxies. Subject to the provisions of the Declaration, every Person entitled to vote for Trustees or on any other matter shall have the right to do so either in person or by proxy, provided that either (i) an instrument authorizing such a proxy to act is executed by the Shareholder in writing and dated not more than eleven (11) months before the meeting, unless the instrument specifically provides for a longer period or (ii) the Trustees adopt an electronic, telephonic, computerized or other alternative to execution of a written instrument authorizing the proxy to act which authorization is received not more than eleven (11) months before the meeting. A proxy shall be deemed executed by a Shareholder if the Shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the Shareholder or the Shareholder's attorney-in-fact or other authorized agent. A valid proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it before the vote pursuant to that proxy by a writing delivered to the Trust stating that the proxy is revoked by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing that proxy or revoked by such person using any electronic, telephonic, computerized or other alternative means authorized by the Trustees for authorizing the proxy to act; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Trust before the vote pursuant to that

proxy is counted. A proxy with respect to Shares held in the name of two or more Persons shall be valid if executed by any one of them unless at or prior to exercise of the proxy the Trust receives a specific written notice to the contrary from any of them. A proxy purporting to be executed by or on behalf of a Shareholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger. Proxies shall be delivered to the Secretary of the Trust or other person responsible for recording the proceedings before being voted. Unless otherwise specifically limited by their terms, proxies shall entitle the holder thereof to vote at any adjournment of a meeting. At all meetings of the Shareholders, unless the voting is conducted by inspectors, all questions relating to the qualifications of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the chairman of the meeting. Except as otherwise provided herein or in the Declaration, all matters relating to the giving, voting or validity of proxies shall be governed by the Maryland General Corporation Law relating to proxies, and judicial interpretations thereunder, as if the Trust were a Maryland corporation and the Shareholders were shareholders of a Maryland corporation.

Section 5. Inspection of Records. Except to the extent otherwise required by law, Shareholders shall only have such right to inspect the records, documents, accounts and books of the Trust as may be granted from time to time by the Trustees.

## ARTICLE IV

### TRUSTEES

Section 1. Meetings of the Trustees. The Trustees may in their discretion provide for regular or stated meetings of the Trustees. Notice of regular or stated meetings need not be given. Meetings of the Trustees other than regular or stated meetings shall be held whenever called by the President, the Chairman or by any one of the Trustees, at the time being in office. Notice of the time and place of each meeting other than regular or stated meetings shall be given by the Secretary or an Assistant Secretary or by the officer or Trustee calling the meeting and shall be mailed to each Trustee at least two days before the meeting, or shall be given by telephone, cable, wireless, facsimile or other electronic mechanism to each Trustee at his business address (or such other location designated by the Trustee to an officer of the Trust), or personally delivered to him at least one day before the meeting. Such notice may, however, be waived by any Trustee. Notice of a meeting need not be given to any Trustee if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any Trustee who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. A notice or waiver of notice need not specify the purpose of any meeting. Participation in a meeting held by telephone conference (or any other means provided in the Declaration) shall constitute presence in person at such meeting, and participation by such means (or any other means provided in the Declaration) shall be deemed to have been held at a place designated by the Trustees at the meeting. Any action required or permitted to be taken at any meeting of the Trustees may be taken by the Trustees without a

meeting if a majority of the Trustees consent to the action in writing and the written consents are filed with the records of the Trustees' meetings, except for any action that may not be taken by written consent under the provisions of the 1940 Act. Such consents shall be treated as a vote for all purposes.

## ARTICLE V COMMITTEES

Section 1. Executive and Other Committees. The Trustees by vote of a majority of all the Trustees may elect from their own number an Executive Committee to consist of not fewer than two (2) members to hold office at the pleasure of the Trustees, which shall have the power to conduct the current and ordinary business of the Trust while the Trustees are not in session, including the purchase and sale of securities and the designation of securities to be delivered upon redemption of Shares of the Trust or a Series or Class thereof, and such other powers of the Trustees as the Trustees may delegate to them, from time to time, except those powers which by law, the Declaration or these By-laws they are prohibited from delegating. The Trustees may also elect from their own number and from the officers of the Trust other Committees from time to time; the number composing such Committees, the powers conferred upon the same (subject to the same limitations as with respect to the Executive Committee) and the term of membership on such Committees to be determined by the Trustees. The Trustees may designate a chairman of any such Committee. In the absence of such designation the Committee may elect its own Chairman. The creation of other committees, including committees comprised of persons other than Trustees, and the delegation of specific authority to one or more Trustees, may also be accomplished as provided in the Declaration.

Section 2. Meetings, Quorum and Manner of Acting. The Trustees, or in the absence of action by the Trustees, the members of the particular Committee, may (i) provide for stated meetings of a Committee, (ii) specify the manner of calling and notice required for special meetings of a Committee, (iii) authorize the making of decisions to exercise specified powers by written assent of the requisite number of members of a Committee without a meeting, and (iv) authorize the members of a Committee to meet by means of conference telephone, teleconference or other electronic media or communication equipment by means of which all persons participating in the meeting can communicate with each other.

The Executive Committee, if constituted, shall keep regular minutes of its meetings and records of decisions taken without a meeting and cause them to be recorded in a book designated for that purpose and kept in the office of the Trust.



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## ARTICLE VI

### OFFICERS

Section 1. General Provisions. The officers of the Trust shall be a President, a Treasurer and a Secretary, who shall be elected by the Trustees. The Trustees may elect or appoint such other officers or agents as the business of the Trust may require, including one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers. The Trustees may delegate to any officer or committee the power to appoint any subordinate officers or agents.

Section 2. Term of Office and Qualifications. The Trustees shall elect the Chairman, if any, President, Secretary, Treasurer and any such officers as the Trustees deem necessary or appropriate in order to carry out the business of the Trust. Except as otherwise provided by law, the Declaration or these By-laws, the President, the Treasurer, the Secretary and any other officer shall each hold office at the pleasure of the Board of Trustees or until his successor shall have been duly elected and qualified. Any two or more offices may be held by the same person. Any officer may be but none need be a Trustee or Shareholder.

Section 3. Removal. The Trustees may remove at any time any officer with or without cause, by a vote of a majority of the Trustees then in office. Any officer or agent appointed by an officer or committee may be removed with or without cause by such appointing officer or committee. Any officer may resign at any time by notice in writing signed by such officer and delivered or mailed to the Chairman, if any, President, or Secretary, and such resignation shall take effect immediately upon receipt by the Chairman, if any, President, or Secretary, or at a later date according to the terms of such notice in writing.

Section 4. Powers and Duties of the President. The President may call meetings of the Trustees and of any Committee thereof when he deems it necessary and shall preside at all meetings of the Shareholders. Subject to the control of the Trustees and to the control of any Committees of the Trustees, within their respective spheres, as provided by the Trustees, (i) he shall at all times exercise a general supervision and direction over the affairs of the Trust, shall be the chief executive officer of the Trust, and exercise such general powers of management as are usually vested in the office of President of a corporation and (ii) he shall have the power to employ attorneys and counsel for the Trust or any Series or Class thereof and to employ such subordinate officers, agents, clerks and employees as he may find necessary to transact the business of the Trust or any Series or Class thereof. He shall also have the power to grant, issue, execute or sign such powers of attorney, proxies or other documents as may be deemed advisable or necessary in furtherance of the interests of the Trust or any Series thereof. The President shall have such other powers and duties as from time to time may be conferred upon or assigned to him by the Trustees.

Section 5. Powers and Duties of Vice Presidents. In the absence or disability of the President, the Vice President or, if there be more than one Vice President, any Vice President designated by the Trustees, shall perform all the duties and may exercise any of the powers of

the President, subject to the control of the Trustees and be subject to all of the restrictions upon the President. Subject to the direction of the Trustees, and of the President, each Vice President shall have the power in the name of and behalf of the Trust to execute any and all instruments in writing, and in addition, each Vice President shall perform such other duties as may be assigned to him from time to time by the Trustees and the President.

Section 6. Powers and Duties of the Treasurer. Except as otherwise directed by the Trustees, the Treasurer shall have the general supervision of the monies, funds, securities, notes receivable and other valuable papers and documents of the Trust. Unless the Trustees otherwise determine, the Treasurer shall be the principal financial and accounting officer of the Trust. He shall deliver all funds of the Trust or any Series or Class thereof which may come into his hands to such Custodian as the Trustees may employ. He shall render a statement of condition of the finances of the Trust or any Series or Class thereof to the Trustees as often as they shall require the same and he shall in general perform all the duties incident to the office of a Treasurer and such other duties as from time to time may be assigned to him by the Trustees and the President. Notwithstanding anything to the contrary herein contained, the Trustees may authorize any adviser, administrator, manager or transfer agent to maintain bank accounts and deposit and disburse funds of any Series of the Trust on behalf of such Series.

Section 7. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Trustees and of the Shareholders in proper books provided for that purpose; he shall have custody of the seal of the Trust, if any; he shall have charge of the Share transfer books, lists and records unless the same are in the charge of a transfer agent. He shall attend to the giving and serving of all notices by the Trust in accordance with the provisions of these By-laws and as required by law; and subject to these By-laws, he shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Trustees and the President.

Section 8. Powers and Duties of Assistant Officers. In the absence or disability of the Treasurer, any Assistant Treasurer or other officer designated by the Trustees shall perform all the duties, and may exercise any of the powers, of the Treasurer. Each Assistant Treasurer or other officer shall perform such other duties as from time to time may be assigned to him by the Trustees and the Treasurer or President. Each officer performing the duties and exercising the powers of the Treasurer, if any, and any Assistant Treasurer, shall give a bond for the faithful discharge of his duties, if required so to do by the Trustees, in such sum and with such surety or sureties as the Trustees shall require.

Section 9. Powers and Duties of Assistant Secretaries. In the absence or disability of the Secretary, any Assistant Secretary designated by the Trustees shall perform all the duties, and may exercise any of the powers, of the Secretary. Each Assistant Secretary shall perform such other duties as from time to time may be assigned to him by the Trustees or the Secretary or President.

Section 10. Compensation of Officers and Trustees and Members of the Advisory Board. Subject to any applicable provisions of the Declaration, the compensation of the officers

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and Trustees and members of an advisory board shall be fixed from time to time by the Trustees or, in the case of officers, by any Committee or officer upon whom such power may be conferred by the Trustees. No officer shall be prevented from receiving such compensation as such officer by reason of the fact that he is also a Trustee.

## ARTICLE VII

### SEAL

The Trust is not required to have any seal, and the adoption or use of a seal shall be purely ornamental and be of no legal effect. The seal, if any, of the Trust may be affixed to any instrument, and the seal and its attestation may be lithographed, engraved or otherwise printed on any document with the same force and effect as if it had been imprinted and affixed manually in the same manner and with the same force and effect as if done by a Maryland business corporation. The presence or absence of a seal shall have no effect on the validity, enforceability or binding nature of any document or instrument that is otherwise duly authorized, executed and delivered.

## ARTICLE VIII

### SUFFICIENCY OF NOTICE

A notice shall be deemed to have been sent by mail, telegraph, cable, wireless, facsimile or other electronic means for the purposes of these By-laws when it has been deposited with the U.S. Postal Service with prepaid postage or delivered to a representative of any company holding itself out as capable of sending notice by such means with instructions that it be so sent.

## ARTICLE IX

### AMENDMENTS

The Trustees shall have the exclusive power to amend, restate, supplement or repeal these By-laws at any time. Action by the Trustees with respect to the By-laws shall be taken by an affirmative vote of a majority of the Trustees. The Trustees shall in no event adopt By-laws which are in conflict with the Declaration, and any apparent inconsistency shall be construed in favor of the related provisions in the Declaration.

## END OF BY-LAWS

**FLEXSHARES TRUST****INVESTMENT ADVISORY AND ANCILLARY SERVICES AGREEMENT**

**AGREEMENT** made this 23<sup>rd</sup> day of August, 2011 between FLEXSHARES TRUST, a Maryland statutory trust (the “Trust”), and NORTHERN TRUST INVESTMENTS, INC., an Illinois state bank (the “Adviser”).

**WITNESSETH:**

**WHEREAS**, the Adviser is principally engaged in the business of rendering investment management services and is registered as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”); and

**WHEREAS**, the Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”); and

**WHEREAS**, the Trust is authorized to issue shares of beneficial interest (“Shares”), including in the form of creation units, in separate series with each such series representing the interests in a separate portfolio of securities and other assets; and

**WHEREAS**, the Trust presently intends to offer Shares of seven funds listed on Appendix A hereto (such funds (the “Current Funds”) together with all other funds subsequently established by the Trust and made subject to this Agreement being herein collectively referred to as the “Funds”); and

**WHEREAS**, the Trust desires to retain the Adviser to render investment advisory and ancillary services to the Trust and each of its Current Funds as indicated below and the Adviser is willing to so render such services;

**NOW, THEREFORE**, in consideration of the premises and mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Appointment of Adviser.

- (a) The Trust hereby appoints the Adviser to act as investment adviser to the Trust and each of its Current Funds for the periods and on the terms herein set forth and subject to the general supervision of the Board of Trustees of the Trust (the “Board”). The Adviser accepts such appointment and agrees to render the services herein set forth, for the compensation herein provided.
- (b) In the event that the Trust establishes one or more portfolios other than the Current Funds with respect to which it desires to retain the Adviser to act as investment adviser hereunder, it shall notify the

Adviser in writing. If the Adviser is willing to render such services under this Agreement it shall notify the Trust in writing whereupon such portfolio shall become a Fund hereunder and shall be subject to the provisions of this Agreement to the same extent as the Current Funds except to the extent that said provisions (including those relating to the compensation payable by the Trust to the Adviser) are modified with respect to such Fund in writing by the Trust and the Adviser at the time.

- (c) At its discretion, the Adviser may provide advisory services under this Agreement through its own employees or the employees of one or more affiliated companies that are qualified to act as investment adviser to the Trust under applicable law and either control, are controlled by or are under control with the Adviser, provided that: (i) all persons, when providing services hereunder, are functioning as part of an organized group of persons; and (ii) such organized group of persons is managed at all times by the Adviser's authorized officers.
- (d) The Adviser may delegate some or all of its duties and obligations under this Agreement to one or more investment sub-advisers or co-advisers, including but not limited to delegating the voting of proxies relating to a Fund's portfolio securities in accordance with the proxy voting policies and procedures of such investment sub-adviser; provided, however, that any such delegation shall be pursuant to an agreement with terms agreed upon by the Trust and approved in a manner consistent with the 1940 Act and provided, further, that no such delegation shall relieve the Adviser from its duties and obligations of management and supervision of the management of each Fund's assets pursuant to this Agreement and to applicable law.

2. Delivery of Documents. The Trust has delivered (or will deliver as soon as is possible) to the Adviser copies of each of the following documents:

- (a) Agreement and Declaration of Trust dated as of May 13, 2010, as amended and restated June 28, 2011 (such Agreement and Declaration of Trust, as presently in effect, is herein called the "Trust Agreement"), copies of which are also on file with the Trust;
- (b) By-Laws of the Trust (such By-Laws, as presently in effect, are herein called the "By-Laws");
- (c) Fund Services Agreement between the Trust and its Administrator and Fund Accountant;

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- (d) Distribution Agreement between the Trust and its Distributor;
  - (e) Global Custody Agreement between the Trust and its Custodian;
  - (f) Agency Services Agreement between the Trust and its Transfer Agent and Index Receipt Agent;
  - (g) Form of Authorized Participant Agreement between the Distributor and the Authorized Participants;
  - (h) Prospectus and Statement of Additional Information for each of the Current Funds (such Prospectus and Statement of Additional Information, in effect and as amended, supplemented and/or superseded from time to time, are herein called “Prospectus” and “Statement of Additional Information,” respectively);
  - (i) The Trust’ s Registration Statement on Form N-1A (No. 333-173967) under the Securities Act of 1933 (the “1933 Act”) and (No. 811-22555) under the 1940 Act filed as a single document with the Securities and Exchange Commission (the “Commission”) (such Registration Statement, as amended from time to time, is herein called the “Registration Statement”); and
  - (j) The Trust’ s exemptive application and exemptive order (“Exemptive Order”) issued by the Commission in connection with the offering of the Funds.

The Trust agrees to promptly furnish the Adviser from time to time with copies of all amendments of or supplements to or otherwise current versions of any of the foregoing documents not heretofore furnished.

### 3. Duties of Adviser.

- (a) Subject to the general supervision of the Board, the Adviser shall manage the investment operations of each of the Funds and the composition of each Fund’ s assets, including the purchase, retention and disposition thereof. In this regard, the Adviser:
  - (i) shall provide supervision of the Funds’ assets, furnish a continuous investment program for such Funds, determine from time to time what investments or securities will be purchased, retained or sold by the Funds, and what portion of the assets will be invested or held uninvested as cash;

- (ii) shall render to the Trust' s officers and the Board quarterly reports concerning the Adviser' s discharge of its responsibilities under this Agreement;
- (iii) shall vote proxies, exercise consents, and exercise all other rights appertaining to securities and assets held by each Fund in accordance with the voting policies and procedures approved from time to time by the Trust;
- (iv) shall place orders pursuant to its determinations either directly with the issuer or with any broker and/or dealer or other person who deals in the securities in which the Fund in question is trading. With respect to common and preferred stocks, in executing portfolio transactions and selecting brokers or dealers, the Adviser shall use its best judgment to obtain the best overall terms available. In assessing the best overall terms available for any transaction, the Adviser shall consider all factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In evaluating the best overall terms available and in selecting the broker or dealer to execute a particular transaction, the Adviser may also consider the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934 (the "1934 Act")) provided to any Fund and/or other account over which the Adviser and/or an affiliate of the Adviser exercises investment discretion. With respect to securities other than common and preferred stocks, in placing orders with brokers, dealers or other persons the Adviser shall attempt to obtain the best net price and execution of its orders, provided that to the extent the execution and price available from more than one broker, dealer or other such person are believed to be comparable, the Adviser may, at its discretion but subject to applicable law, select the executing broker, dealer or such other person on the basis of the Adviser' s opinion of the reliability and quality of such broker, dealer or such other person; and

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- (v) may, on occasions when it deems the purchase or sale of a security to be in the best interests of a Fund as well as other fiduciary or agency accounts managed by the Adviser, aggregate, to the extent permitted by applicable laws and regulations, the securities to be sold or purchased in order to obtain the best overall terms available execution with respect to common and preferred stocks and the best net price and execution with respect to other securities. In such event, allocation of the securities so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Adviser in the manner it considers to be most equitable and consistent with its fiduciary obligations to such Fund and to such other accounts.
- (b) In addition, the Adviser shall provide the following ancillary services under this Agreement:
- (i) prepare and file reports and proxy statements to the Trust' s shareholders, the periodic updating of the Trust' s Prospectus, Statement of Additional Information and Registration Statement, and other reports and documents required to be filed by the Trust with the Commission and other governmental bodies;
  - (ii) in connection with its management of the Funds, monitor anticipated purchases and redemptions of creation units by shareholders and new investors;
  - (iii) provide information and assistance as requested by the Administrator and Fund Accountant of the Trust in connection with the registration of the Trust' s shares in accordance with state and foreign securities requirements;
  - (iv) provide assistance as requested by the Trust or its Administrator and Fund Accountant concerning the regulatory requirements applicable to investors that invest in the Trust;
  - (v) provide assistance in connection with the operations of the Trust generally;
  - (vi) coordinate each Fund' s compliance with rules of the applicable securities exchange(s);



- (vii) establish, monitor and keep up-to-date the Funds' website to comply with applicable law and the Exemptive Order; and
  - (viii) provide other similar services as reasonably requested from time to time by the Board.
- (c) The Adviser, in connection with its rights and duties with respect to the Trust:
- (i) shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and
  - (ii) shall act in conformity with the Trust Agreement, By-Laws, Registration Statement, Prospectus and Statement of Additional Information, Exemptive Order, rules of any securities exchange applicable to a Fund, the Trust' s policies and procedures adopted pursuant to Rule 38a-1 under the 1940 Act and instructions and directions of the Board.
- (d) The Adviser shall:
- (i) use its best efforts to comply with all applicable Rules and Regulations of the Commission, the 1940 Act and all other applicable law, including rules of applicable securities exchanges; and
  - (ii) maintain a policy and practice of conducting its investment advisory services hereunder independently of its commercial banking operations and those of any affiliated bank of the Adviser. When the Adviser makes investment recommendations for a Fund, its investment advisory personnel will not inquire or take into consideration whether the issuer of securities proposed for purchase or sale for the Fund' s account are customers of its commercial banking department or the commercial banking department of any affiliated bank of the Adviser; and
  - (iii) discharge the foregoing responsibilities subject to the control and supervision of the Board and in compliance with such policies the Trustees may

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from time to time establish, each Fund' s investment objectives and policies, as set forth in the then current Prospectus and Statement of Additional Information, and applicable laws and regulations.

- (e) The Adviser shall not, unless permitted by the Commission:
  - (i) permit the Funds to execute transactions with the Adviser' s Bond Department; or
  - (ii) permit the Funds to purchase certificates of deposit of the Adviser or its affiliate banks, commercial paper issued by the Adviser' s parent holding company or other securities issued or guaranteed by the Adviser, its parent holding company or their subsidiaries or affiliates.
- (f) The Adviser shall render to the Board such periodic and special reports as the Trustees may reasonably request.
- (g) The Adviser shall initially determine and make any subsequent modifications to the portfolio composition file ("PCF"); the PCF shall specify the amount of the cash component, the identity and number of shares of the securities to be accepted pursuant to each Fund' s benchmark index in exchange for "Creation Units" for each Fund and the securities that will be applicable that day to redemption requests received for each Fund (and may give directions to the Trust' s custodian with respect to such designations).
- (h) The Adviser shall treat confidentially and as proprietary information of each Fund all records and other information relative to each Fund, and each Fund' s prior, current or potential shareholders, and will not use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Board, which approval shall not be unreasonably withheld and may not be withheld where the Adviser may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Board.
- (i) The Adviser shall cooperate with and provide reasonable assistance to the Trust' s administrator, custodian and foreign custodian, transfer agent, officers and all other agents and representatives of the Trust, keep all such persons fully informed as to such matters as they may reasonably deem necessary to the performance of their

obligations to the Trust, provide prompt responses to reasonable requests made by such persons and maintain any appropriate interfaces with each so as to promote the efficient exchange of information.

- (j) The services of the Adviser hereunder are not deemed exclusive and the Adviser shall be free to render similar services to others (including other investment companies) so long as its services under this Agreement are not impaired thereby.

4. Representations. The Adviser represents, warrants and agrees that it: (i) is registered as an investment adviser under the Advisers Act and will continue to be so registered for so long as this Agreement remains in effect; (ii) is not prohibited by the 1940 Act, the Advisers Act or other law, regulation or order from performing the services contemplated by this Agreement; (iii) has met and will seek to continue to meet, for so long as this Agreement remains in effect, any other applicable federal or state requirements, or the applicable requirements of any regulatory or industry self-regulatory agency necessary to be met in order to perform the services contemplated by this Agreement; (iv) has the authority to enter into and perform the services contemplated by this Agreement; and (v) will promptly notify the Trust of the occurrence of any event that would substantially impair the Adviser's ability to fulfill its commitment under this Agreement or disqualify the Adviser from serving as an investment adviser of an investment company pursuant to Section 9(a) of the 1940 Act or otherwise. The Adviser will also promptly notify each Fund if it is served or otherwise receives notice of any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, self regulatory organization, public board or body, involving the affairs of the Funds or the Adviser, provided, however, that routine regulatory examinations will not be required to be reported by this provision.

5. Expenses. During the term of this Agreement, the Adviser shall pay all costs incurred by it in connection with the performance of its duties under paragraph 3 hereof. In addition, for no additional compensation, the Adviser shall pay all of the other operating expenses of the Funds, excluding: (i) its advisory fees payable under this Agreement; (ii) distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act; (iii) interest expenses; (iv) brokerage expenses and other expenses (such as stamp taxes) in connection with the execution of portfolio transactions or in connection with creation and redemption transactions; (v) compensation and expenses of the Trust's trustees who are not officers, directors/trustees, partners or employees of the Adviser or its affiliates (the "Independent Trustees"); (vi) compensation and expenses of counsel to the Independent Trustees; (vii) tax expenses; and (viii) extraordinary expenses, as determined under generally accepted accounting principles.

6. Compensation. For the services provided and the expenses assumed by the Adviser pursuant to this Agreement, the Trust shall pay to the Adviser as full compensation therefor a fee at an annual rate for each Fund shown on Appendix A hereto. The fee will be computed based on net assets on each day and will be paid to the Adviser monthly.

7. Books and Records. The Adviser agrees to maintain, and preserve for the periods prescribed by Rule 31a-2 of the Commission under the 1940 Act, such records as are required to be maintained by Rule 31a-1 of the Commission under the 1940 Act (other than clause (b)(4) and paragraphs (c), (d) and (e) thereof). The Adviser further agrees that all records which it maintains for the Trust are the property of the Trust and it shall surrender promptly to the Trust any of such records upon the Trust's request.

8. Indemnification.

(a) The Trust hereby agrees to indemnify and hold harmless the Adviser, its directors, officers, and employees and each person, if any, who controls the Adviser (collectively, the "Indemnified Parties") against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, the 1934 Act, the 1940 Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

(i) any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission to state a material fact required to be stated or necessary to make the statements made not misleading in the Registration Statement, the Prospectus, the Statement of Additional Information, or any application or other document filed in connection with the qualification of the Trust or Shares of the Trust under the Blue Sky or securities laws of any jurisdiction ("Application"), except insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission either pertaining to a breach of the Adviser's duties in connection with this Agreement or made in reliance upon and in conformity with information furnished by, through or on behalf of the Adviser for use in connection with the Registration Statement, any Application, the Prospectus or the Statement of Additional Information; or

(ii) subject to clause (i) above, the Adviser acting in accordance with the terms hereof;

and the Trust will reimburse each Indemnified Party for any reasonable legal or other expense incurred by such Indemnified Party in connection with investigating or defending any such loss, claim, damages, liability or action.

- (b) If the indemnification provided for in paragraph 8(a) is due in accordance with the terms of such paragraph but is for any reason held by a court to be unavailable from the Trust, then the Trust shall contribute to the aggregate amount paid or payable by the Trust and the Indemnified Parties as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the Trust and such Indemnified Parties in connection with the operation of the Trust, (ii) the relative fault of the Trust and such Indemnified Parties, and (iii) any other relevant equitable considerations. The Trust and the Adviser agree that it would not be just and equitable if contribution pursuant to this subparagraph (b) were determined by pro rata allocation or other method of allocation which does not take into account the equitable considerations referred to above in this subparagraph (b). The amount paid or payable as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subparagraph (b) shall be deemed to include any legal or other expense incurred by the Trust and the Indemnified Parties in connection with investigating or defending any such loss, claim, damage, liability or action. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.
- (c) It is understood, however, that nothing in this paragraph 8 shall protect any Indemnified Party against, or entitle any Indemnified Party to indemnification against, or contribution with respect to, any liability to the Trust or its Shareholders to which such Indemnified Party is subject, by reason of its willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of a reckless disregard to its obligations and duties, under this Agreement or otherwise, to an extent or in a manner inconsistent with Section 17 of the 1940 Act.

9. Duration and Termination. This Agreement shall continue, unless sooner terminated, with respect to the Current Funds until June 30, 2013. This Agreement shall continue with respect to any future Funds as specified in any notice pursuant to paragraph 1(b) hereof (assuming approval by the initial holder(s) of Shares of such Fund) until June 30 of the year following the year in which the Fund becomes a Fund hereunder. Notwithstanding the foregoing, this Agreement shall continue with respect to any future Fund that is added to this Agreement prior to June 30, 2012 until June 30, 2013. After the foregoing terms, this Agreement shall continue automatically for periods of one year so long as each such latter continuance is

approved at least annually: (a) by the vote of a majority of the Trustees of the Trust who are not parties to this Agreement or interested persons (as defined by the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval; and (b) by the Trustees of the Trust or by vote of a majority of the outstanding Shares (as defined with respect to voting securities in the 1940 Act) representing the interests in such Fund; provided, however, that this Agreement may be terminated by the Trust as to any Fund at any time, without the payment of any penalty, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding Shares (as so defined) representing the interests in the Fund affected thereby on 60 days' written notice to the Adviser, or by the Adviser at any time, without the payment of any penalty, on 60 days' written notice to the Trust. The requirement that this Agreement be "approved at least annually" shall be construed in a manner consistent with the 1940 Act and the rules and regulations thereunder. This Agreement shall automatically and immediately terminate in the event of its assignment (as defined by the 1940 Act).

10. Trade Names and Trademarks. The Adviser agrees that the name "FlexShares" may be used in the name of the Trust and that such name, together with the name "Northern," any related logos and any service marks containing the word "FlexShares" or "Northern" may be used in connection with the Trust's business only for so long as this Agreement (including any continuance or amendment hereof) remains in effect and that such use shall be royalty free. At such time as this Agreement shall no longer be in effect, the Trust will cease such use. The Trust acknowledges that it has no rights to the names "FlexShares" and "Northern," such logos or service marks other than those granted in this paragraph and that the Adviser reserves to itself the right to grant the nonexclusive right to use the names "FlexShares" and "Northern," such logos or service marks to any other person.

11. Status of Adviser as Independent Contractor. The Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the Trustees of the Trust from time to time, have no authority to act for or represent the Trust in any way or otherwise be deemed an agent of the Trust.

12. Amendment of Agreement. This Agreement may be amended by mutual consent, and the consent of the Trust must be approved by vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such amendment, and, to the extent required by the 1940 Act and interpretations thereof by the Commission and its staff, by vote of a majority of the outstanding Shares (as defined with respect to a voting securities by the 1940 Act) representing the interests in each Fund affected by such amendment.

13. Shareholder Liability. This Agreement is executed by or on behalf of the Trust with respect to each of the Funds and the obligations hereunder are not binding upon any of the Trustees, officers or Shareholders of the Trust individually but are binding only upon the Trust and its assets and property. All obligations of the Trust under this Agreement shall apply only on a Fund-by-Fund basis, and the assets of one Fund shall not be liable for the obligations of another Fund.

14. Miscellaneous. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. This Agreement shall be construed in accordance with applicable federal law and (except as to paragraph 13 hereof, which shall be construed in accordance with the laws of the State of Maryland) the laws of the State of Illinois and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors (subject to the last sentence of paragraph 9) and, to the extent provided in paragraph 8 hereof, each Indemnified Party. Anything herein to the contrary notwithstanding, this Agreement shall not be construed to require, or to impose any duty upon, either of the parties to do anything in violation of any applicable laws or regulations. Any provision in this Agreement requiring compliance with any statute or regulation shall mean such statute or regulation as amended and in effect from time to time.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have caused this instrument to be executed as of the day and year first above written.

**FLEXSHARES TRUST**

By: /s/ Shundrawn Thomas

Title: President

**NORTHERN TRUST INVESTMENTS, INC.**

By: /s/ Peter K. Ewing

Title Senior Vice President

## Appendix A

**FlexShares Trust**

<u>Name of Fund</u>	<u>Investment Advisory Fee</u> (expressed as a percentage of each Fund's average daily net assets)	
FlexShares <sup>SM</sup> Morningstar US Market Factor Tilt Index Fund	0.27	%
FlexShares <sup>SM</sup> Morningstar Developed ex-US Markets Factor Tilt Index Fund	[	]%
FlexShares <sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund	[	]%
FlexShares <sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund	0.48	%
FlexShares <sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund	0.20	%
FlexShares <sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund	0.20	%
FlexShares <sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund	0.20	%



**EXPENSE REIMBURSEMENT AGREEMENT**

Agreement (“Agreement”) dated as of the 23<sup>rd</sup> day of August, 2011 by and between FLEXSHARES TRUST (the “Trust”), a Maryland statutory trust and a registered investment company under the Investment Company Act of 1940, as amended (the “1940 Act”) and NORTHERN TRUST INVESTMENTS, INC. (“NTI”).

**WHEREAS**, NTI serves as investment adviser to each portfolio of the Trust set forth in Exhibit A hereto (each a “Fund” and collectively, the “Funds”) pursuant to an Investment Advisory and Ancillary Services Agreement (the “Advisory Agreement”) between the Trust and NTI dated August 23, 2011, as amended.

**WHEREAS**, pursuant to Section 5 of the Advisory Agreement, NTI has agreed to pay all of the operating expenses of the Funds, excluding (i) the advisory fees payable under the Advisory Agreement to NTI; (ii) distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act; (iii) interest expenses; (iv) brokerage expenses and other expenses (such as stamp taxes) in connection with the execution of portfolio transactions or in connection with creation and redemption transactions; (v) compensation and expenses of the Trust’s trustees who are not officers, directors/trustees, partners or employees of NTI or its affiliates (the “Independent Trustees”); (vi) compensation and expenses of counsel to the Independent Trustees; (vii) tax expenses; and (viii) extraordinary expenses, as determined under generally accepted accounting principles;

**WHEREAS**, the parties to this Agreement wish to provide for an undertaking by NTI to reimburse each Fund the operating expenses that represents the compensation and expenses of the (i) Trust’s Independent Trustees, and (ii) counsel to the Independent Trustees allocated to the Fund.

**NOW THEREFORE**, in consideration of the foregoing, the parties intending to be legally bound hereby, agree as follows:

1. With respect to each Fund, NTI shall from the effective date of such Fund’s registration statement, reimburse the portion of the operating expenses of the Fund that represents the Fund’s allocation of the compensation and expenses of the (i) Trust’s Independent Trustees, and (ii) counsel to the Independent Trustees. For purposes of clarification, the effective date of this Agreement for each Fund may differ.

2. With respect to each Fund, the termination date of this Agreement shall be one year from the effective date of such Fund’s registration statement (the “Initial Term”). The Initial Term may be extended by mutual agreement of the parties. Notwithstanding the foregoing, this Agreement may be terminated by the Trust’s Board of Trustees, with respect to any Fund, at any time if it determines that such termination is in the best interest of the Fund and its shareholders. For purposes of clarification, the termination date of this Agreement for each Fund may differ.

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3. NTI acknowledges and agrees that it shall not be entitled to collect on or make a claim for reimbursed expenses that are the subject of this Agreement at any time in the future.

4. This Agreement shall be governed by and construed under the laws of the State of Illinois, without regard to its conflict of law provisions. This Agreement may be signed in counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as of the day and year first above written.

FLEXSHARES TRUST

By: /s/ Shundrawn A. Thomas

Name: Shundrawn A. Thomas

Title: President

NORTHERN TRUST INVESTMENTS, INC.

By: /s/ Peter K. Ewing

Name: Peter K. Ewing

Title: Senior Vice President

**FlexShares Trust****Name of Fund**

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Developed ex-US Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund  
FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

**FLEXSHARES<sup>SM</sup> TRUST**  
**FORM OF ETF DISTRIBUTION AGREEMENT**

This Distribution Agreement (the “Agreement”) is made this     day of             2011, by and between FlexShares Trust, a Maryland statutory trust (the “Trust”) having its principal place of business at 50 South LaSalle Street, Chicago, IL 60603, and Foreside Fund Services, LLC, a Delaware limited liability company (the “Distributor”) having its principal place of business at Three Canal Plaza, Suite 100, Portland, ME 04101.

**WHEREAS**, the Trust is, or will be, a registered open-end management investment company organized as a series trust offering a number of portfolios of securities (each a “Fund” and collectively the “Funds”), having filed with the Securities and Exchange Commission (the “Commission”) a registration statement on Form N-1A under the Securities Act of 1933, as amended (the “1933 Act”), and the Investment Company Act of 1940, as amended (the “1940 Act”);

**WHEREAS**, the Trust intends to create and redeem shares of beneficial interest, par value \$.0001 per Share (the “Shares”) of each Fund on a continuous basis at their net asset value only in aggregations constituting a Creation Unit, as such term is defined in the Registration Statement;

**WHEREAS**, the Shares of each Fund will be listed on one or more national securities exchanges (together, the “Listing Exchanges”);

**WHEREAS**, the Trust desires to retain the Distributor to act as the distributor with respect to the issuance and distribution of Creation Units of each Fund, hold itself available to receive and process orders for such Creation Units in the manner set forth in the Trust’s Prospectus, and to enter into arrangements with broker-dealers who may solicit purchases of Creation Units and with broker-dealers and others to provide for servicing of shareholder accounts and for distribution assistance, including broker-dealer and shareholder support;

**WHEREAS**, the Distributor is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the “1934 Act”) and a member of the Financial Industry Regulatory Authority (“FINRA”) (the successor organization to the National Association of Securities Dealers, Inc.); and

**WHEREAS**, the Distributor desires to provide the services described herein to the Trust.

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**NOW, THEREFORE**, in consideration of the mutual promises and undertakings herein contained, the parties agree as follows:

**1. Appointment.**

The Trust hereby appoints the Distributor as the exclusive distributor for Creation Units of each Fund listed in Exhibit A hereto, as may be amended by the Trust from time to time on written notice to the Distributor, on the terms and for the period set forth in this Agreement and subject to the registration requirements of the federal securities laws and of the laws governing the sale of securities in the various states, and the Distributor hereby accepts such appointment and agrees to act in such capacity hereunder.

**2. Definitions.**

Wherever they are used herein, the following terms have the following respective meanings:

(a) "Prospectus" means any Prospectus, including any Summary Prospectus, and Statement of Additional Information constituting parts of any Registration Statement of the Trust under the 1933 Act and the 1940 Act as any such Prospectus and Statement of Additional Information may be amended or supplemented and filed with the Commission from time to time;

(b) "Registration Statement" means any Registration Statement applicable to a Fund or Funds most recently filed from time to time by the Trust with the Commission and effective under the 1933 Act and the 1940 Act, as such Registration Statement is amended by any amendments thereto at the time in effect;

(c) All capitalized terms used but not defined in this Agreement shall have the meanings ascribed to such terms in the Registration Statement and the Prospectus.

**3. Duties of the Distributor**

(a) The Distributor agrees to act as agent of the Trust in connection with the receipt and processing of all orders for purchases and redemptions of Creation Units of each Fund from DTC Participants or participants in the Continuous Net Settlement System of the National Securities Clearing Corporation (the "NSCC Participants") that have executed a Participant Agreement (the "Authorized Participants"), as defined in paragraph 3(b) hereof, with the Distributor and Transfer Agent (also known as "Index Receipt Agent") and to transmit such orders to the Custodian and Transfer Agent in accordance with the Registration Statement and Prospectus; provided, however, that nothing herein shall affect or limit the right and ability of the Custodian to accept Deposit Securities and related Cash Components through or outside the Clearing Process, and as provided in and in accordance with the Registration Statement and Prospectus. The Trust acknowledges that the Distributor shall not be obligated to accept any certain number of orders for Creation Units; provided, however, that the Distributor shall accept all orders submitted in proper form unless the Investment Adviser has notified the Distributor that it is in the best interests of a Fund to suspend sales or redemptions of Creation Units. Nothing herein contained shall prevent the Distributor from entering into like distribution arrangements with other investment companies.

(b) The Distributor agrees to use commercially reasonable efforts to act as agent of the Trust with respect to the continuous distribution of Creation Units of each Fund as set forth in the Registration Statement and in accordance with the provisions thereof. The Distributor further agrees as follows: (i) at the request of the Trust, the Distributor shall enter into selected or soliciting dealer participant agreements (“Participant Agreements”) between and among Authorized Participants, the Distributor and the Transfer Agent, for the purchase of Creation Units of the Funds, such Participation Agreements to be in the forms as approved by the Board of Trustees of the Trust, in accordance with the Registration Statement and Prospectus; (ii) the Distributor shall generate, transmit and maintain copies of confirmations of Creation Unit purchase and redemption order acceptances to the purchaser or redeemer (such confirmations will indicate the time such orders were accepted and will be made available to the Trust promptly upon request); (iii) the Distributor shall deliver copies of the Prospectus, included in the Registration Statement, to purchasers of such Creation Units and upon request the Statement of Additional Information; (iv) the Distributor shall maintain telephonic, facsimile and/or access to direct computer communications links with the Transfer Agent; and (v) the Distributor shall maintain telephonic, facsimile and/or access to direct computer communication links with the Custodian. The Distributor shall make available for inspection during normal business hours at its offices at Three Canal Plaza, Suite 100, Portland, Maine, a list of Authorized Participants.

(c) The Distributor agrees to use all reasonable efforts, consistent with its other business, to secure purchasers of Creation Units through Authorized Participants in accordance with the procedures set forth in the Prospectus.

(d) All activities by the Distributor and its agents and employees that are primarily intended to result in the sale of Creation Units shall comply with the Registration Statement and Prospectus, any and all exemptive orders issued to the Trust in connection with the offering of Fund Shares and Creation Units under this Agreement of which the Distributor has received advance notice, the instructions of the Investment Adviser and the Board of Trustees of the Trust, the Agreement and Declaration of Trust, and all applicable laws, rules and regulations including, without limitation, all rules and regulations made or adopted pursuant to the 1940 Act by the Commission or any securities association registered under the 1934 Act, including FINRA and the Listing Exchanges.

(e) Except as otherwise noted in the Registration Statement and Prospectus, the offering price for all Creation Units will be the aggregate net asset value of the Shares per Creation Unit of the relevant Fund, as determined in the manner described in the Registration Statement and Prospectus.

(f) If and whenever the determination of net asset value is suspended and until such suspension is terminated, no further orders for Creation Units will be processed by the Distributor except such unconditional orders as may have been placed with the Distributor before it had knowledge of the suspension. In addition, the Trust reserves the right to suspend sales and Distributor's authority to process orders for Creation Units on behalf of the Trust, upon due notice to the Distributor, if, in the judgment of the Trust, it is in the best interests of the Trust to do so. Suspension will continue for such period as may be determined by the Trust.

(g) The Distributor is not authorized by the Trust to give any information or to make any representations other than those contained in the Registration Statement or Prospectus or contained in shareholder reports or other material that may be prepared by or on behalf of the Trust for the Distributor's use. Upon request by the Trust, the Distributor shall provide the Trust with information and materials regarding its business to the extent necessary to complete any filings. All information provided by the Distributor to the Trust for inclusion in a registration statement shall not contain any untrue statements of material fact or omit to state a material fact necessary to make a statement, in light of the circumstances in which it was made, not misleading. The Distributor shall be entitled to rely on and shall not be responsible in any way for information provided to it by the Trust and its respective service providers and shall not be liable or responsible for the errors and omissions of such service providers, provided that the foregoing shall not be construed to protect the Distributor against any liability to the Trust or the Trust's shareholders to which the Distributor would otherwise be subject by reason of negligence in the performance of its duties and obligations set forth in sections (3)(g), (m), (o) and (p) of this Agreement, and by reason of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of the remainder of its duties and obligations and representations and warranties under this Agreement.

(h) The Distributor shall ensure that all direct requests for Prospectuses, Statements of Additional Information and periodic fund reports, as applicable, are fulfilled. In addition, the Distributor shall arrange to provide the Listing Exchanges with copies of Prospectuses and Statements of Additional Information to be provided to purchasers in the secondary market. The Distributor will generally make it known in the brokerage community that Prospectuses and Statements of Additional Information are available, including by (i) advising the Listing Exchanges on behalf of its member firms of the same, (ii) making such disclosure in all marketing and advertising materials prepared and/or filed by the Distributor with FINRA, and (iii) as may otherwise be required by the Commission. The Distributor shall not bear any costs associated with printing Prospectuses, Statements of Additional Information and all other such materials.

(i) The Distributor agrees to make available, at the Trust's request, one or more members of its staff to attend Board meetings of the Trust in order to provide information with regard to the ongoing distribution process and for such other purposes as may be requested by the Board of Trustees of the Trust.

(j) The Distributor shall review and approve all sales and marketing materials for compliance with applicable laws and conditions of any applicable exemptive order, and file such materials with FINRA as required by the 1933 Act and 1940 Act, and the rules promulgated thereunder. All such sales and marketing materials must be approved, in writing, by the Distributor prior to use, such approval not to be unreasonably withheld.

(k) The Distributor shall not offer any Shares and shall not accept any orders for the purchase or sale of Shares hereunder if and so long as the effectiveness of the Registration Statement then in effect or any necessary amendments thereto shall be suspended under any of the provisions of the 1933 Act or if and so long as a current Prospectus as required by Section 10 of the 1933 Act is not on file with the Commission; provided, however, that nothing contained in this paragraph shall in any way restrict or have any application to or bearing upon the Trust's obligation to redeem or repurchase any Shares from any shareholder in accordance with provisions of the Prospectus or Registration Statement.

(l) If the Trust adopts any distribution and/or shareholder servicing plan(s) pursuant to Rule 12b-1 under the 1940 Act (the "Plan"), the Distributor shall enter into selling and/or investor servicing agreements ("Sales and Investor Services Agreements") with various broker-dealers and any other financial institution exempt under federal or state securities laws from registration as a broker or dealer authorized by the Investment Adviser, consistent with applicable law and the Registration Statement and Prospectus, to sell Shares and provide services to shareholders. The Distributor further agrees as follows: (i) the Distributor shall administer on behalf of the Trust any Plan(s) adopted by the Trust under rule 12b-1; (ii) the Distributor shall, at its own expense, set up and maintain a system of recording payments of fees and reimbursement of expenses disseminated pursuant to this Agreement and other agreements related to any such Plan(s) and, pursuant to the 1940 Act, report such payment activity to the Trust at least quarterly; (iii) the Distributor shall receive from the Trust all distribution and shareholder servicing fees, as applicable, at the rate and to the extent payable under the terms and conditions set forth in any Plan(s) adopted by the Trust, applicable to the appropriate class of shares of each Portfolio, as such Plan(s) may be amended from time to time, and subject to any further limitations on such fees as the Board of Trustees of the Trust may impose; and (iv) the Distributor shall pay, from the fees received from the Trust pursuant to any such Plan(s), all fees and make reimbursement of all expenses, pursuant to and in accordance with such Plan(s) and any and all Sales and Investor Services Agreements. In no event shall Distributor (i) pay any fees pursuant to any such Plan(s) until it has received payment of such fees from the Trust or the Adviser or (ii) be entitled to retain for its own account any amount accrued pursuant to any such Plan(s).

(m) The Distributor shall provide an order processing system pursuant to which the Authorized Participants may contact the Distributor (or its affiliates) and place requests to create and redeem Creation Units, including without limitation: (i) generating and transmitting confirmations of purchase and redemption order acceptances to purchasers and redeemers of Creation Units; (ii) providing acknowledgement to Authorized Participants that orders have been accepted; (iii) rejecting any orders that



were not submitted in proper form or in a timely fashion; (iv) confirming that Authorized Participants will not place trades that would raise their total holdings to 80% or more of any fund; (v) maintain along with the Trust and its Index Receipt Agent the right to require and rely upon information necessary to determine beneficial share ownership for purposes of the 80% determination or, in lieu of this, accept a certification from a Listing Exchange member firm or a member of such other exchange that the cost basis of the securities so deposited is essentially identical to their market value at the time of deposit; and (vi) maintaining a dedicated toll-free line for Authorized Participants to place share creation and redemption orders.

(n) The Distributor has as of the date hereof, and shall at all times have and maintain, net capital of not less than that required by Rule 15c3-1 under the 1934 Act, or any successor provision thereto. In the event that the net capital of the Distributor shall fall below that required by Rule 15c3-1, or any successor provision thereto, the Distributor shall promptly provide notice to the Trust and the Investment Adviser of such event.

(o) The Distributor agrees to maintain, and preserve for the periods prescribed by Rule 31a-2 under the 1940 Act, such records as are required to be maintained by Rule 31a-1(d) under the 1940 Act.

(p) The Distributor agrees to maintain compliance policies and procedures (a "Compliance Program") that are reasonably designed to prevent violations of the Federal Securities Laws (as defined in Rule 38a-1 of the 1940 Act) with respect to the Distributor's services under this Agreement, and to provide any and all information with respect to the Compliance Program, including without limitation, information and certifications with respect to material violations of the Compliance Program and any material deficiencies or changes therein, as may be reasonably requested by the Trust's Chief Compliance Officer or Board of Trustees.

#### **4. Duties of the Trust.**

(a) The Trust agrees to issue Creation Units of each Fund and to request DTC to record on its books the ownership of the Shares constituting such Creation Units in accordance with the book-entry system procedures described in the Prospectus in such amounts as the Distributor has requested through the Index Receipt Agent in writing or other means of data transmission, as promptly as practicable after receipt by the Trust of the requisite Deposit Securities and Cash Component (together with any fees) and acceptance of such order, upon the terms described in the Registration Statement. The Trust may reject any order for Creation Units or stop all receipts of such orders at any time upon reasonable notice to the Distributor, in accordance with the provisions of the Prospectus and Statement of Additional Information.

(b) The Trust agrees that it will take all action necessary to register an indefinite number of Shares under the 1933 Act. The Trust will make available to the Distributor such number of copies of its then currently effective Prospectus and

Statement of Additional Information as the Distributor may reasonably request. The Trust will furnish to the Distributor copies of semi-annual reports and annual audited reports of the Trust's books and accounts made by independent public accountants regularly retained by the Trust and such other publicly available information that the Distributor may reasonably request for use in connection with the distribution of Creation Units. The Trust shall keep the Distributor informed of the jurisdictions in which the Trust has filed notice filings for Shares for sale under the securities laws thereof and shall promptly notify the Distributor of any change in this information. Upon request by the Trust, the Distributor shall provide the Trust with information and materials regarding its business to the extent necessary to complete such filings. The Distributor shall not be liable for damages resulting from the sale of Shares in authorized jurisdictions where the Distributor had no information from the Trust that such sale or sales were unauthorized at the time of such sale or sales.

## **5. Fees and Expenses.**

(a) The Distributor shall be entitled to no compensation or reimbursement of expenses from the Trust for the services provided by the Distributor pursuant to this Agreement. The Distributor may receive compensation from the Investment Adviser related to its services hereunder or for additional services as may be agreed to between the Investment Adviser and Distributor.

(b) The Trust shall bear the cost and expenses of: (i) the registration of the Shares for sale under the Securities Act; and (ii) the registration or qualification of the Shares for sale under the securities laws of the various States;

(c) The Distributor shall pay (i) all expenses relating to Distributor's broker-dealer qualification and registration under the 1934 Act; (ii) the expenses incurred by the Distributor in connection with routine FINRA filing fees; and (iii) all other expenses incurred in connection with the distribution services provided under this Agreement, including office space, equipment and personnel as may be necessary or convenient to provide the services.

(d) Notwithstanding anything in this Agreement to the contrary, the Distributor and its affiliates may receive compensation or reimbursement from the Trust and the Investment Adviser with respect to any services not included under this Agreement, as may be agreed upon by the parties from time to time.

## **6. Indemnification.**

(a) The Trust agrees to indemnify and hold harmless the Distributor, its affiliates and each of their respective directors, officers and employees and agents and any person who controls the Distributor within the meaning of Section 15 of the 1933 Act (any of the Distributor, its officers, employees, agents and directors or such control persons, for purposes of this paragraph, a "Distributor Indemnitee") against any loss,

liability, claim, damages or expense (including the reasonable cost of investigating or defending any alleged loss, liability, claim, damages or expense and reasonable counsel fees incurred in connection therewith) arising out of or based upon (i) any claim that the Registration Statement, Prospectus, Statement of Additional Information, shareholder reports, sales literature and advertisements specifically approved by the Trust and Investment Adviser in writing or other information filed or made public by the Trust (as from time to time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein (and in the case of the Prospectus and Statement of Additional Information, in light of the circumstances under which they were made) not misleading under the 1933 Act, or any other statute or the common law; (ii) the breach by the Trust of any obligation, representation or warranty contained in this Agreement; or (iii) the Trust's failure to comply in any material respect with applicable securities laws.

The Trust does not agree to indemnify any Distributor Indemnitees or hold them harmless to the extent that the statement or omission was made in reliance upon, and in conformity with, information furnished to the Trust by or on behalf of the Distributor. The Trust will also not indemnify any Distributor Indemnitee with respect to any untrue statement or omission made in the Registration Statement, Prospectus or Statement of Additional Information that is subsequently corrected in such document (or an amendment thereof or supplement thereto) if a copy of the Prospectus (or such amendment or supplement) was not sent or given to the person asserting any such loss, liability, claim, damage or expense at or before the written confirmation to such person in any case where such delivery is required by the 1933 Act and the Trust had notified the Distributor of the amendment or supplement prior to the sending of the confirmation. In no case (i) is the indemnity of the Trust in favor of any Distributor Indemnitee to be deemed to protect the Distributor Indemnitee against any liability to the Trust or its shareholders to which the Distributor Indemnitee would otherwise be subject by reason of negligence in the performance of its duties and obligations set forth in sections (3)(g), (m), (o) or (p) of this Agreement, and by reason of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of the remainder of its duties and obligations and representations and warranties under this Agreement, or (ii) is the Trust to be liable under its indemnity agreement contained in this Section with respect to any claim made against any Distributor Indemnitee unless the Distributor Indemnitee shall have notified the Trust in writing of the claim at its principal offices in Chicago, Illinois within a reasonable time after the summons or other first written notification giving information of the nature of the claim shall have been served upon Distributor Indemnitee (or after Distributor Indemnitee shall have received notice of service on any designated agent).

Failure to notify the Trust of any claim shall not relieve the Trust from any liability that it may have to any Distributor Indemnitee against whom such action is brought unless failure or delay to so notify the Trust prejudices the Trust's ability to defend against such claim. The Trust shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any claims, but if the Trust elects to assume the defense, the defense shall be conducted by

counsel chosen by it and satisfactory to Distributor Indemnitee, defendant or defendants in the suit. In the event the Trust elects to assume the defense of any suit and retain counsel, Distributor Indemnitee, defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel retained by them. If the Trust does not elect to assume the defense of any suit, it will reimburse the Distributor Indemnitee, defendant or defendants in the suit, for the reasonable fees and expenses of any counsel retained by them. The Trust agrees to notify the Distributor promptly of the commencement of any litigation or proceedings against it or any of its officers or Trustees in connection with the issuance or sale of any of the Creation Units or the Shares.

(b) The Distributor agrees to indemnify and hold harmless the Trust and each of its Trustees and officers and any person who controls the Trust within the meaning of Section 15 of the 1933 Act (for purposes of this paragraph, the Trust and each of its Trustees and officers and its controlling persons are collectively referred to as the "Trust Affiliates") against any loss, liability, claim, damages or expense (including the reasonable cost of investigating or defending any alleged loss, liability, claim, damages or expense and reasonable counsel fees incurred in connection therewith) arising out of or based upon (i) the allegation of any wrongful act of the Distributor or any of its directors, officers, employees or affiliates in connection with its activities as Distributor pursuant to this Agreement; (ii) the breach of any obligation, representation or warranty contained in this Agreement by the Distributor; (iii) the Distributor's failure to comply in any material respect with applicable securities laws, including applicable FINRA regulations; or (iv) any allegation that the Registration Statement, Prospectus, Statement of Additional Information, shareholder reports, any information or materials relating to the Funds (as described in section 3(g)) or other information filed or made public by the Trust (as from time to time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements not misleading, insofar as such statement or omission was made in reliance upon, and in conformity with information furnished to the Trust by or on behalf of the Distributor; it being understood that the Trust will rely upon certain information provided by the Distributor for use in the preparation of the Registration Statement, Prospectus, Statement of Additional Information, shareholder reports or other information related to the Funds or made public by the Trust.

In no case (i) is the indemnity of the Distributor in favor of any Trust Affiliate to be deemed to protect any Trust Affiliate against any liability to the Trust or its security holders to which such Trust Affiliate would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of its obligations and duties under this Agreement, except as set forth in section (3)(g) of this Agreement or (ii) is the Distributor to be liable under its indemnity agreement contained in this Section with respect to any claim made against any Trust Affiliate unless the Trust Affiliate shall have notified the Distributor in writing of the claim within a reasonable time after the summons or other first written notification giving information of the nature of the claim shall have been served upon the Trust Affiliate (or after the Trust Affiliate shall have received notice of service on any designated agent).

Failure to notify the Distributor of any claim shall not relieve the Distributor from any liability that it may have to the Trust Affiliate against whom such action is brought on account of its indemnity agreement contained in this Section unless failure or delay to so notify the Distributor prejudices the Distributor's ability to defend against such claim. The Distributor shall be entitled to participate at its own expense in the defense or, if it so elects, to assume the defense of any suit brought to enforce the claim, but if the Distributor elects to assume the defense, the defense shall be conducted by counsel chosen by it and satisfactory to the Trust, its officers and Board and to any controlling person or persons, defendant or defendants in the suit. In the event that Distributor elects to assume the defense of any suit and retain counsel, the Trust or controlling person or persons, defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel retained by them. If the Distributor does not elect to assume the defense of any suit, it will reimburse the Trust, its officers and Trustees or controlling person or persons, defendant or defendants in the suit, for the reasonable fees and expenses of any counsel retained by them. The Distributor agrees to notify the Trust promptly of the commencement of any litigation or proceedings against it or any of its officers or directors in connection with the issuance or sale of any of the Creation Units or the Shares.

(c) No indemnified party shall settle any claim against it for which it intends to seek indemnification from the indemnifying party, under the terms of section 6(a) or 6(b) above, without prior written notice to and consent from the indemnifying party, which consent shall not be unreasonably withheld. No indemnified or indemnifying party shall settle any claim unless the settlement contains a full release of liability with respect to the other party in respect of such action. This section 6 shall survive the termination of this Agreement.

## **7. Representations.**

(a) The Distributor represents and warrants that (i) it is duly organized as a Delaware limited liability company and is and at all times will remain duly authorized and licensed under applicable law to carry out its services as contemplated herein; (ii) the execution, delivery and performance of this Agreement are within its power and have been duly authorized by all necessary action; (iii) its entering into this Agreement or providing the services contemplated hereby does not conflict with or constitute a default or require a consent under or breach of any provision of any agreement or document to which the Distributor is a party or by which it is bound; (iv) it is registered as a broker-dealer under the 1934 Act and is a member of FINRA; and (v) it has in place compliance policies and procedures reasonably designed to prevent violations of the Federal Securities Laws as that term is defined in Rule 38a-1 under the 1940 Act.

(b) To the extent applicable, the Distributor will comply with any requirements set forth in (i) the 1934 Act Rule 19b-4 relief provided to the Listing Exchanges in connection

with the offering of Fund Shares and Creation Units under this Agreement and with respect to which the Distributor receives adequate advance notice; (ii) any and all exemptive orders issued to the Trust in connection with the offering of Fund Shares and Creation Units under this Agreement under the 1940 Act or 1934 Act with respect to which the Distributor receives adequate advance notice; and (iii) the Registration Statement and Prospectus.

(c) The Distributor represents and warrants that it will comply in all material respects with the Trust's portfolio holdings disclosure policy.

(d) The Distributor represents and warrants that it is not an "affiliated person" (as defined under the 1940 Act) with the Listing Exchange or any underlying index provider for any Fund.

(e) The Distributor and the Trust each individually represent that its anti-money laundering program ("AML Program"), at a minimum, (i) designates a compliance officer to administer and oversee the AML Program, (ii) provides ongoing employee training, (iii) includes an independent audit function to test the effectiveness of the AML Program, (iv) establishes internal policies, procedures, and controls that are tailored to its particular business, (v) provides for the filing of all necessary anti-money laundering reports including, but not limited to, currency transaction reports and suspicious activity reports, and (vi) allows for appropriate regulators to examine its anti-money laundering books and records. Notwithstanding the foregoing, the Trust acknowledges that the Authorized Participants are not "customers" for the purposes of 31 CFR 103.

(f) The Distributor and the Trust each individually represent and warrant that: (i) it has procedures in place reasonably designed to protect the privacy of non-public personal consumer/customer financial information to the extent required by applicable law, rule and regulation; (ii) it will comply with all of the applicable terms and provisions of the 1934 Act; and (iii) it will provide certifications to the Trust in order to assist the Trust in complying with certain rules under the 1940 Act (by way of example only, Rules 30a-2, 30a-3 and 38a-1) and in connection with the filing of certain Forms (by way of example only, Form N-CSR).

(g) The Trust represents and warrants that (i) it is duly organized as a Maryland statutory trust and is and at all times will remain duly authorized to carry out its obligations as contemplated herein; (ii) it is registered as an investment company under the 1940 Act; (iii) the execution, delivery and performance of this Agreement are within its power and have been duly authorized by all necessary action; (iv) its entering into this Agreement does not conflict with or constitute a default or require a consent under or breach of any provision of any agreement or document to which the Trust is a party or by which it is bound; (v) the Registration Statement and each Fund's Prospectus have been prepared, and all sales literature and advertisements approved by the Trust and the Investment Adviser or other materials prepared by or on behalf of the Trust for the Distributor's use ("Sales Literature and Advertisements") shall be prepared, in all

material respects, in conformity with the 1933 Act, the 1940 Act and the rules and regulations of the Commission (the “Rules and Regulations”); and (vi) the Registration Statement and each Fund’ s Prospectus contain, and all Sales Literature and Advertisements shall contain, all statements required to be stated therein in accordance with the 1933 Act, the 1940 Act and the Rules and Regulations; and (vii) all statements of fact contained therein, or to be contained in all Sales Literature and Advertisements, are or will be true and correct in all material respects at the time indicated or the effective date, as the case may be, and none of the Registration Statement, any Fund’ s Prospectus, nor any Sales Literature and Advertisements shall include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of each Fund’ s Prospectus in light of the circumstances in which made, not misleading. The Trust shall, from time to time, file such amendment or amendments to the Registration Statement and each Fund’ s Prospectus as, in the light of future developments, shall, in the opinion of the Trust’ s counsel, be necessary in order to have the Registration Statement and each Fund’ s Prospectus at all times contain all material facts required to be stated therein or necessary to make the statements therein, in the case of each Fund’ s Prospectus in light of the circumstances in which made, not misleading. The Trust shall not file any amendment to the Registration Statement or each Fund’ s Prospectus without giving the Distributor reasonable notice thereof in advance, provided that nothing in this Agreement shall in any way limit the Trust’ s right to file at any time such amendments to the Registration Statement or any Fund’ s Prospectus as the Trust may deem advisable. Notwithstanding the foregoing, the Trust shall not be deemed to make any representation or warranty as to any information or statement provided by the Distributor for inclusion in the Registration Statement or any Fund’ s Prospectus.

(h) The Trust represents to the Distributor that the Registration Statement and Prospectus filed by the Trust with the Commission with respect to the Trust have been prepared in conformity in all material respects with the requirements of the 1933 Act, the 1940 Act and the rules and regulations of the Commission thereunder. The Trust will notify the Distributor promptly of any amendment to the Registration Statement or supplement to the Prospectus and any stop order suspending the effectiveness of the Registration Statement; provided, however, that nothing contained in this Agreement shall in any way limit the Trust’ s right to file at any time such amendments to any Registration Statement and/or supplements to any Prospectus, of whatever character, as the Trust may deem advisable, such right being in all respects absolute and unconditional. The Trust and the Investment Adviser shall not be responsible in any way for any information, statements or representations given or made by the Distributor or its representatives or agents other than such information, statements or representations as are contained in such Prospectus or Registration Statement or financial reports filed on behalf of the Trust or in any Sales Literature and Advertisements.

## **8. Duration, Termination and Amendment.**

(a) This Agreement shall be effective on the date set forth above, and unless terminated as provided herein, shall continue for two years from its effective date, and thereafter from year to year, provided such continuance is approved annually (i) by vote of a majority of the Trustees or by the vote of a majority of the outstanding voting securities of the Fund and (ii) by the vote of a majority of those Trustees who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval. This Agreement may be terminated at any time, without the payment of any penalty, as to each Fund (i) by vote of a majority of those Trustees who are not parties to this Agreement or interested persons of any such party or (ii) by vote of a majority of the outstanding voting securities of the Fund, or by the Distributor, on at least sixty (60) days prior written notice. This Agreement shall automatically terminate without the payment of any penalty in the event of its assignment. As used in this paragraph, the terms “vote of a majority of the outstanding voting securities,” “assignment,” “affiliated person” and “interested person” shall have the respective meanings specified in the 1940 Act.

(b) The Distributor agrees to notify the Investment Adviser immediately in the event of its expulsion or suspension by FINRA. The Trust shall be entitled to terminate this Agreement immediately upon notice to the Distributor in the event that FINRA expels or suspends the Distributor.

(c) No provision of this Agreement may be changed, waived, discharged or terminated except by an instrument in writing signed by the party against which an enforcement of the change, waiver, discharge or termination is sought.

## **9. Notice.**

Any notice or other communication authorized or required by this Agreement to be given to either party shall be in writing and deemed to have been given when delivered in person or by confirmed facsimile, or posted by certified mail, return receipt requested, to the following address (or such other address as a party may specify by written notice to the other):

If to the Distributor:

Foreside Fund Services, LLC  
ATTN: Counsel  
Three Canal Plaza, Suite 100  
Portland, ME 04101  
Telephone: (207) 553-7110  
Facsimile: (207) 553-7151



If to the Trust:

FlexShares Trust  
c/o Craig Carberry, Esq.  
The Northern Trust Company  
50 LaSalle Street  
Chicago, IL 60603  
Telephone:  
Facsimile:

With a copy to:  
Diana E. McCarthy  
Drinker Biddle & Reath LLP  
One Logan Square, Ste. 2000  
Philadelphia, PA 19103-6996

And

FlexShares Trust  
c/o Peter K. Ewing  
The Northern Trust Company  
50 South LaSalle Street  
Chicago, IL 60603

**10. Choice of Law.**

This Agreement shall be governed by, and construed in accordance with, the laws of the state of Delaware, without giving effect to the choice of laws provisions thereof.

**11. Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**12. Severability.**

If any provisions of this Agreement shall be held or made invalid, in whole or in part, then the other provisions of this Agreement shall remain in force. Invalid provisions shall, in accordance with this Agreement' s intent and purpose, be amended, to the extent legally possible, in order to effectuate the intended results of such invalid provisions.

**13. Insurance.**

The Distributor will maintain at its expense an errors and omissions insurance policy adequate to cover services provided by the Distributor hereunder.

#### **14. Confidentiality.**

During the term of this Agreement, the Distributor and the Trust may have access to confidential information relating to such matters as either party's business, trade secrets, systems, procedures, manuals, products, contracts, personnel, and clients. As used in this Agreement, "Confidential Information" means information belonging to one of the parties that is of value to such party and the disclosure of which could result in a competitive or other disadvantage to such party. Confidential Information includes, without limitation, financial information, proposal and presentations, reports, forecasts, inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities). Confidential Information includes information developed by either party in the course of engaging in the activities provided for in this Agreement, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information is disclosed to the other party without a confidential restriction by a third party who rightfully possesses the information and did not obtain it, either directly or indirectly, from one of the parties, as the case may be, or any of their respective principals, employees, affiliated persons, or affiliated entities. The parties understand and agree that all Confidential Information shall be kept confidential by the other both during and after the term of this Agreement. Each party shall maintain commercially reasonable information security policies and procedures for protecting Confidential Information.

The parties further agree that they will not, without the prior written approval by the other party, disclose such Confidential Information, or use such Confidential Information in any way, either during the term of this Agreement or at any time thereafter, except as required in the course of this Agreement and as provided by the other party or as required by law. Upon termination of this Agreement for any reason, or as otherwise requested by the Trust, all Confidential Information held by or on behalf of Trust shall be promptly returned to the Trust, or an authorized officer of the Distributor will certify to the Trust in writing that all such Confidential Information has been destroyed. This section 14 shall survive the termination of this Agreement. Notwithstanding the foregoing, a party may disclose the other's Confidential Information if required by law, regulation or legal process or if requested by the Commission or other governmental regulatory agency with jurisdiction over the parties hereto; provided that the disclosing party shall give the other party reasonable prior notice of such disclosure to the extent reasonably practicable and shall reasonably cooperate with the other party (at such other party's expense) in any efforts to prevent such disclosure.

#### **15. Limitation of Liability.**

This Agreement is executed by or on behalf of the Trust with respect to each of the Trust Funds and the obligations hereunder are not binding upon any of the trustees, officers or shareholders of the Trust individually but are binding only upon the Fund to which such obligations pertain and the assets and property of such Fund. Separate and

distinct records are maintained for each Fund and the assets associated with any such Fund are held and accounted for separately from the other assets of the Trust, or any other Fund of the Trust. The debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to a particular Fund of the Trust shall be enforceable against the assets of that Fund only, and not against the assets of the Trust generally or any other Fund, and none of the debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to the Trust generally or any other Fund shall be enforceable against the assets of that Fund. The Trust's Agreement and Declaration of Trust is on file with the Trust.

**16. Use of Names; Publicity.**

The Trust shall not use the Distributor's name in any offering material, shareholder report, advertisement or other material relating to the Trust, other than for the purpose of merely identifying and describing the functions of the Distributor hereunder, in a manner not approved by the Distributor in writing prior to such use, such approval not to be unreasonably withheld. The Distributor hereby consents to all uses of its name required by the Commission, any state securities commission, or any federal or state regulatory authority.

The Distributor shall not use the names "FlexShares" in any offering material, shareholder report, advertisement or other material relating to the Distributor, other than for the purpose of merely identifying and describing the functions of the Trust hereunder, in a manner not approved by the Trust in writing prior to such use; provided, however, that the Trust shall consent to all uses of its name required by the Commission, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

The Distributor will not issue any press releases or make any public announcements regarding the existence of this Agreement without the express written consent of the Trust. Neither the Trust nor the Distributor will disclose any of the economic terms of this Agreement, except as may be required by law.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their officers designated below as of the date first set forth above.

**FLEXSHARES TRUST**

By: \_\_\_\_\_  
Name:  
Title:

**FORESIDE FUND SERVICES, LLC**

By: \_\_\_\_\_  
Name: Mark Fairbanks  
Title: President

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**EXHIBIT A**

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Developed ex-US Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund  
FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

**FLEXSHARES<sup>SM</sup> TRUST**  
**AUTHORIZED PARTICIPANT AGREEMENT**

This Authorized Participant Agreement (the “Agreement”) is entered into by and between Foreside Fund Services, LLC (the “Distributor”) and [ ] (the “Participant”) and is subject to acceptance by JPMorgan Chase Bank, N.A. (the “Index Receipt Agent”) as index receipt agent for FlexShares Trust (the “Trust”).

The Index Receipt Agent serves as the index receipt agent for the Trust and all of its designated series (each a “Fund” and collectively, the “Funds”), and is an Index Receipt Agent as that term is defined in the rules of the National Securities Clearing Corporation (“NSCC”). The Distributor provides services as principal underwriter of the Funds acting on an agency basis in connection with the sale and distribution of the class of shares issued by the Funds known as “Fund Shares.”

The process by which an investor purchases and redeems Fund Shares from a Fund is described in detail in the Trust’ s current prospectuses and statement of additional information, as each may be supplemented or amended from time to time (the “Prospectuses”) that comprise part of the Trust’ s registration statement, as amended, on Form N-1A (Securities Act of 1933 Registration No. 333-173967; Investment Company Act of 1940 Registration No. 811-22555) and the Authorized Participant Procedures Handbook (“AP Handbook”) (hereinafter collectively, “Fund Documents”). The discussion of the purchase and redemption process in this Agreement is modified as necessary by reference to the more complete discussions in the Fund Documents. References to the Fund Documents are to the then current Prospectuses and AP Handbook as each may be supplemented or amended from time to time. Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Fund Documents. In the event of a conflict between this Agreement and the Fund Documents, the Fund Documents shall control. In the event of a conflict between the Prospectuses and AP Handbook, the Prospectuses shall control. Each party to this Agreement agrees to comply with the provisions of the Fund Documents to the extent applicable to it.

Fund Shares may be purchased or redeemed directly from a Fund only in aggregations of a specified number, known as a “Creation Unit.” The number of Fund Shares presently constituting a Creation Unit of each Fund is set forth in Annex I. Creation Units of Fund Shares may be purchased only by or through an entity that has entered into an Authorized Participant Agreement with the Distributor and is either a participant in The Depository Trust Company (“DTC”) or a broker-dealer or other participant in the Continuous Net Settlement System (the “CNSS”) of NSCC. Additionally, cash creations may be permitted at the sole discretion of a Fund and/or the Fund’ s investment adviser. In such case, the Participant must pay the cash equivalent of the Deposit Securities (as defined below) that it would otherwise be required to provide through in-kind creation, plus the same Balancing Amount (as defined below), if any, required to be paid by an in-kind purchaser.

To purchase a Creation Unit, an authorized DTC participant or CNSS participant, whether acting for its own account or on behalf of another party, generally must deliver to the Fund a designated

basket of equity securities (the "Deposit Securities") and an amount of cash computed as described in the Fund Documents (the "Balancing Amount"), plus a purchase transaction fee as described in the Fund Documents (the "Transaction Fee"). The Deposit Securities and the Balancing Amount together constitute the "Fund Deposit." The amount of such Transaction Fee shall be determined by the Trust or investment adviser to the Trust in its sole discretion and may be changed from time to time.

This Agreement is intended to set forth the procedures by which the Participant may purchase and/or redeem Creation Units of Fund Shares (i) through the CNSS clearing processes of NSCC as such processes have been enhanced to effect purchases and redemptions of Creation Units, such processes being referred to herein as the "Clearing Process," or (ii) outside the Clearing Process through the DTC systems. The procedures for processing an order to purchase Fund Shares (a "Purchase Order") and an order to redeem Fund Shares (a "Redemption Order") are described in the Fund Documents. All Purchase and Redemption Orders must be made pursuant to the procedures set forth in the Fund Documents. The Participant may not cancel a Purchase Order or a Redemption Order after it is placed.

The parties hereto, in consideration of the premises and of the mutual agreements contained herein, agree as follows:

#### 1. STATUS OF PARTICIPANT

(a) The Participant hereby represents, covenants, and warrants that it is and will continue to be a participant in DTC ("DTC Participant") so long as this Agreement is in full force and effect and that, with respect to Purchase Orders or Redemption Orders placed through the Clearing Process, it is and will continue to be a member of NSCC and a participant in the CNSS so long as this Agreement is in full force and effect. The Participant may place Purchase Orders or Redemption Orders either through the Clearing Process or outside the Clearing Process through the DTC, subject to the procedures for purchase and redemption referred to in paragraph 2 and the AP Handbook. If a Participant loses its status as a DTC Participant or NSCC member, or its eligibility to participate in the CNSS, the Participant shall promptly notify the Distributor in writing of the change in status or eligibility. Upon such notice, the Distributor, in its sole discretion, may terminate this Agreement.

(b) The Participant hereby represents and warrants that it is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, is qualified to act as a broker or dealer in the states or other jurisdictions where it transacts business, and is a member in good standing of the Financial Industry Regulatory Authority (the "FINRA"). The Participant agrees that it will maintain such registrations, qualifications, and membership in good standing and in full force and effect throughout the term of this Agreement. The Participant agrees to comply with all applicable federal laws, the laws of the states or other jurisdictions concerned, and the rules and regulations promulgated thereunder, and with the Constitution, By-Laws and Conduct Rules of the FINRA, and that it will not offer or sell Fund Shares of any Fund in any state or jurisdiction where such shares may not lawfully be offered and/or sold.

(c) If the Participant is offering and selling Fund Shares of any Fund in jurisdictions outside the several states, territories and possessions of the United States and is not otherwise required to be registered or qualified as a broker or dealer, or to be a member of the FINRA, as set forth above, the Participant nevertheless agrees to observe the applicable laws of the jurisdiction in which such offer and/or sale is made, to comply with the full disclosure requirements of the Securities Act of 1933 as amended (the "1933 Act") and the regulations promulgated thereunder, and to conduct its business in accordance with the spirit of the FINRA Conduct Rules.

(d) The Participant understands and acknowledges that the proposed method by which Creation Units will be created and traded may raise certain issues under applicable securities laws. For example, because new Creation Units may be issued and sold by a Fund on an ongoing basis, at any point a "distribution," as such term is used in the 1933 Act, may occur. The Participant understands and acknowledges that some activities on its part, depending on the circumstances, may result in its being deemed a participant in the distribution in a manner that could render it a statutory underwriter and subject it to the prospectus delivery and liability provisions of the 1933 Act. Whether a person is an underwriter depends upon all of the facts and circumstances pertaining to that person's activities, and you should consult legal counsel if you are uncertain of your status. Neither the Distributor nor the Index Receipt Agent will indemnify the Participant for any violations of the federal securities laws committed by the Participant.

## 2. EXECUTION OF PURCHASE AND REDEMPTION ORDERS

(a) All Purchase Orders and Redemption Orders shall be made in accordance with the terms of the Fund Documents and the procedures as described in the AP Handbook. Each party hereto agrees to comply with the provisions of such documents to the extent applicable to it. It is contemplated that the phone lines used in connection with the purchase and redemption of Creation Units, which includes use by representatives of the Distributor, Index Receipt Agent or the Trust and any affiliates thereof, will be recorded, and the Participant hereby consents to the recording of all calls in connection with the purchase and redemption of Creation Units. The Funds reserve the right to issue additional or other procedures relating to the manner of purchasing or redeeming Creation Units, and the Participant agrees to comply with such procedures as may be issued from time to time, including but not limited to the Fund Shares cash collateral settlement procedures that are referenced in the AP Handbook. The Participant acknowledges and agrees on behalf of itself and any party for which it is acting that a Purchase Order or Redemption Order shall be irrevocable, and that the Funds (or the Distributor on behalf of the Funds) reserve the right to reject any Purchase Order or Redemption Order in accordance with the terms of the Fund Documents. The Participant agrees that the Distributor and the Trust have and reserve the right, in their sole discretion without notice, to reject a Purchase Order or Redemption Order or suspend sales of Fund Shares, in accordance with the terms of the Fund Documents.

(b) With respect to any Redemption Order, the Participant acknowledges and agrees on behalf of itself and any party for which it is acting to return to a Fund any dividend, distribution, or other corporate action paid to it or to the party for which it is acting in respect of any Deposit Security that is transferred to the Participant or any party for which it is acting that, based on the



valuation of such Deposit Security at the time of transfer, should have been paid to the Fund. With respect to any Redemption Order, the Participant also acknowledges and agrees on behalf of itself and any party for which it is acting that a Fund is entitled to reduce the amount of money or other proceeds due to the Participant or any party for which it is acting by an amount equal to any dividend, distribution, or other corporate action to be paid to it or to the party for which it is acting in respect of any Deposit Security that is transferred to the Participant or any party for which it is acting that, based on the valuation of such Deposit Security at the time of transfer, should be paid to the Fund. With respect to any Purchase Order, each Fund acknowledges and agrees to return to the Participant or any party for which it is acting any dividend, distribution, or other corporate action paid to the Fund in respect of any Deposit Security that is transferred to the Fund that, based on the valuation of such Deposit Security at the time of transfer, should have been paid to the Participant or any party for which it is acting.

(c) When making a Redemption Order, the Participant understands and agrees that in the event Fund Shares are not transferred to the Fund in accordance with the terms of the Fund Documents, such Redemption Order may be rejected by the Fund and the Participant will be solely responsible for all costs and losses and fees incurred by the Fund, the Index Receipt Agent or the Distributor related to such rejected Redemption Order.

### 3. AUTHORIZATION OF INDEX RECEIPT AGENT

With respect to Purchase Orders or Redemption Orders processed through the Clearing Process, the Participant hereby authorizes the Index Receipt Agent to transmit to the NSCC on behalf of the Participant such instructions, including amounts of the Deposit Securities and Balancing Amounts as are necessary, consistent with the instructions issued by the Participant to the Distributor. The Participant agrees to be bound by the terms of such instructions issued by the Index Receipt Agent and reported to NSCC as though such instructions were issued by the Participant directly to NSCC.

### 4. MARKETING MATERIALS AND REPRESENTATIONS.

The Participant represents, warrants, and agrees that it will not make any representations concerning Fund Shares, the Trust or the Funds, other than those contained in the Funds' then current Prospectuses or in any promotional materials or sales literature furnished to the Participant by the Distributor. The Participant agrees not to furnish or cause to be furnished to any person or display or publish any information or materials relating to Fund Shares (including, without limitation, promotional materials and sales literature, advertisements, press releases, announcements, statements, posters, signs, or other similar materials), except such information and materials as may be furnished to the Participant by the Distributor and such other information and materials as may be approved in writing by the Distributor. The Participant understands that the Fund will not be advertised or marketed as an open-end investment company, i.e., as a mutual fund, and that any advertising materials will prominently disclose that the Fund Shares are not individually redeemable. In addition, the Participant understands that any advertising material that addresses redemption of Fund Shares will disclose that Fund Shares may be tendered for redemption to the issuing Fund only in Creation Units. Notwithstanding the foregoing, the Participant may without the written approval of the Distributor prepare and

circulate in the regular course of its business research reports that include information, opinions, or recommendations relating to Fund Shares (i) for public dissemination, provided that such research reports compare the relative merits and benefits of Fund Shares with other products and are not used for purposes of marketing Fund Shares and (ii) for internal use by the Participant.

#### 5. TITLE TO SECURITIES; RESTRICTED SHARES

The Participant represents on behalf of itself and any party for which it acts that upon delivery of Deposit Securities to the Custodian, the Funds will acquire good and unencumbered title to such securities, free and clear of all liens, restrictions, charges, and encumbrances, and not subject to any adverse claims, including without limitation any restrictions upon the sale or transfer of such securities imposed by (i) any agreement or arrangement entered into by the Participant or any party for which it is acting in connection with a Purchase Order; or (ii) any provision of the 1933 Act, and any regulations thereunder (except that portfolio securities of issuers other than U.S. issuers shall not be required to have been registered under the 1933 Act if exempt from such registration), or of the applicable laws or regulations of any other applicable jurisdiction. In particular, the Participant represents on behalf of itself and any party for which it acts that no such securities are “restricted securities” as such term is used in Rule 144(a)(3)(i) under the 1933 Act.

#### 6. BALANCING AMOUNT

The Participant hereby agrees that, in connection with a Purchase Order, whether for itself or any party for which it acts, it will make available on or before the contractual settlement date (the “Contractual Settlement Date”), by means satisfactory to the Trust, and in accordance with the provisions of the Fund Documents, immediately available or same day funds estimated by the Trust to be sufficient to pay the Balancing Amount next determined after acceptance of the Purchase Order, together with the applicable purchase transaction fee. Any excess funds will be returned following settlement of the Purchase Order. The Participant should ascertain the applicable deadline for cash transfers by contacting the operations department of the broker or depository institution effectuating the transfer of the Balancing Amount. The Participant hereby agrees to ensure that the Balancing Amount will be received by the issuing Fund in accordance with the terms of the Fund Documents, but in any event on or before the Contractual Settlement Date, and in the event payment of such Balancing Amount has not been made in accordance with the provisions of the Fund Documents or by such Contractual Settlement Date, the Participant agrees on behalf of itself or any party for which it acts in connection with a Purchase Order to pay the amount of the Balancing Amount, plus interest, computed at such reasonable rate as may be specified by the Fund from time to time. The Participant shall be liable to the Custodian, any sub-custodian or the Trust for any amounts advanced by the Custodian or any sub-custodian in its sole discretion to the Participant for payment of the amounts due and owing for the Balancing Amount. Computation of the Balancing Amount shall exclude any taxes, duties or other fees and expenses payable upon the transfer of beneficial ownership of the Deposit Securities, which shall be the sole responsibility of the Participant and not the Trust.

## 7. ROLE OF PARTICIPANT

(a) The Participant acknowledges and agrees that, for all purposes of this Agreement, the Participant will be deemed to be an independent contractor, and will have no authority to act as agent for the Funds or the Distributor in any matter or in any respect. The Participant agrees to make itself and its employees available, upon request, during normal business hours to consult with the Funds or the Distributor or their designees concerning the performance of the Participant's responsibilities under this Agreement.

(b) The Participant agrees as a DTC Participant and in connection with any purchase or redemption transactions in which it acts on behalf of a third party, that it shall extend to such party all of the rights, and shall be bound by all of the obligations, of a DTC Participant in addition to any obligations that it undertakes hereunder or in accordance with the Fund Documents.

(c) The Participant agrees to maintain all books and records of all sales of Fund Shares made by or through it pursuant to its obligations under the federal securities laws and to furnish copies of such records to the Funds or the Distributor upon the request of the Funds or the Distributor.

(d) The Participant represents that from time to time it may be a Beneficial Owner (as that term is defined Rule 16a-1(a)(2) of the Securities Exchange Act of 1934) of Fund Shares. To the extent that it is a Beneficial Owner of Fund Shares, the Participant agrees to irrevocably appoint Distributor as its attorney and proxy with full authorization and power to vote (or abstain from voting) its beneficially owned shares. The Distributor intends to vote (or abstain from voting) the Participant's beneficially owned shares in the same proportion as the votes (or abstentions) of all other shareholders of a Fund on any matter submitted to the vote of shareholders of the Fund or Trust. The Distributor, as attorney and proxy for Participant under this Paragraph, (i) is hereby given full power of substitution and revocation; (ii) may act through such agents, nominees, or attorneys as it may appoint from time to time; and (iii) may provide voting instructions to such agents, nominees, or substitute attorneys. Distributor may terminate this irrevocable proxy within sixty (60) days written notice to the Participant.

(e) The Participant understands that under the terms of NYSE Arca, Inc. ("NYSE Arca"), the NYSE Arca requires that members, including Equity Permit Holders and Market Makers, provide to all purchasers of Fund Shares a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members shall include a written description with any sales material relating to Fund Shares that is provided to customers or the public. Any other written materials provided by a member to customers or the public making specific reference to a Fund of the Trust as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of Fund Shares has been prepared by the Trust and is available from your broker or the NYSE Arca. It is recommended that you obtain and review such circular before purchasing Fund Shares. In addition, upon request you may obtain from your broker a prospectus for Fund

Shares.” Such other written materials provided by a member to customers or the public shall include all other necessary and appropriate disclosures. A Participant who is an NYSE Arca member carrying an omnibus account for a non-member broker-dealer is required, if appropriate, to inform such non-member that the execution of an order to purchase Fund Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members under this Rule.

(f) The Participant further represents that its anti-money laundering program (“AML Program”) is maintained consistent with all applicable federal laws, rules and regulations, including the USA Patriot Act and rules promulgated by the SEC, and that its AML Program, at a minimum, (i) designates a compliance officer to administer and oversee the AML Program, (ii) provides ongoing employee training, (iii) includes an independent audit function to test the effectiveness of the AML Program, (iv) establishes internal policies, procedures, and controls that are tailored to its particular business, (v) includes a customer identification program consistent with the rules under section 326 of the USA Patriot Act, (vi) provides for the filing of all necessary anti-money laundering reports including, but not limited to, currency transaction reports and suspicious activity reports, (vii) provides for screening all new and existing customers against reports and suspicious activity reports, (viii) provides for screening all new and existing customers against the Office of Foreign Asset Control list and any other government list that is or becomes required under the USA Patriot Act, and (ix) allows for appropriate regulators to examine its anti-money laundering books and records. The Distributor shall verify the identity of each Authorized Participant and maintain identification verification and transactional records in accordance with the requirements of applicable laws and regulations aimed at the prevention and detection of money laundering and/or terrorism activities.

#### 8. AUTHORIZED PERSONS OF THE PARTICIPANT

(a) Concurrently with the execution of this Agreement and from time to time thereafter as may be requested by the Funds, the Participant shall deliver to the Funds, with copies to the Index Receipt Agent, a certificate in a form approved by the Funds (see Annex II hereto), duly certified as appropriate by the Participant’s Secretary or other duly authorized official, setting forth the names and signatures of all persons authorized to give instructions relating to any activity contemplated hereby or any other notice, request, or instruction on behalf of the Participant (each an “Authorized Person”). Such certificate may be accepted and relied upon by the Distributor and the Funds as conclusive evidence of the facts set forth therein and shall be considered to be in full force and effect until delivery to the Funds of a superseding certificate. Upon the termination or revocation of authority of such Authorized Person by the Participant, the Participant shall give immediate written notice of such fact to the Funds with copy to the Index Receipt Agent and such notice shall be effective upon receipt by the Funds.

(b) The Distributor shall issue to each Authorized Person of the Participant a unique personal identification number (“PIN Number”) by which the Authorized Person shall be identified and instructions issued by such Authorized Person on behalf of the Participant hereunder shall be authenticated. The PIN Number shall be kept confidential and provided to Authorized Persons only. If the Authorized Person’s PIN Number is changed, the new PIN Number will become effective on a date mutually agreed upon by the Participant and the Distributor. If for some reason, the Authorized Person’s PIN number is compromised, the Participant shall contact the Distributor immediately in order for a new one to be issued.

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(c) The Distributor shall assume that all instructions issued to it using an Authorized Person's PIN Number have been properly placed, unless the Distributor has actual knowledge to the contrary or the Participant has revoked such Authorized Person's PIN Number. The Distributor shall not verify that an Order is being placed by or on behalf of the Participant. The Participant agrees that the Distributor, the Index Receipt Agent and the Trust shall not be liable, absent fraud or willful misconduct, for losses incurred by the Participant as a result of unauthorized use of an Authorized Person's PIN Number, unless the Participant previously submitted written notice to revoke its PIN Number.

## 9. REDEMPTIONS

(a) The Participant understands and agrees that Redemption Orders may be submitted only on days that the Trust is open for business, as required by Section 22(e) of the Investment Company Act of 1940.

(b) The Participant represents, covenants and warrants that it will not attempt to place a Redemption Order for the purpose of redeeming any Creation Units unless it first ascertains that it or its customer, as the case may be, owns outright or has full legal authority and legal and beneficial right to tender for redemption the requisite number of Fund Shares, and that such Fund Shares have not been loaned or pledged to another party and are not the subject of a repurchase agreement, securities lending agreement, or any other agreement that would preclude the delivery of such Fund Shares to the Fund.

(c) The Participant understands that Fund Shares of any Fund may be redeemed only when one or more Creation Units are held in the account of a single Participant.

(d) Notwithstanding anything to the contrary in this Agreement or the Prospectuses, the Participant understands and agrees that residents of certain countries are entitled to receive only cash upon redemption of a Creation Unit. Accordingly, the Participant is required to confirm that any request it submits for an in-kind redemption has not been submitted on behalf of a Beneficial Owner who is a resident of a country requiring that all redemptions be made in cash.

## 10. COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 351

(a) The Participant represents, covenants and warrants that, based upon the number of outstanding Fund Shares of any particular Fund, it does not, and will not in the future, hold for the account of any single Beneficial Owner, or group of related Beneficial Owners, 80 percent or more of the currently outstanding Fund Shares of such Fund, so as to cause the Fund to have a basis in the portfolio securities deposited with the Fund different from the market value of such portfolio securities on the date of such deposit, pursuant to section 351 of the Internal Revenue Code of 1986, as amended.

(b) The Participant agrees that the confirmation relating to any order for one or more Creation Units shall state as follows: “Purchaser represents and warrants that, after giving effect to the purchase of Fund Shares to which this confirmation relates, it will not hold 80% or more of the outstanding Fund Shares of the issuing Fund and will not treat such purchase as eligible for tax-free treatment under Section 351 of the Internal Revenue Code of 1986, as amended. If purchaser is a dealer, it agrees to deliver similar written confirmations to any person purchasing from it any of the Fund Shares to which this confirmation relates.”

(c) A Fund and its Index Receipt Agent and Distributor shall have the right to require, as a condition to the acceptance of a deposit of Deposit Securities, information from the Participant regarding ownership of the Fund Shares by such Participant and its customers, and to rely thereon to the extent necessary to make a determination regarding ownership of 80 percent or more of the Fund’s currently outstanding Fund Shares by a Beneficial Owner.

## 11. OBLIGATIONS OF PARTICIPANT

(a) The Participant agrees to maintain records of all sales of Fund Shares made by or through it and to furnish copies of such records to the Trust or the Distributor upon their reasonable request.

(b) The Participant affirms that it has procedures in place reasonably designed to protect the privacy of non-public personal consumer/customer financial information to the extent required by applicable law, rule and regulation.

(c) The Participant represents, covenants and warrants that, during the term of this Agreement, it will not be an affiliated person of a Fund, a promoter or a principal underwriter of a Fund or an affiliated person of such persons, except under 2(a)(3)(A) or 2(a)(3)(C) of the Investment Company Act of 1940, as amended (the “1940 Act”) due to ownership of Fund Shares.

(d) The Participant agrees that it will meet Distributor’s written creditworthiness standards at all times at which it performs activities pursuant to this Agreement and will inform the Distributor immediately should Participant not meet such standards. Participant agrees that it will be subject to various tests performed by Distributor to determine if the Participant is in compliance with the Distributor’s written creditworthiness standards and agrees to comply with all requests for information in order to permit the Distributor to perform such tests.

## 12. INDEMNIFICATION

Section 12 shall survive the termination of this Agreement.

(a) The Participant hereby agrees to indemnify and hold harmless the Distributor, the Funds, the Index Receipt Agent, their respective subsidiaries, affiliates, directors, officers, employees, and agents, and each person, if any, who controls such persons within the meaning of Section 15 of the 1933 Act (each an “Indemnified Party”), from and against any loss, liability, cost, or expense (including attorneys’ fees) incurred by such Indemnified Party as a result of (i) any breach by the Participant of any provision of this Agreement; (ii) any failure on the part of

the Participant to perform any of its obligations set forth in this Agreement; (iii) any failure by the Participant to comply with applicable laws, including rules and regulations of self-regulatory organizations; (iv) actions of such Indemnified Party in reliance upon any instructions issued in accordance with the Fund Documents or Annex II (as each may be amended from time to time) reasonably believed by the Distributor and/or the Index Receipt Agent to be genuine and to have been given by the Participant; or (v) the Participant's failure to complete a Purchase Order or Redemption Order that has been accepted. The Participant understands and agrees that the Funds as third party beneficiaries to this Agreement are entitled to proceed directly against the Participant in the event that the Participant fails to honor any of its obligations under this Agreement that benefit the Funds. The Distributor shall not be liable to the Participant for any damages arising out of mistakes or errors in data provided to the Distributor, or out of interruptions or delays of communications with the Indemnified Parties who are service providers to the Funds, nor is the Distributor liable for any action, representation, or solicitation made by the wholesalers of the Funds.

(b) The Distributor hereby agrees to indemnify and hold harmless the Participant and the Index Receipt Agent, their respective subsidiaries, affiliates, directors, officers, employees, and agents, and each person, if any, who controls such persons within the meaning of Section 15 of the 1933 Act (each an "Indemnified Party"), from and against any loss, liability, cost, or expense (including attorneys' fees) incurred by such Indemnified Party as a result of (i) any breach by the Distributor of any provision of this Agreement; (ii) any failure on the part of the Distributor to perform any of its obligations set forth in this Agreement; (iii) any failure by the Distributor to comply with applicable laws, including rules and regulations of self-regulatory organizations; or (iv) actions of such Indemnified Party in reliance upon any representations made in accordance with the Fund Documents and Annex II (as each may be amended from time to time) reasonably believed by the Participant to be genuine and to have been given by the Distributor.

The Participant shall not be liable to the Distributor for any damages arising out of mistakes or errors in data provided to the Participant, or out of interruptions or delays of communications with the Indemnified Parties who are service providers to the Funds, nor is the Participant liable for any action, representation, or solicitation made by the wholesalers of the Funds.

(c) The Funds, the Distributor, the Index Receipt Agent, or any person who controls such persons within the meaning of Section 15 of the 1933 Act, shall not be liable to the Participant for any damages arising from any differences in performance between the Deposit Securities in a Fund Deposit and the Fund's benchmark index.

### 13. INFORMATION ABOUT DEPOSIT SECURITIES

The Trust's investment adviser, Northern Trust Investments, Inc. (the "Advisor") will make available on each day that the Trust is open for business, through the facilities of the NSCC, the names and amounts of Deposit Securities to be included in the current Fund Deposit for each Fund.

#### 14. RECEIPT OF PROSPECTUS BY PARTICIPANT

The Participant acknowledges receipt of the Prospectus and represents that it has reviewed that document (including the Statement of Additional Information incorporated therein) and understands the terms thereof.

#### 15. CONSENT TO ELECTRONIC DELIVERY OF PROSPECTUS

The Distributor may deliver electronically a single prospectus including summary prospectus, annual or semi-annual report or other shareholder information (each, a "Shareholder Document") to persons who have effectively consented to such electronic delivery. The Distributor will deliver Shareholder Documents electronically by sending consenting persons an e-mail message informing them that the applicable Shareholder Document has been posted and is available on the Funds' website, [www.flexshares.com](http://www.flexshares.com), and providing a hypertext link to the document. The electronic versions of the Shareholder Documents will be in PDF format and can be downloaded and printed using Adobe Acrobat.

By signing this Agreement, the Participant hereby consents to the foregoing electronic delivery of all Shareholder Documents to the e-mail address set forth on the signature page attached to this Agreement. The Participant further understands and agrees that unless such consent is revoked, the Participant can obtain access to the Shareholder Documents from the Distributor only electronically. The Participant can revoke the consent to electronic delivery of Shareholder Documents at anytime by providing written notice to the Distributor. The Participant agrees to maintain the e-mail address set forth on the signature page to this Agreement and further agrees to promptly notify the Distributor if its e-mail address changes. The Participant understands that it must have continuous Internet access to access all Shareholder Documents.

#### 16. CONSENT TO RECORDING OF CONVERSATIONS

By signing this Agreement, the Participant acknowledges that certain telephone conversations between the Distributor and the Participant in connection with the placing of orders may be recorded, and the Participant hereby grants its consent to such recordings.

#### 17. NOTICES

Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given pursuant to this Agreement shall be given in writing and delivered by personal delivery; by Federal Express or other similar delivery service; by registered or certified United States first class mail, return receipt requested; or by telex, telegram, facsimile, or similar means of same day delivery (with a confirming copy by mail). Unless otherwise notified in writing, all notices to the Funds shall be at the address or telephone, facsimile, or telex numbers indicated below the signature of the Distributor. All notices to the Participant, the Distributor, and the Index Receipt Agent shall be directed to the address or telephone, facsimile or telex numbers indicated below the signature line of such party.

#### 18. EFFECTIVENESS, TERMINATION, AND AMENDMENT OF AGREEMENT

(a) This Agreement shall become effective five Business Days after execution and delivery to the Distributor upon notice by the Distributor to the Authorized Participant. A "Business Day" shall mean each day the Listing Exchange is open for business.



(b) This Agreement may be terminated at any time by any party upon sixty days' prior written notice to the other parties, and may be terminated earlier by the Funds or the Distributor at any time in the event of a breach by the Participant of any provision of this Agreement or the procedures described or incorporated herein. This Agreement will be binding on each party's successors and assigns, but the parties agree that neither party can assign its rights and obligations under this Agreement without the prior written consent of the other party.

(c) This Agreement may be amended by the Distributor from time to time without the consent of the Participant or Index Receipt Agent by the following procedure. The Distributor will deliver a copy of the amendment to the Participant and the Index Receipt Agent in accordance with paragraph 17 above. If neither the Participant nor the Index Receipt Agent objects in writing to the amendment within five days after its receipt, the amendment will become part of this Agreement in accordance with its terms.

#### 19. TRUST AS THIRD PARTY BENEFICIARY

The Participant and the Distributor understand and agree that the Trust as a third party beneficiary to this Agreement is entitled and intends to proceed directly against the Participant in the event that the Participant fails to honor any of its obligations pursuant to this Agreement that benefit the Trust.

#### 20. INCORPORATION BY REFERENCE

The Participant acknowledges receipt of the Prospectuses and AP Handbook, represents that it has reviewed such documents and understands the terms thereof, and further acknowledges that the procedures contained therein pertaining to the creation and redemption of Creation Units are incorporated herein by reference.

#### 21. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware.

#### 22. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year written below.

DATED: \_\_\_\_\_

**Forside Fund Services, LLC**

By: \_\_\_\_\_

Name: Mark Fairbanks

Title: President

Address: Three Canal Plaza, Suite 100  
Portland, Maine 04101

Telephone: 207-553-7110

Facsimile: 207-553-7151

**[Name of Participant]**

**DTC/NSCC Clearing Participant Code:**

By:

Name:

Title:

Address:

Telephone:

Facsimile:

E-mail:

ACCEPTED BY:

**JPMorgan Chase Bank, N.A.**, as Index Receipt Agent

By:

Name:

Title:

Address:

Telephone:

Facsimile:

---

**ANNEX I**

**CREATION UNIT SIZE FOR FUND SHARES**

**Shares per Creation Unit**

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund

FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund

FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund

FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund

FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

**ANNEX II**

**FORM OF CERTIFIED AUTHORIZED PERSONS OF PARTICIPANT**

The following are the names, titles and signatures of all persons (each an "Authorized Person") authorized to give instructions relating to any activity contemplated by this FLEXSHARES<sup>SM</sup> TRUST Authorized Participant Agreement, or any other notices, request or instruction on behalf of Participant pursuant to this Authorized Participant Agreement.

For each Authorized Person:

Name:  
Title:  
Signature:  
E-Mail Address:  
Telephone:  
Facsimile:

Name:  
Title:  
Signature:  
E-Mail Address:  
Telephone:  
Facsimile:

The undersigned [name], [title], [company] does hereby certify that the persons listed above have been duly elected to the offices set forth beneath their names, that they presently hold such offices, that they have been duly authorized to act as Authorized Persons pursuant to the Authorized Participant Agreement by and among Foreside Fund Services, LLC and [Participant] dated [date] and that their signatures set forth above are their own true and genuine signatures.

By: \_\_\_\_\_

Date:  
Name:  
Title: [Participant' s] Secretary or Other Duly  
Authorized Officer

GLOBAL CUSTODY AGREEMENT  
BETWEEN  
FLEXSHARES TRUST  
AND  
JPMORGAN CHASE BANK, N.A.



J.P.Morgan

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## GLOBAL CUSTODY AGREEMENT

This Agreement, dated August 19, 2011, is between **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION** (“J.P. Morgan”), with a place of business at 4 New York Plaza, New York, New York 10004; and **FLEXSHARES TRUST** (the “Trust” or “Customer”) a Maryland statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), with a place of business at 50 South LaSalle Street, Illinois, Chicago 60603, severally and for and on behalf of its series listed on Appendix A hereto (each a “Fund” and together the “Funds”) as the same may be amended from time to time.

### 1. INTENTION OF THE PARTIES; DEFINITIONS

#### 1.1 Intention of the Parties

- (a) This Agreement sets out the terms on which J.P. Morgan will serve as custodian to the Funds, it being understood that Customer (i) may be comprised of one or more Funds, each of which represents an interest in a separate investment portfolio, but for administrative convenience only (ii) wishes to evidence its appointment of J.P. Morgan as custodian with this single agreement, notwithstanding its intention that each Fund be separately bound. This Agreement sets out the terms on which J.P. Morgan will be providing custodial, settlement and other associated services to the Customer. J.P. Morgan will be responsible for the performance of only those duties set forth in this Agreement.
- (b) Investing in Financial Assets and cash in foreign jurisdictions may involve risks of loss or other special features. The Customer acknowledges that J.P. Morgan is not providing any legal, tax or investment advice in providing the services under this Agreement and will not be liable for any losses resulting from Country Risk.
- (c) The terms and conditions of this Agreement are applicable only to the services which are specified in this Agreement. Other services are subject to separate terms and conditions, which J.P. Morgan will make available to the Customer upon request.

#### 1.2 Definitions; Interpretation

- (a) As used herein, the following terms have the meaning hereinafter stated.

“**Account**” has the meaning set forth in Section 2.1 of this Agreement.

“**Affiliate**” means an entity controlling, controlled by, or under common control with, J.P. Morgan or the Customer, as the case may be.

“**Affiliated Subcustodian**” means a Subcustodian that is an Affiliate.

“**Applicable Law**” means any applicable statute, treaty, rule, regulation or common law and any applicable decree, injunction, judgment, order, formal interpretation or ruling issued by a court or governmental entity.

“**Authorized Person**” means any person who has been designated by written notice from the Customer in the form as provided by J.P. Morgan (or by written



notice in the form as provided by J.P. Morgan from any agent designated by the Customer, including, without limitation, an investment manager) to act on behalf of the Customer under this Agreement and any person who has been given an access code by a security administrator appointed by the Customer which allows the provision of Instructions. Such persons will continue to be Authorized Persons until such time as J.P. Morgan receives and has had reasonable time to act upon Instructions from the Customer (or its agent) that any such person is no longer an Authorized Person.

“**Cash Account**” has the meaning set forth in Section 2.1(a)(ii).

“**Confidential Information**” means and includes all non public information concerning the Customer or the Accounts which J.P. Morgan receives in the course of providing services under this Agreement. Nevertheless, the term Confidential Information shall not include information which is or becomes available to the general public by means other than J.P. Morgan’s breach of the terms of this Agreement or information which J.P. Morgan obtains on a non- confidential basis from a person who is not known to be subject to any obligation of confidence to any person with respect to that information.

“**Corporate Action**” means any subscription right, bonus issue, stock repurchase plan, redemption, exchange, tender offer, or similar matter with respect to a Financial Asset in the Securities Account that requires discretionary action by the beneficial owner of the Security, but does not include rights with respect to class action litigation or proxy voting.

“**Country Risk**” means the risk of investing or holding assets in a particular country or market, including, but not limited to, risks arising from nationalization, expropriation or other governmental actions; the country’s financial infrastructure, including prevailing custody, tax and settlement practices; laws applicable to the safekeeping and recovery of Financial Assets and cash held in custody; the regulation of the banking and securities industries, including changes in market rules; currency restrictions, devaluations or fluctuations; and market conditions affecting the orderly execution of securities transactions or the value of assets.

“**Entitlement Holder**” means the person named on the records of a Securities Intermediary as the person having a Securities Entitlement against the Securities Intermediary.

“**Financial Asset**” means a Security and refers, as the context requires, either to the asset itself or to the means by which a person’s claim to it is evidenced, including a Security, a security certificate, or a Securities Entitlement. “Financial Asset” does not include cash.

“**Instruction**” means an instruction that has been verified in accordance with a Security Procedure or, if no Security Procedure is applicable, which J.P. Morgan believes in good faith to have been given by an Authorized Person.

“**J.P. Morgan Indemnitees**” means J.P. Morgan, its Affiliates, its Subcustodians, and their respective nominees, directors, officers, employees and agents.

“**J.P. Morgan’s London Branch**” means the London branch office of JPMorgan Chase Bank, N.A.

“**Liabilities**” means any liabilities, losses, claims, costs, damages, penalties, fines, obligations, taxes (other than taxes based solely on J.P. Morgan’s income), or expenses of any kind whatsoever (including, without limitation, reasonable attorneys’, accountants’, consultants’ or experts’ fees and disbursements).

“**Securities**” means shares, stocks, debentures, bonds, notes or other like obligations, whether issued in certificated or uncertificated form, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same that are commonly traded or dealt in on securities exchanges or financial markets or other obligations of an issuer, or shares, participations and interests in an issuer recognized in the country in which it is issued or dealt in as a medium for investment and any other property as may be acceptable to J.P. Morgan for the Securities Account.

“**Securities Account**” means each Securities custody account on J.P. Morgan’s records to which Financial Assets are or may be credited under this Agreement.

“**Securities Depository**” means any securities depository, dematerialized book entry system or similar system for the central handling of Securities.

“**Securities Entitlement**” means the rights and property interests of an Entitlement Holder with respect to a Financial Asset as set forth in Part 5 of Article 8 of the Uniform Commercial Code of the State of New York, as the same may be amended from time to time.

“**Securities Intermediary**” means J.P. Morgan, a Subcustodian, a Securities Depository, and any other financial institution which in the ordinary course of business maintains Securities custody accounts for others and acts in that capacity.

“**Security Procedure**” means a security procedure to be followed by the Customer upon the issuance of an Instruction and/or by J.P. Morgan upon the receipt of an Instruction, so as to enable J.P. Morgan to verify that such Instruction is authorized, as set forth in service level documentation in effect from time to time between the parties with respect to the services set forth in this Agreement, or as otherwise agreed in writing by the parties. A Security Procedure may, without limitation, involve the use of algorithms, codes, passwords, encryption or telephone call backs, and may be updated by J.P. Morgan from time to time upon notice to the Customer. The Customer acknowledges that the Security Procedure is designed to verify the authenticity of, and not detect errors in, Instructions. For the avoidance of doubt, the parties agree that a SWIFT message issued in the name of the Customer through any third party utility agreed upon by the parties as being a method for providing Instructions and authenticated in accordance with that utility’s customary procedures, shall be deemed to be an authorized Instruction.

“**Subcustodian**” means any of the subcustodians appointed by J.P. Morgan from time to time to hold Securities and act on its behalf in different jurisdictions (and being at the date of this Agreement the entities listed in Schedule 1) and includes any Affiliated Subcustodian.

- (b) Headings are for reference and convenience only and are not intended to affect interpretation.
- (c) References to Articles and Sections are to Articles and Sections of this Agreement and references to sub-sections and paragraphs are to sub-sections of the Sections and paragraphs of the sub-sections in which they appear.
- (d) Unless the context requires otherwise, references in this Agreement to “persons” shall include legal as well as natural entities; references importing the singular shall include the plural (and vice versa); use of the

generic masculine pronoun shall include the feminine; use of the term “including” shall be deemed to mean “including but not limited to,” and references to appendices and numbered sections shall be to such addenda and provisions herein; all such addenda are hereby incorporated in this Agreement by reference.

## 2. WHAT J.P. MORGAN IS REQUIRED TO DO

### 2.1 Set Up Accounts

- (a) J.P. Morgan will establish and maintain the following accounts (“Accounts”):
  - (i) one or more Securities Accounts in the name of Customer (or in another name requested by the Customer that is acceptable to J.P. Morgan) for Financial Assets, which may be held by J.P. Morgan or a Subcustodian or a Securities Depository for J.P. Morgan on behalf of the Customer, including as an Entitlement Holder; and
  - (ii) one or more accounts in the name of the Customer (or in another name requested by the Customer that is acceptable to J.P. Morgan) (“Cash Account”) for any and all cash in any currency received by or on behalf of J.P. Morgan for the account of the Customer.

Notwithstanding paragraph 2.1(a)(ii), cash held in respect of those markets where the Customer is required to have a cash account in its own name held directly with the relevant Subcustodian or Securities Depository will be held in that manner and will not be part of the Cash Account.

- (b) At the request of the Customer, additional Accounts may be opened in the future, and such additional Accounts shall be subject to the terms of this Agreement.
- (c) In the event that the Customer requests the opening of any additional Account for the purpose of holding collateral pledged by the Customer to a securities exchange, clearing corporation, or other central counterparty (a “Counterparty”) to secure trading activity by the Customer, or the pledge to a Counterparty of cash or individual Securities held in an Account, that Account (or the pledged cash or Securities) shall be subject to the collateral arrangements in effect between J.P. Morgan and the Counterparty in addition to the terms of this Agreement.
- (d) J.P. Morgan’s obligation to open Accounts pursuant to Section 2.1(a) is conditional upon J.P. Morgan receiving such of the following documents as J.P. Morgan may require:
  - (i) a certified copy of the Customer’s constitutional documents as currently in force;
  - (ii) evidence reasonably satisfactory to J.P. Morgan of the due authorization and execution of this Agreement by the Customer (for example by a certified copy of a resolution of the Customer’s board of directors or equivalent governing body, substantially in the form set out in Schedule 2);

- (iii) J.P. Morgan's standard form fund manager mandate completed by the fund manager designated by the Customer; and
  - (iv) in the case of any Account opened in a name not that of the Customer, documentation with respect to that name similar to that set forth in sub-sections (i) - (iii).
- (e) J.P. Morgan reserves the right to reverse any transactions that were credited to the Accounts due to mis-postings and other similar causes.

## 2.2 Cash Account

- (a) Any amount standing to the credit of the Cash Account is a debt due from J.P. Morgan to the Customer as banker. Except as otherwise provided in Instructions acceptable to J.P. Morgan, all cash held in the Cash Account will be deposited during the period it is credited to the Accounts in one or more deposit accounts at J.P. Morgan or at J.P. Morgan's London Branch. Any cash so deposited with J.P. Morgan's London Branch will be payable exclusively by J.P. Morgan's London Branch in the applicable currency, subject to compliance with Applicable Law, including, without limitation, any restrictions on transactions in the applicable currency imposed by the country of the applicable currency.
- (b) Any amounts credited by J.P. Morgan to the Cash Account on the basis of a notice or an interim credit from a third party, may be reversed if J.P. Morgan does not receive final payment in a timely manner. J.P. Morgan will notify the Customer promptly of any such reversal.

## 2.3 Segregation of Assets; Nominee Name

- (a) J.P. Morgan will identify in its books that Financial Assets credited to the Customer's Securities Account belong to the Customer (except as otherwise may be agreed by J.P. Morgan and the Customer).
- (b) To the extent permitted by Applicable Law or market practice, J.P. Morgan will require each Subcustodian to identify in its own books that Financial Assets held at such Subcustodian by J.P. Morgan on behalf of its customers belong to customers of J.P. Morgan, such that it is readily apparent that the Financial Assets do not belong to J.P. Morgan or the Subcustodian.
- (c) J.P. Morgan is authorized, in its discretion:
  - (i) to hold in bearer form, such Financial Assets as are customarily held in bearer form or are delivered to J.P. Morgan or its Subcustodian in bearer form;
  - (ii) to hold Securities in or deposit Securities with any Securities Depository;
  - (iii) to hold Securities in omnibus accounts on a fungible basis and to accept delivery of Securities of the same class and denomination as those deposited with J.P. Morgan or its Subcustodian; and

- (iv) to register in the name of the Customer, J.P. Morgan, a Subcustodian, a Securities Depository, or their respective nominees, such Financial Assets as are customarily held in registered form.

## 2.4 Settlement of Transactions

Subject to Article 3 and Section 4.2 of this Agreement, J.P. Morgan will use reasonable care and act in accordance with Instructions with respect to settlement of transactions. Settlement will be conducted in accordance with prevailing standards of the market in which the transaction occurs. Without limiting the generality of the foregoing, the Customer authorizes J.P. Morgan to deliver Securities or payment in accordance with applicable market practice in advance of receipt or settlement of consideration expected in connection with such delivery or payment, and the Customer acknowledges and agrees that such action alone will not of itself constitute negligence, fraud, or willful misconduct of J.P. Morgan, and the risk of loss arising from any such action will be borne by the Customer. In the case of the failure of the Customer's counterparty (or other appropriate party) to deliver the expected consideration as agreed, J.P. Morgan will contact the counterparty to seek settlement and will notify the Customer of such failure. If the Customer's counterparty continues to fail to deliver the expected consideration, J.P. Morgan will provide information reasonably requested by the Customer that J.P. Morgan has in its possession to allow the Customer to enforce rights that the Customer has against the Customer's counterparty, but neither J.P. Morgan nor its Subcustodians will be obliged to institute legal proceedings, file a proof of claim in any insolvency proceeding or take any similar action.

## 2.5 Contractual Settlement Date Accounting

- (a) J.P. Morgan will effect book entries on a contractual settlement date accounting basis as described below with respect to the settlement of transactions in those markets where J.P. Morgan generally offers contractual settlement date accounting.
  - (i) Sales: On the settlement date for a sale, J.P. Morgan will credit the Cash Account with the proceeds of the sale and, if not already delivered, transfer the relevant Financial Assets to an account at J.P. Morgan pending settlement of the transaction.
  - (ii) Purchases: On the settlement date for a purchase (or earlier, if market practice requires delivery of the purchase price before the settlement date), J.P. Morgan will debit the Cash Account for the settlement amount and credit a separate account at J.P. Morgan. J.P. Morgan then will post the Securities Account as awaiting receipt of the expected Financial Assets. The Customer will not be entitled to the delivery of Financial Assets until J.P. Morgan or a Subcustodian actually receives them.

Upon request, J.P. Morgan shall provide the Customer with a list of those markets for which it provides contractual settlement date accounting. J.P. Morgan may add markets to or remove markets from such list upon reasonable notice to the Customer. J.P. Morgan reserves the right to restrict in good faith the availability of contractual settlement date accounting for credit or operational reasons.

- (b) J.P. Morgan may reverse any debit or credit made pursuant to Section 2.5(a) prior to a transaction's actual settlement upon notice to the Customer in cases where J.P. Morgan reasonably believes that the transaction will not settle in the ordinary course within a reasonable time. The Customer will be responsible for any costs or Liabilities resulting from such reversal. The Customer acknowledges that the procedures described in Section 2.5 are of an administrative nature, and J.P. Morgan does not undertake to make loans and/or Financial Assets available to the Customer.

## **2.6 Actual Settlement Date Accounting**

With respect to settlement of a transaction that is not posted to the Account on the contractual settlement date as referred to in Section 2.5, J.P. Morgan will post the transaction on the date on which the cash or Financial Assets received as consideration for the transaction is actually received and settled by J.P. Morgan.

## **2.7 Income Collection (AutoCredit®)**

- (a) J.P. Morgan will monitor information publicly available in the applicable market about forthcoming income payments on the Financial Assets, and will promptly notify the Customer of such information.
- (b) Unless the Customer is notified otherwise, J.P. Morgan will credit the Cash Account with income proceeds on Financial Assets on the anticipated payment date, net of any taxes that are withheld by J.P. Morgan or any third party ("AutoCredit") in those markets where J.P. Morgan customarily provides an AutoCredit service. Upon request, J.P. Morgan shall provide the Customer with a list of AutoCredit eligible markets. J.P. Morgan may add markets to or remove markets from the list of AutoCredit markets upon notice to the Customer that is reasonable in the circumstances. J.P. Morgan may reverse AutoCredit credits upon oral or written notification to the Customer if J.P. Morgan believes that the corresponding payment will not be received by J.P. Morgan within a reasonable period or the credit was incorrect.
- (c) In markets where J.P. Morgan does not provide an AutoCredit service, income on Financial Assets, net of any taxes withheld by J.P. Morgan or any third party, will be credited only after actual receipt and reconciliation by J.P. Morgan.
- (d) J.P. Morgan will use reasonable efforts to contact appropriate parties to collect unpaid interest, dividends or redemption proceeds and notify the Customer of the late payment, but neither J.P. Morgan nor its Subcustodians will be obliged to file any formal notice of default, institute legal proceedings, file a proof of claim in any insolvency proceeding or take any similar action.

**2.8 Miscellaneous Administrative Duties**

- (a) Until J.P. Morgan receives Instructions to the contrary, J.P. Morgan will:
  - (i) present all Financial Assets for which J.P. Morgan has received notice of a call for redemption or that have otherwise matured, and all income and interest coupons and other income items that call for payment upon presentation;
  - (ii) execute in the name of the Customer such certificates as may be required to obtain payment in respect of Financial Assets; and
  - (iii) exchange interim or temporary documents of title held in the Securities Account for definitive documents of title.
- (b) In the event that, as a result of holding of Financial Assets in an omnibus account, the Customer receives fractional interests in Financial Assets arising out of a Corporate Action or class action litigation, J.P. Morgan will credit the Customer with the amount of cash it would have received had the Financial Assets not been held in an omnibus account, and the Customer shall relinquish to J.P. Morgan its interest in such fractional interests.
- (c) If some, but not all, of an outstanding class of Financial Assets is called for redemption, J.P. Morgan may allot the amount redeemed among the respective beneficial holders of such a class of Financial Assets on a pro rata basis or in a similar manner J.P. Morgan deems fair and equitable.

**2.9 Corporate Actions**

- (a) J.P. Morgan will act in accordance with local market practice to obtain information concerning Corporate Actions that is publicly available in the local market. J.P. Morgan also will review information obtained from sources to which it subscribes for information concerning such Corporate Actions. J.P. Morgan will promptly provide that information (or summaries that reflect the material points concerning the applicable Corporate Action) to the Customer or its Authorized Person.
- (b) J.P. Morgan will act in accordance with the Customer' s Instructions in relation to such Corporate Actions. If the Customer fails to provide J.P. Morgan with timely Instructions with respect to any Corporate Action, neither J.P. Morgan nor its Subcustodians or their respective nominees will take any action in relation to that Corporate Action, except as otherwise agreed in writing by J.P. Morgan and the Customer or as may be set forth by J.P. Morgan as a default action in the notification it provides under Section 2.9(a) with respect to that Corporate Action.

## 2.10 Class Action Litigation

Any notices received by J.P. Morgan's corporate actions department about settled securities class action litigation that requires action by affected owners of the underlying Financial Assets will be promptly notified to the Customer if J.P. Morgan, using reasonable care and diligence in the circumstances, identifies that the Customer was a shareholder and held the relevant Financial Assets in custody with J.P. Morgan at the relevant time. J.P. Morgan will not make filings in the name of the Customer in respect to such notifications except as otherwise agreed in writing between the Customer and J.P. Morgan. The services set forth in this Section 2.10 are available only in certain markets, details of which are available from J.P. Morgan on request.

## 2.11 Proxies

- (a) J.P. Morgan will monitor information distributed to holders of Financial Assets about upcoming shareholder meetings, promptly notify the Customer of such information and, subject to Section 2.11(c), act in accordance with the Customer's Instructions in relation to such meetings (the "Proxy Voting Service").
- (b) The Proxy Voting Service is available only in certain markets, details of which are available from J.P. Morgan on request. Provision of the Proxy Voting Service is conditional upon receipt by J.P. Morgan of a duly completed enrolment form as well as additional documentation that may be required for certain markets.
- (c) The Proxy Voting Service does not include physical attendance at shareholder meetings. Requests for physical attendance at shareholder meetings can be made but they will be evaluated and agreed to by J.P. Morgan on a case by case basis.
- (d) The Customer acknowledges that the provision of the Proxy Voting Service may be precluded or restricted under a variety of circumstances. These circumstances include, but are not limited to:
  - (i) the Financial Assets being on loan or out for registration;
  - (ii) the pendency of conversion or another corporate action;
  - (iii) the Financial Assets being held in a margin or collateral account at J.P. Morgan or another bank or broker, or otherwise in a manner which affects voting;
  - (iv) local market regulations or practices, or restrictions by the issuer; and
  - (v) J.P. Morgan being required to vote all shares held for a particular issue for all of J.P. Morgan's customers on a net basis (i.e., a net yes or no vote based on voting instructions received from all its customers). Where this is the case, J.P. Morgan will notify the Customer.

## 2.12 Statements of Account

- (a) J.P. Morgan will provide the Customer with a statement of account for each Account, identifying cash and Financial Assets held in the Account



and any transfers to and from the Account. Statements of account may be delivered electronically or on-line over the Internet and are deemed delivered when sent electronically or posted on the Internet. The Customer will review its statement of account and give J.P. Morgan written notice of (i) any suspected error or omission or (ii) non-receipt of a statement of account within a reasonable time after the statement of accounts is sent or made available to the Customer, as the case may be.

- (b) The Customer acknowledges that information available to it electronically with respect to transactions posted after the close of the prior business day may not be accurate due to mis-postings, delays in updating Account records, and other causes. J.P. Morgan will not be liable for any loss or damage arising out of any such information accessed electronically that is subsequently updated or corrected by the close of business on the first business day after the original transaction was posted absent negligence or wilfull misconduct by a J.P. Morgan Indemnitee.

### **2.13 Access to J.P. Morgan' s Records**

- (a) J.P. Morgan will allow the Customer' s auditors and independent public accountants such reasonable access to the records of J.P. Morgan relating to the Accounts as is required in connection with their examination of books and records pertaining to the Customer' s affairs. Subject to restrictions under the relevant local law, J.P. Morgan also directs any Subcustodian to permit the Customer' s auditors and independent public accountants, reasonable access to the records of any Subcustodian of Financial Assets held in the Securities Account as may be required in connection with such examination.
- (b) J.P. Morgan will, upon reasonable written notice, allow the Customer reasonable access during normal working hours to the records relating to the Accounts. J.P. Morgan may impose reasonable restrictions on the number of individuals allowed access, the frequency and length of such access, and the scope of the records made available. The Customer shall reimburse J.P. Morgan for the reasonable cost of copying, collating and researching archived information.
- (c) J.P. Morgan shall keep records relating to its activities and obligations under this Agreement in the form and manner, and for such period, as it may deem advisable, but not inconsistent with the rules and regulations of appropriate government authorities, in particular, Section 31 of the 1940 Act and the rules thereunder. J.P. Morgan acknowledges and agrees that the underlying records maintained by J.P. Morgan are the property of Customer.
- (d) J.P. Morgan will obtain an undertaking to require Subcustodian to preserve such records for the applicable periods for which J.P. Morgan is, or may be, required to preserve in accordance with laws, rules and regulations applicable to J.P. Morgan.
- (e) Upon the request of the Customer, J.P. Morgan shall provide the latest copy of the audit report of its independent accountants of J.P. Morgan' s systems of internal accounting controls pursuant to

requirements of the Statement of Auditing Standards No. 70 report as issued by the American Institute of Certified Public Accountants, as it may be amended from time to time.

#### **2.14 Maintenance of Financial Assets at Subcustodian Locations**

- (a) Unless Instructions require another location acceptable to J.P. Morgan, Financial Assets will be held in the country or jurisdiction in which their principal trading market is located, where such Financial Assets may be presented for payment, where such Financial Assets were acquired, or where such Financial Assets are held. J.P. Morgan reserves the right to refuse to accept delivery of Financial Assets or cash in countries and jurisdictions other than those referred to in Schedule 1 to this Agreement, as in effect from time to time. J.P. Morgan may modify Schedule 1 to this Agreement upon written notice to the Customer.
- (b) J.P. Morgan reserves the right to restrict the services it provides in certain markets that are deemed by J.P. Morgan to be restricted markets from time to time. A current list of these markets, and a summary of the related restrictions, is set forth on Schedule 3. J.P. Morgan may update Schedule 3 from time to time upon written notice to the Customer.

#### **2.15 Tax Relief Services**

J.P. Morgan will provide tax relief services as provided in Section 8.2.

#### **2.16 Foreign Exchange Transactions**

To facilitate the administration of the Customer's trading and investment activity, J.P. Morgan may, but will not be obliged to, enter into spot or forward foreign exchange contracts with the Customer, or an Authorized Person, and may also provide foreign exchange contracts and facilities through its Affiliates or Subcustodians. Instructions, including standing Instructions, may be issued with respect to such contracts, but J.P. Morgan may establish rules or limitations concerning any foreign exchange facility made available. In all cases where J.P. Morgan, its Affiliates or Subcustodians enter into a master foreign exchange contract that covers foreign exchange transactions for the Accounts, the terms and conditions of that foreign exchange contract and, to the extent not inconsistent, this Agreement, will apply to such transactions.

#### **2.17 Notifications**

If the Customer has agreed to access information concerning the Accounts through J.P. Morgan's website, J.P. Morgan may make any notifications required under this Agreement by posting it on the website.

J.P. Morgan will provide to Customer any legal notice or other notice with respect to any change in the parties' rights and responsibilities under this Agreement in accordance with the notice provisions in Section 10.1.

**2.18 Compliance With Securities And Exchange Commission (“SEC”) Rule 17f-5 (“Rule 17f-5”).**

- (a) Customer’s board of directors (or equivalent body) (hereinafter ‘Board’ ) hereby delegates to J.P. Morgan, and, except as to the country or countries as to which J.P. Morgan may, from time to time, advise Customer that it does not accept such delegation, J.P. Morgan hereby accepts the delegation to it, of the obligation to perform as Customer’s ‘Foreign Custody Manager’ (as that term is defined in rule 17f-5(a)(3) as promulgated under the Investment Company Act of 1940, as amended (“1940 Act”)), including for the purposes of: (i) selecting Eligible Foreign Custodians (as that term is defined in rule 17f-5(a)(1), and as the same may be amended from time to time, or that have otherwise been exempted pursuant to an SEC exemptive order) to hold foreign Financial Assets and Cash, (ii) evaluating the contractual arrangements with such Eligible Foreign Custodians (as set forth in rule 17f-5(c)(2)), (iii) monitoring such foreign custody arrangements (as set forth in rule 17f-5(c)(3)).
- (b) In connection with the foregoing, J.P. Morgan shall:
- (i) provide written reports notifying Customer’s Board of the placement of Financial Assets and Cash with particular Eligible Foreign Custodians and of any material change in the arrangements with such Eligible Foreign Custodians, with such reports to be provided to Customer’s Board at such times as the Board deems reasonable and appropriate based on the circumstances of Customer’s foreign custody arrangements (and until further notice from Customer such reports shall be provided not less than quarterly with respect to the placement of Financial Assets and Cash with particular Eligible Foreign Custodians and with reasonable promptness upon the occurrence of any material change in the arrangements with such Eligible Foreign Custodians). Customer considers any change that affects safe custody, beneficial ownership or transferability of Customer’s Financial Assets and cash to constitute a “material change.”;
  - (ii) exercise such reasonable care, prudence and diligence in performing as Customer’s Foreign Custody Manager as a person having responsibility for the safekeeping of foreign Financial Assets and cash would exercise;
  - (iii) in selecting an Eligible Foreign Custodian, first have determined that foreign Financial Assets and cash placed and maintained in the safekeeping of such Eligible Foreign Custodian shall be subject to reasonable care, based on the standards applicable to custodians in the relevant market, after having considered all factors relevant to the safekeeping of such foreign Financial Assets and cash, including, without limitation, those factors set forth in rule 17f-5(c)(1)(i)-(iv);
  - (iv) determine that the written contract with an Eligible Foreign Custodian (a) requires that the Eligible Foreign Custodian shall provide reasonable care for foreign Financial Assets and Cash based upon the standards set forth in Rule 17f-5(c)(1); and (b) provides for the requirements set forth in Rule 17f-5(c)(2).

- (v) have established a system to monitor the continued appropriateness of maintaining foreign Financial Assets and cash with particular Eligible Foreign Custodians and of the governing contractual arrangements; it being understood, however, that in the event that J.P. Morgan shall have determined that the existing Eligible Foreign Custodian in a given country would no longer afford foreign Financial Assets and cash reasonable care and that no other Eligible Foreign Custodian in that country would afford reasonable care, J.P. Morgan shall promptly so advise Customer and shall then act in accordance with the Instructions of Customer with respect to the disposition of the affected foreign Financial Assets and cash. J.P. Morgan shall notify Customer of any other material change in the foreign custody arrangements.

Subject to (b)(i)-(v) above, J.P. Morgan is hereby authorized to place and maintain foreign Financial Assets and cash on behalf of Customer with Eligible Foreign Custodians pursuant to a written contract deemed appropriate by J.P. Morgan.

- (c) Except as expressly provided herein, Customer shall be solely responsible to assure that the maintenance of foreign Financial Assets and cash hereunder complies with the rules, regulations, interpretations and exemptive orders as promulgated by or under the authority of the SEC.
- (d) J.P. Morgan represents to Customer that it is a U.S. Bank as defined in Rule 17f-5(a)(7). Customer represents to J.P. Morgan that: (1) the foreign Financial Assets and cash being placed and maintained in J.P. Morgan's custody are subject to the 1940 Act, as the same may be amended from time to time; (2) its Board: (i) has determined that it is reasonable to rely on J.P. Morgan to perform as Customer's Foreign Custody Manager (ii) or its investment adviser shall have determined that Customer may maintain foreign Financial Assets and cash in each country in which Customer's Financial Assets and cash shall be held hereunder and determined to accept Country Risk. Nothing contained herein shall require J.P. Morgan to make any selection or to engage in any monitoring on behalf of Customer that would entail consideration of Country Risk.
- (e) J.P. Morgan shall provide to Customer such information relating to Country Risk as is specified in Appendix 1 hereto. Customer hereby acknowledges that: (i) such information is solely designed to inform Customer of market conditions and procedures and is not intended as a recommendation to invest or not invest in particular markets; and (ii) J.P. Morgan has gathered the information from sources it considers reliable, but that J.P. Morgan shall have no responsibility for inaccuracies or incomplete information.
- (f) J.P. Morgan's appointment as Foreign Custody Manager may be terminated at any time by Customer, regardless of whether J.P. Morgan serves as custodian of Customer (or any Fund).

**2.19 Compliance with SEC Rule 17f-7 (“Rule 17f-7”).**

- (a) J.P. Morgan shall, for consideration by Customer, provide an analysis of the custody risks associated with maintaining Customer’s foreign Financial Assets with each Eligible Securities Depository used by J.P. Morgan as of the date hereof (or, in the case of an Eligible Securities Depository not used by J.P. Morgan as of the date hereof, prior to the initial placement of Customer’s foreign Financial Assets at such Depository) and at which any foreign Financial Assets of Customer are held or are expected to be held. The foregoing analysis will be provided to Customer at J.P. Morgan’s Website. In connection with the foregoing, Customer shall notify J.P. Morgan of any Eligible Securities Depositories at which it does not choose to have its foreign Financial Assets held. J.P. Morgan shall monitor the custody risks associated with maintaining Customer’s foreign Financial Assets at each such Eligible Securities Depository on a continuing basis and shall promptly notify Customer or its adviser of any material changes in such risks.
- (b) J.P. Morgan shall exercise reasonable care, prudence and diligence in performing the requirements set forth in Section 2.19(a) above.
- (c) Based on the information available to it in the exercise of diligence, J.P. Morgan shall determine the eligibility under rule 17f-7 of each depository before including it on Schedule 2 hereto and shall promptly advise Customer if any Eligible Securities Depository ceases to be eligible. (Eligible Securities Depositories used by J.P. Morgan as of the date hereof are set forth in Schedule 2 hereto, and as the same may be amended on notice to Customer from time to time.)

**3. INSTRUCTIONS****3.1 Acting on Instructions; Method of Instruction and Unclear Instructions**

- (a) The Customer authorizes J.P. Morgan to accept, rely upon and/or act upon any Instructions received by it without inquiry. The Customer will indemnify the J.P. Morgan Indemnitees against, and hold each of them harmless from, any Liabilities that may be imposed on, incurred by, or asserted against the J.P. Morgan Indemnitees as a result of any action or omission taken in accordance with any Instruction unless the Liabilities result from an act of negligence, fraud or willful misconduct on the part of a J.P. Morgan Indemnitee with respect to the manner in which such Instructions are followed.
- (b) To the extent possible, instructions to J.P. Morgan shall be sent via electronic instruction or trade information system acceptable to J.P. Morgan or via facsimile transmission. Where reasonably practicable, the Customer will use automated and electronic methods of sending Instructions.
- (c) J.P. Morgan shall promptly notify an Authorized Person if J.P. Morgan determines that an Instruction does not contain all information

reasonably necessary for J.P. Morgan to carry out the Instruction. J.P. Morgan may decline to act upon an Instruction if it does not receive clarification or confirmation satisfactory to it. J.P. Morgan will not be liable for any loss arising from any reasonable delay in carrying out any such Instruction while it seeks information, clarification or confirmation or in declining to act upon any Instruction for which it does not receive clarification satisfactory to it.

### **3.2 Verification and Security Procedures**

- (a) J.P. Morgan and the Customer shall comply with any applicable Security Procedures with respect to the delivery or authentication of Instructions and shall ensure that any codes, passwords or similar devices are reasonably safeguarded.
- (b) Either party may record any of their telephone communications as long as such recording is in compliance with Applicable Laws.

### **3.3 Instructions; Contrary to Law/Market Practice**

J.P. Morgan need not act upon Instructions which it reasonably believes to be contrary to law, regulation or market practice, and J.P. Morgan shall be under no duty to investigate whether any Instructions comply with Applicable Law or market practice. In the event J.P. Morgan does not act upon such Instructions, J.P. Morgan will notify the Customer where reasonably practicable.

### **3.4 Cut-Off Times**

J.P. Morgan has established cut-off times for receipt of Instructions, which will be made available to the Customer. If J.P. Morgan receives an Instruction after its established cut-off time, J.P. Morgan will attempt to act upon the Instruction on the day requested if J.P. Morgan deems it practicable to do so or otherwise as soon as practicable after that day.

### **3.5 Electronic Access**

Access by the Customer to certain applications or products of J.P. Morgan via J.P. Morgan's web site or otherwise shall be governed by this Agreement and the terms and conditions set forth in Annex A.

## **4. FEES, EXPENSES AND OTHER AMOUNTS OWING TO J.P. MORGAN**

### **4.1 Fees and Expenses**

The Customer will pay J.P. Morgan for its services under this Agreement such fees as may be agreed upon in writing from time to time, together with J.P. Morgan's reasonable out-of-pocket or incidental expenses, including, but not limited to, legal fees and tax or related fees incidental to processing charged directly or indirectly by governmental authorities, issuers, or their agents, .

Invoices will be payable within thirty (30) days of the date of the invoice. If the Customer disputes an invoice it shall nevertheless pay on or before the date that payment is due such portion of the invoice that is not subject to a bona fide dispute. J.P. Morgan may deduct amounts invoiced from the Cash Account except to the extent that the Customer has objected to the invoice within thirty (30) days of the date of the invoice (or such other period as the parties may agree in writing). Without prejudice to J.P. Morgan's other rights, J.P. Morgan reserves the right to charge interest on overdue amounts from the due date until actual payment at such rate as J.P. Morgan customarily charges for similar overdue amounts. Notwithstanding the foregoing, in the event that the Trust disputes a fee or fees for a particular billing period and it is determined by the parties that an adjustment of the fees in favor of the Trust is in order, interest shall not be charged on the amount of the fee that is the subject of such adjustment, provided that the adjusted amount due is paid promptly.

#### **4.2 Overdrafts**

If a debit to any currency in the Cash Account results in a debit balance, then J.P. Morgan may, in its discretion, (i) advance an amount equal to the overdraft, (ii) refuse to settle in whole or in part the transaction causing such debit balance, or (iii) if any such transaction is posted to the Securities Account, reverse any such posting. If J.P. Morgan elects to make such an advance, the advance will be deemed a loan to the Customer, payable on demand, bearing interest at the applicable rate charged by J.P. Morgan from time to time, for such overdrafts, from the date of such advance to the date of payment (including after the date any judgment may be entered against the Customer with respect to any overdraft) and otherwise on the terms on which J.P. Morgan makes similar overdrafts available from time to time. No prior action or course of dealing on J.P. Morgan's part with respect to the settlement of transactions on the Customer's behalf will be asserted by the Customer against J.P. Morgan for J.P. Morgan's refusal to make advances to the Cash Account or to settle any transaction for which the Customer does not have sufficient available funds in the applicable currency in the Account. A Fund shall be deemed to be in default with respect to any such advance upon the occurrence of the insolvency of the Fund or any event of the type specified in section 365(e)(1)(B) or (C) of the U.S. Bankruptcy Code with respect to the Fund, as amended from time to time. For avoidance of doubt, where such indebtedness relates to a Fund, J.P. Morgan shall not set off the Liabilities of such Fund against the assets held by J.P. Morgan for any other Fund.

#### **4.3 J.P. Morgan's Right Over Securities; Set-off**

- (a) Without prejudice to J.P. Morgan's rights under Applicable Law, J.P. Morgan and its Affiliates shall have, and the Customer grants to J.P. Morgan a security interest in and a lien on the Financial Assets held in the Securities Account as security for any and all Liabilities outstanding from time to time (whether actual or contingent) of the Customer to J.P. Morgan or any of its Affiliates with respect to the services provided pursuant to this Agreement, and J.P. Morgan shall be entitled without notice to the Customer, to withhold delivery of such Financial Assets, sell or otherwise realize any of such Financial Assets and to apply the proceeds and any other monies credited to the Cash Account in

satisfaction of such Liabilities. For this purpose, J.P. Morgan may make such currency conversions as may be necessary at its then current rates for the sale and purchase of relevant currencies. For avoidance of doubt, where indebtedness relates to a Fund, J.P. Morgan shall not set off the Liabilities of such Fund against the assets held by J.P. Morgan for any other Fund.

- (b) Without prejudice to J.P. Morgan's rights under Applicable Law, J.P. Morgan may set off against any Liabilities of the Customer to J.P. Morgan or any of its Affiliates with respect to the services provided pursuant to this Agreement any amount in any currency standing to the credit of any of the Customer's accounts (whether deposit or otherwise) with any J.P. Morgan branch or office or with any Affiliate of J.P. Morgan. For this purpose, J.P. Morgan shall be entitled to accelerate the maturity of any fixed term deposits and to effect such currency conversions as may be necessary at its current rates for the sale and purchase of the relevant currencies.

## 5. SUBCUSTODIANS, SECURITIES DEPOSITORIES, AND OTHER AGENTS

### 5.1 Appointment of Subcustodians; Use of Securities Depositories

- (a) J.P. Morgan is authorized under this Agreement to act through and hold the Customer's Financial Assets with Subcustodians. At the request of Customer, J.P. Morgan may, but need not, add to Schedule 1 an Eligible Foreign Custodian where J.P. Morgan has not acted as Foreign Custody Manager with respect to the selection thereof. J.P. Morgan shall notify Customer in writing in the event that it elects to add any such entity. J.P. Morgan will use reasonable care in the selection, monitoring and continued appointment of such Subcustodians. In addition, J.P. Morgan and each Subcustodian may deposit Securities with, and hold Securities in any Securities Depository on such terms as such Securities Depository customarily operates and the Customer will provide J.P. Morgan with such documentation or acknowledgements that J.P. Morgan may require to hold the Financial Assets in such Securities Depository.
- (b) Any agreement J.P. Morgan enters into with a Subcustodian for holding J.P. Morgan's customers' assets will provide that such assets will not be subject to any right, charge, security interest, lien or claim of any kind in favor of such Subcustodian or its creditors except a claim for payment for their safe custody or administration, or, in the case of cash deposits, except for liens or rights in favor of creditors of the Subcustodian arising under bankruptcy, insolvency or similar law, and that the beneficial ownership thereof will be freely transferable without the payment of money or value other than for safe custody or administration. J.P. Morgan shall be responsible for all claims for payment of fees for safe custody or administration so that no Subcustodian exercises any claim for such payment against the



Customer's assets. Where a Subcustodian deposits Securities with a Securities Depository, J.P. Morgan will cause the Subcustodian to identify on its records that the Securities deposited by the Subcustodian at such Securities Depository belong to J.P. Morgan, as agent. This Section 5.1(b) will not apply to the extent of any special agreement or arrangement made by the Customer with any particular Subcustodian.

- (c) J.P. Morgan is not responsible for the selection or monitoring of any Securities Depository and will not be liable for any act or omission by (or the insolvency of) any Securities Depository. In the event the Customer incurs a loss due to the negligence, willful default, or insolvency of a Securities Depository, J.P. Morgan will make reasonable efforts, in its discretion, to seek recovery from the Securities Depository, but J.P. Morgan will not be obligated to institute legal proceedings, file proof of claim in any insolvency proceeding, or take any similar action.
- (d) The term Subcustodian as used herein shall mean the following:
  - (i) a 'U.S. Bank,' which shall mean a U.S. bank as defined in rule 17f-5(a)(7);
  - (ii) an 'Eligible Foreign Custodian,' which shall mean: (i) a banking institution or trust company, incorporated or organized under the laws of a country other than the United States, that is regulated as such by that country's government or an agency thereof, and (ii) a majority-owned direct or indirect subsidiary of a U.S. bank or bank holding company which subsidiary is incorporated or organized under the laws of a country other than the United States. In addition, an Eligible Foreign Custodian shall also mean any other entity that shall have been so qualified by exemptive order, rule or other appropriate action of the SEC.
  - (iii) For purposes of clarity, it is agreed that as used in Section 5.2(a), the term Subcustodian shall not include any Eligible Foreign Custodian as to which J.P. Morgan has not acted as Foreign Custody Manager.
- (e) The term 'securities depository' as used herein when referring to a securities depository located outside the U.S. shall mean: an "Eligible Securities Depository" which, in turn, shall have the same meaning as in rule 17f-7(b)(1)(i)-(vi) as the same may be amended from time to time, or that has otherwise been made exempt pursuant to an SEC exemptive order; provided that, prior to the compliance date with rule 17f-7 for a particular securities depository the term "securities depositories" shall be as defined in (a)(1)(ii)-(iii) of the 1997 amendments to rule 17f-5.
- (f) The term "securities depository" as used herein when referring to a securities depository located in the U.S. shall mean a "securities depository" as defined in rule 17f-4(c)(6).

## 5.2 Liability for Subcustodians

- (a) Subject to Section 7.1(b), J.P. Morgan will be liable for direct losses incurred by the Customer that result from:
  - (i) the failure by a Subcustodian to use reasonable care in the provision of custodial services by it in accordance with the standards prevailing in the relevant market or from the fraud or willful misconduct of such Subcustodian in the provision of custodial services by it; or
  - (ii) the insolvency of any Affiliated Subcustodian.
- (b) Subject to Section 5.1(a) and J.P. Morgan's duty to use reasonable care in the monitoring of a Subcustodian's financial condition as reflected in its published financial statements and other publicly available financial information concerning it customarily reviewed by J.P. Morgan in its oversight process, J.P. Morgan will not be responsible for any losses (whether direct or indirect) incurred by the Customer that result from the insolvency of any Subcustodian which is not a branch or an Affiliated Subcustodian.
- (c) J.P. Morgan reserves the right to add, replace or remove Subcustodians. J.P. Morgan will give prompt notice of any such action, which will be advance notice if practicable. Upon request by the Customer, J.P. Morgan will identify the name, address and principal place of business of any Subcustodian and the name and address of the governmental agency or other regulatory authority that supervises or regulates such Subcustodian.

## 6. ADDITIONAL PROVISIONS

### 6.1 Representations of the Customer and J.P. Morgan

- (a) The Customer represents, warrants and covenants that (i) it has full authority and power, and has obtained all necessary authorizations and consents, to deposit and control the Financial Assets and cash in the Accounts, to use J.P. Morgan as its custodian in accordance with the terms of this Agreement, to borrow money (either short term or intraday borrowings in order to settle transactions prior to receipt of covering funds), grant a lien over Financial Assets as contemplated by Section 4.3, and enter into foreign exchange transactions; (ii) assuming execution and delivery of this Agreement by J.P. Morgan, this Agreement is the Customer's legal, valid and binding obligation, enforceable against the Customer in accordance with its terms and it has full power and authority to enter into and has taken all necessary corporate action to authorize the execution of this Agreement; (iii) it has not relied on any oral or written representation made by J.P. Morgan or any person on its behalf, and acknowledges that this Agreement sets out to the fullest extent the duties of J.P. Morgan; (iv) it is a resident of the United States and shall notify J.P. Morgan of any changes in residency and (v) the Financial Assets and cash deposited in the Accounts are not subject to any encumbrance or security interest whatsoever and the Customer undertakes that, so long as Liabilities are outstanding, it will not create or permit to subsist any encumbrance or security interest over such Financial Assets or cash.

J.P. Morgan may rely upon the certification of such other facts as may be required to administer J.P. Morgan's obligations under this Agreement and the Customer shall indemnify J.P. Morgan against all losses, liability, claims or demands arising directly or indirectly from any such certifications.

- (b) J.P. Morgan represents and warrants that: (i) assuming execution and delivery of this Agreement by the Customer, this Agreement is J.P. Morgan's legal, valid and binding obligation; enforceable against J.P. Morgan in accordance with its terms (ii) it has full power and authority to enter into and has taken all necessary corporate action to authorize the execution of this Agreement; (iii) no legal or administrative proceedings have been instituted or threatened against J.P. Morgan which would impair J.P. Morgan's ability to perform its duties and obligations under this Agreement; and (iv) J.P. Morgan's execution and performance of this Agreement shall not cause a material breach or be in material conflict with any other agreement or obligation of J.P. Morgan or any law or regulation applicable to J.P. Morgan.

## **6.2 The Customer is Liable to J.P. Morgan Even if it is Acting for Another Person**

If the Customer is acting as an agent or for another person as envisaged in Section 2.1(a) in respect of any transaction, cash, or Financial Asset, J.P. Morgan nevertheless will treat the Customer as its principal for all purposes under this Agreement. In this regard, the Customer will be liable to J.P. Morgan as a principal in respect of any transactions relating to the Account. The foregoing will not affect any rights J.P. Morgan might have against the Customer's principal or the other person envisaged by Section 2.1(a).

## **6.3 Special Settlement Services**

J.P. Morgan may, but shall not be obliged to, make available to the Customer from time to time special settlement services (including continuous linked settlement) for transactions involving Securities, cash, foreign exchange, and other instruments or contracts. The Customer shall comply, and shall cause its Authorized Persons to comply, with the requirements of any external settlement agency through which such settlements may be processed, including, without limitation, its rules and by-laws, where applicable.

# **7. WHEN J.P. MORGAN IS LIABLE TO CUSTOMER**

## **7.1 Standard of Care; Liability**

- (a) J.P. Morgan will use reasonable care in performing its obligations under this Agreement. J.P. Morgan will not be responsible for any loss or damage suffered by the Customer or the Funds with respect to any matter as to which J.P. Morgan has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud or willful misconduct on the part of J.P. Morgan or any J.P. Morgan Indemnitee.

- (b) J.P. Morgan will be liable for the Customer's direct damages to the extent they result from J.P. Morgan's fraud, negligence or willful misconduct in performing its duties as set out in this Agreement and to the extent provided in Section 5.2(a). Nevertheless, under no circumstances will J.P. Morgan be liable for any indirect, incidental, consequential or special damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought, with respect to the Accounts, J.P. Morgan's performance under this Agreement, or J.P. Morgan's role as custodian.
- (c) The Customer will indemnify the J.P. Morgan Indemnitees against, and hold them harmless from, any Liabilities that may be imposed on, incurred by or asserted against any of the J.P. Morgan Indemnitees by any third party in connection with or arising out of (i) J.P. Morgan's performance under this Agreement, provided the J.P. Morgan Indemnitees have not acted with negligence or engaged in fraud or willful misconduct in connection with the Liabilities in question or (ii) any J.P. Morgan Indemnitee's status as a holder of record of the Customer's Financial Assets. Nevertheless, the Customer will not be obligated to indemnify any J.P. Morgan Indemnitee under the preceding sentence with respect to any Liability for which J.P. Morgan is liable under Section 5.2(a) of this Agreement.
- (d) The Customer agrees that J.P. Morgan provides no service in relation to, and therefore has no duty or responsibility to: (i) question Instructions or make any suggestions to the Customer or an Authorized Person regarding such Instructions; (ii) supervise or make recommendations with respect to investments or the retention of Financial Assets; (iii) advise the Customer or an Authorized Person regarding any default in the payment of principal or income of any Security other than as provided in Section 2.7(b) of this Agreement; and (iv) evaluate or report to the Customer or an Authorized Person regarding the financial condition of any broker, agent or other party to which J.P. Morgan is instructed to deliver Financial Assets or cash.
- (e) If Customer irrevocably acknowledges in writing that the J.P. Morgan Indemnitees are entitled to indemnification, the Customer shall have the option to defend the J.P. Morgan Indemnitees against any claim which may be the subject of this indemnification using counsel reasonably acceptable to J.P. Morgan, and in the event that the Customer so elects, it will so notify J.P. Morgan, and from that time forward Customer shall take over complete defense of the claim subject to the following:
  - (i) If the Customer shall fail promptly to defend, or if after commencing or undertaking any such defense fails to prosecute or withdraws from such defense, J.P. Morgan shall have the right to undertake the defense or settlement thereof, at the Customer's expense;
  - (ii) The Customer shall not have the right to defend the J.P. Morgan Indemnitees with respect to any claim (A) that seeks, in whole or in part, injunctive or other equitable relief against

J.P. Morgan or (B) that in J.P. Morgan's reasonable judgment would otherwise materially and adversely affect the business, financial condition or results of operations of J.P. Morgan, J.P. Morgan's method of doing business, or J.P. Morgan's reputation, or (C) with respect to which J.P. Morgan, acting reasonably, believes the Customer may not have the financial wherewithal to satisfy its obligations;

- (iii) In the event that any such claim gives rise to a right of indemnity in favor of J.P. Morgan from at least one customer in addition to the Customer, the Customer shall not have the right to defend, but in such case, the Customer shall only bear a proportionate share of the defense costs as reasonably determined by J.P. Morgan.
- (iv) In the event Customer elects to assume the control of the defense of the claim, the J.P. Morgan Indemnitees may participate in such proceeding and retain additional counsel but shall bear all fees and expenses of such retention of such counsel, unless (A) Customer specifically authorized the retention of such counsel, or (B) counsel to J.P. Morgan acting reasonably, advises that there are issues which raise conflicts of interest between Customer and the J.P. Morgan Indemnitees;
- (v) In the event Customer assumes control of any proceeding, Customer shall keep J.P. Morgan notified of the progress of such proceeding and, upon request, consult with J.P. Morgan and counsel. Customer will, upon request by J.P. Morgan, either pay in the first instance or reimburse J.P. Morgan for any expense subject to indemnity hereunder. Customer shall consult with J.P. Morgan regarding any proposed settlement or compromise of any claim and not settle or compromise any claim without the prior written consent of J.P. Morgan unless (A) such settlement or compromise involves no admission of guilt, wrongdoing, or misconduct by the J.P. Morgan Indemnitees, or (B) such settlement or compromise fully releases the J.P. Morgan Indemnitees from all liabilities and obligations with respect to the claim, (C) such settlement or compromise does not impose any obligations or restrictions on the J.P. Morgan Indemnitees other than obligations to pay money that are subject to indemnity under this Agreement and in J.P. Morgan's reasonable judgment does not adversely affect J.P. Morgan, and (D) Customer shall have paid or made arrangements satisfactory to J.P. Morgan for payment of amounts payable by J.P. Morgan in connection with such settlement. J.P. Morgan shall in no case confess any claim or make any compromise in any case in which Customer will be asked to indemnify J.P. Morgan except with the Customer's prior written consent.

## 7.2 Force Majeure

J.P. Morgan will maintain and update from time to time business continuation and disaster recovery procedures with respect to its global custody business that it is required by Applicable Law and that it determines from time to time

meet reasonable commercial standards. J.P. Morgan will have no liability, however, for any damage, loss, expense or liability of any nature that the Customer may suffer or incur, caused by an act of God, fire, flood, civil or labor disturbance, war, terrorism, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, malfunction of equipment or software (except where such malfunction is primarily and directly attributable to J.P. Morgan's negligence in selecting, operating or maintaining the equipment or software), failure of or the effect of rules or operations of any external funds transfer system, inability to obtain or interruption of external communications facilities, or any other cause beyond the reasonable control of J.P. Morgan (including without limitation, the non-availability of appropriate foreign exchange), provided that J.P. Morgan has notified the Customer promptly when it becomes aware of a specific occurrence or event and, subject to circumstances and uses commercially reasonable efforts to resolve the adverse effects of the specific occurrence or event.

### **7.3 J.P. Morgan May Consult With Counsel**

J.P. Morgan will be entitled to rely on, and may act upon the advice of professional advisors in relation to matters of law, regulation or market practice (which may be the professional advisors of the Customer), and will not be liable to the Customer under this Agreement for any action taken or omitted pursuant to such advice provided that J.P. Morgan has acted with reasonable care.

### **7.4 J.P. Morgan Provides Diverse Financial Services and May Generate Profits as a Result**

The Customer hereby authorizes J.P. Morgan to act under this Agreement notwithstanding that: (a) J.P. Morgan or any of its divisions, branches or Affiliates may have a material interest in transactions entered into by the Customer with respect to the Account or that circumstances are such that J.P. Morgan may have a potential conflict of duty or interest, including the fact that J.P. Morgan or its Affiliates may act as a market maker in the Financial Assets to which Instructions relate, provide brokerage services to other customers, act as financial adviser to the issuer of such Financial Assets, act in the same transaction as agent for more than one customer, have a material interest in the issue of the Financial Assets; or earn profits from any of the activities listed herein and (b) J.P. Morgan or any of its divisions, branches or Affiliates may be in possession of information tending to show that the Instructions received may not be in the best interests of the Customer. J.P. Morgan is not under any duty to disclose any such information.

### **7.5 Assets Held Outside J.P. Morgan's Control**

J.P. Morgan will not be obliged to (a) hold Financial Assets or cash with any person not agreed to by J.P. Morgan or (b) register or record Financial Assets in the name of any person not agreed to by J.P. Morgan. Furthermore, J.P. Morgan will not be obliged to register or record on J.P. Morgan's records Financial Assets held outside J.P. Morgan's control. If, however, the Customer

makes any such request and J.P. Morgan agrees to the request, the consequences of doing so will be at the Customer's own risk. J.P. Morgan shall not be liable for any losses incurred as a result and may be precluded from providing some of the services referred to in this Agreement (for example, and without limitation, income collection, proxy voting, class action litigation and Corporate Action notification and processing).

#### **7.6 Ancillary Services**

J.P. Morgan and its Subcustodians may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions and class action litigation and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of Securities. Although J.P. Morgan will use reasonable care (and cause its Subcustodians to use reasonable care) in the selection, monitoring and retention of such third party providers and local agents, it will not be responsible for any errors or omissions made by them in providing the relevant information or services.

### **8. TAXATION**

#### **8.1 Tax Obligations**

- (a) The Customer will pay or reimburse J.P. Morgan, and confirms that J.P. Morgan is authorized to deduct from any cash received or credited to the Cash Account, any taxes or levies required by any revenue or governmental authority for whatever reason in respect of the Customer's Accounts.
- (b) The Customer will provide to J.P. Morgan such certifications, declarations, documentation, and information as it may reasonably require in connection with taxation, and warrants that, when given, this information is true and correct in every respect, not misleading in any way, and contains all material information. The Customer undertakes to notify J.P. Morgan immediately if any information requires updating or correcting. J.P. Morgan provides no service of controlling or monitoring, and therefore has no duty in respect of, or liability for any taxes, penalties, interest or additions to tax, payable or paid that result from (i) the inaccurate completion of documents by the Customer or any third party; (ii) provision to J.P. Morgan or a third party of inaccurate or misleading information by the Customer or any third party; (iii) the withholding of material information by the Customer or any third party; or (iv) any delay by any revenue authority or any other cause beyond J.P. Morgan's control.
- (c) If J.P. Morgan does not receive appropriate certifications, documentation and information then, as and when appropriate and required, additional tax shall be deducted from all income received in respect of the Financial Assets issued (including, but not limited to, United States non-resident alien tax and/or backup withholding tax).
- (d) The Customer will be responsible in all events for the timely payment of all taxes relating to the Financial Assets in the Securities Account; provided, however, that J.P. Morgan will be responsible for any penalty or additions to tax due solely as a result of J.P. Morgan's negligent acts

or omissions with respect to paying or withholding tax or reporting interest, dividend or other income paid or credited to the Cash Account.

## 8.2 Tax Relief Services

- (a) Subject to the provisions of this Section, J.P. Morgan will apply for a reduction of withholding tax and any refund of any tax paid or tax credits in respect of income payments on Financial Assets credited to the Securities Account that J.P. Morgan believes may be available to the Customer. To defray expenses pertaining to nominal tax claims, J.P. Morgan may from time-to-time set minimum thresholds as to a de minimis value of tax reclaims or reduction of withholding which it will pursue in respect of income payments under this Section and will promptly notify Customer in writing about such minimums.
- (b) The provision of a tax relief service by J.P. Morgan is conditional upon J.P. Morgan receiving from the Customer (i) a declaration of its identity and place of residence and (ii) certain other documentation (pro forma copies of which are available from J.P. Morgan), prior to the receipt of Financial Assets in the Account or the payment of income.
- (c) J.P. Morgan will perform tax relief services only with respect to taxation levied by the revenue authorities of the countries advised to the Customer from time to time and J.P. Morgan may, by notification in writing, in its absolute discretion, supplement or amend the countries in which the tax relief services are offered. Other than as expressly provided in this Section 8.2, J.P. Morgan will have no responsibility with regard to the Customer's tax position or status in any jurisdiction.

## 9. TERMINATION

### 9.1 Termination

- (a) The initial term of this Agreement shall be for a period of three years following the date on which J.P. Morgan commenced providing services under the Agreement ("Initial Term"). Following the Initial Term the Agreement will automatically renew for additional one year periods effective from the first anniversary of the date of the end of the Initial Term of this Agreement, unless and until a valid termination notice is given by the Customer, on behalf of one or more Funds, at least sixty (60) days prior to the applicable term or by J.P. Morgan at least one-hundred and eighty (180) days prior to the applicable term. Notwithstanding the above, in the event of the termination of the Fund Servicing Agreement or the Agency Services Agreement between J.P. Morgan and the Customer, the Customer at any time may terminate this Agreement in whole or in part.
- (b) Notwithstanding Section 9.1(a):
  - (i) Either party, at any time, may terminate this Agreement immediately without penalty on written notice to the other party in the event that a material breach of this Agreement, the Agency Services Agreement and/or the Fund Servicing Agreement by the



- other party has not been cured within thirty (30) days' of that party being given written notice of the material breach unless the parties agree to extend the period to remedy the breach;
- (ii) Either party may terminate this Agreement immediately without penalty on written notice to the other party upon the other party being declared bankrupt, entering into a composition with creditors, obtaining a suspension of payment, being put under court controlled management or being the subject of a similar measure;
  - (iii) J.P. Morgan may terminate this Agreement without penalty on sixty (60) days' written notice to the Customer in the event that J.P. Morgan reasonably determines that the Customer has ceased to satisfy J.P. Morgan' s customary credit requirements; and
  - (iv) During the Initial Term of this Agreement, the Customer may terminate this Agreement at any time on sixty (60) days' written notice to J.P. Morgan upon payment of a termination fee. The termination fee will be an amount equal to six (6) times the average monthly fees paid during the six month period prior to the Customer' s notice of termination, or since the date J.P. Morgan commenced providing services under this Agreement if that period is less than six months. No termination fee will be charged in the event that the Customer or any Fund(s) are liquidated during the Initial Term.

## 9.2 Exit Procedure

The Customer will provide J.P. Morgan full details of the persons to whom J.P. Morgan must deliver Financial Assets and cash within a reasonable period before the effective time of termination of this Agreement. If the Customer fails to provide such details in a timely manner, J.P. Morgan shall be entitled to continue to be paid fees under this Agreement until such time as it is able to deliver the Financial Assets and cash to its successor custodian, but J.P. Morgan may take such steps as it reasonably determines to be necessary to protect itself following the effective time of termination, including ceasing to provide transaction settlement services in the event that J.P. Morgan is unwilling to assume any related credit risk. J.P. Morgan will in any event be entitled to deduct any amounts owing to it prior to delivery of the Financial Assets and cash (and, accordingly, J.P. Morgan will be entitled to sell Financial Assets and apply the sale proceeds in satisfaction of amounts owing to it). The Customer will reimburse J.P. Morgan promptly for all out-of-pocket expenses it incurs in delivering Financial Assets upon termination. Termination will not affect any of the liabilities either party owes to the other arising under this Agreement prior to such termination.

## 9.3 Appointment of Successor Custodian

If a successor custodian shall have been appointed by the Board, J.P. Morgan shall, upon receipt of a notice of acceptance by the successor custodian, on

such specified date of termination (i) deliver directly to the successor custodian (or any subcustodian appointed by successor custodian) , all Financial Assets and Securities (other than Securities held in a Book-Entry System or Securities Depository) and cash then owned by Customer and held by J.P. Morgan as custodian, and (ii) transfer any Financial Assets and Securities held in a Book-Entry System or Securities Depository to an account of or for the benefit of Customer at the successor custodian (or any subcustodian appointed by successor custodian) , provided that Customer shall have paid to J.P. Morgan all fees, expenses and other amounts to the payment or reimbursement of which it shall then be entitled. In addition, to the extent customary in the industry, J.P. Morgan shall, at the reasonable expense of Customer, transfer to such successor copies of all relevant books, records, correspondence, and other data established or maintained by J.P. Morgan under this Agreement in a form reasonably acceptable to Customer (if such form differs from the form in which J.P. Morgan has maintained the same, Customer shall pay any reasonable expenses associated with transferring the data to such form), and will cooperate in the transfer of such duties and responsibilities.

## **10. MISCELLANEOUS**

### **10.1 Notices**

Notices pursuant to Section 9 of this Agreement shall be sent or served by registered mail, overnight delivery services, such as Federal Express (FedEx) or United Parcel Service (UPS), etc., courier services or hand delivery to the address of the respective parties as set out on the first page of this Agreement, unless notice of a new address is given to the other party in writing.

### **10.2 Successors and Assigns**

This Agreement will be binding on each of the parties' successors and assigns, but the parties agree that neither party can assign any of its rights or obligations under this Agreement without the prior written consent of the other party; except J.P. Morgan may assign this Agreement without the Customer' s consent to any Affiliate or subsidiary of J.P. Morgan. Notwithstanding the foregoing, J.P. Morgan may not assign this Agreement under any circumstances without the prior approval of the Customer' s Board of Directors.

### **10.3 Entire Agreement**

This Agreement, including the Schedules, Exhibits, and Riders (and any separate agreement which J.P. Morgan and the Customer may enter into with respect to any Cash Account), sets out the entire Agreement between the parties in connection with the subject matter hereof, and this Agreement supersedes any other agreement, statement or representation relating to custody, whether oral or written. Amendments must be in writing and, except where this Agreement provides for amendments by notice from J.P. Morgan, signed by both parties.

**10.4 Information Concerning Deposits at J.P. Morgan's London Branch**

Under U.S. federal law, deposit accounts that the Customer maintains in J.P. Morgan's foreign branches (outside of the U.S.) are not insured by the Federal Deposit Insurance Corporation. In the event of J.P. Morgan's liquidation, foreign branch deposits have a lesser preference than U.S. deposits, and such foreign deposits are subject to cross-border risks.

**10.5 Insurance**

The Customer acknowledges that J.P. Morgan will not be required to maintain any insurance coverage specifically for the benefit of the Customer. J.P. Morgan will, however, provide summary information regarding its own general insurance coverage to the Customer upon written request.

**10.6 Security Holding Disclosure**

With respect to Securities and Exchange Commission Rule 14b-2 under The U.S Shareholder Communications Act, regarding disclosure of beneficial owners to issuers of Securities, J.P. Morgan is instructed not to disclose the name, address or Security positions of the Customer in response to shareholder communications requests regarding the Account.

**10.7 USA PATRIOT Act Disclosure**

Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act") requires J.P. Morgan to implement reasonable procedures to verify the identity of any person that opens a new Account with it. Accordingly, the Customer acknowledges that Section 326 of the USA PATRIOT Act and J.P. Morgan's identity verification procedures require J.P. Morgan to obtain information which may be used to confirm the Customer's identity, including without limitation the Customer's name, address and organizational documents ("identifying information"). The Customer may also be asked to provide information about its financial status such as its current audited and unaudited financial statements. The Customer agrees to provide J.P. Morgan with and consents to J.P. Morgan obtaining from third parties any such identifying and financial information required as a condition of opening an account with or using any service provided by J.P. Morgan.

**10.8 Governing Law and Jurisdiction**

This Agreement will be construed, regulated, and administered under the laws of the United States or State of New York, as applicable, without regard to New York's principles regarding conflict of laws, except that the foregoing shall not reduce any statutory right to choose New York law or forum. The United States District Court for the Southern District of New York will have the sole and exclusive jurisdiction over any lawsuit or other judicial proceeding relating to or arising from this Agreement. If that court lacks federal subject matter

jurisdiction, the Supreme Court of the State of New York, New York County will have sole and exclusive jurisdiction. Either of these courts will have proper venue for any such lawsuit or judicial proceeding, and the parties waive any objection to venue or their convenience as a forum. The parties agree to submit to the jurisdiction of any of the courts specified and to accept service of process to vest personal jurisdiction over them in any of these courts. The parties further hereby knowingly, voluntarily and intentionally waive, to the fullest extent permitted by applicable law, any right to a trial by jury with respect to any such lawsuit or judicial proceeding arising or relating to this Agreement or the transactions contemplated hereby.

#### **10.9 Severability; Waiver; and Survival**

- (a) If one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect on the basis of any particular circumstances or in any jurisdiction, the validity, legality and enforceability of such provision or provisions under other circumstances or in other jurisdictions and of the remaining provisions will not in any way be affected or impaired.
- (b) Except as otherwise provided herein, no failure or delay on the part of either party in exercising any power or right under this Agreement operates as a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or waiver of any breach or default, is effective unless it is in writing and signed by the party against whom the waiver is to be enforced.
- (c) The parties' rights, protections, and remedies under this Agreement shall survive its termination.

#### **10.10 Confidentiality**

- (a) Subject to Clause 10.10(b) J.P. Morgan will hold all Confidential Information in confidence and will not disclose any Confidential Information except as may be required by Applicable Law, a regulator with jurisdiction over J.P. Morgan's business, or with the consent of the Customer.
- (b) The Customer authorizes J.P. Morgan to disclose Confidential Information as is reasonably necessary to provide relevant services to the Customer to:
  - (i) its Affiliates and branches, any Subcustodian, subcontractor, agent, Securities Depository, securities exchange, broker, third party agent, proxy solicitor, issuer, or any other person that J.P. Morgan believes it is reasonably required in connection with J.P. Morgan's provision of relevant services under this Agreement, provided that J.P. Morgan shall be liable to Customer if a Subcustodian or delegate (other than agents described in Section 7.6) discloses Confidential Information in a manner not permitted by this Section 10.11;

- (ii) its professional advisors, auditors or public accountants; and
  - (iii) any revenue authority or any governmental entity in relation to the processing of any tax relief claim.
- (c) Except as otherwise required by Applicable Law or as needed to enforce the terms of this Agreement, the parties shall hold the terms and conditions, including, without limitation, any commercial terms, of this Agreement in confidence.

**10.11 Counterparts**

This Agreement may be executed in several counterparts each of which will be deemed to be an original and together will constitute one and the same agreement.

**10.12 No Third Party Beneficiaries**

A person who is not a party to this Agreement shall have no right to enforce any term of this Agreement.

**10.13 Use of Names**

J.P. Morgan shall not use the Customer's name, specifically the names "FlexShares" and "Northern," in any offering material, shareholder report, advertisement or other material relating to J.P. Morgan, other than for the purpose of merely identifying and describing the services provided to Customer hereunder, in a manner not approved by Customer in writing prior to such use; provided, however, that Customer shall consent to all uses of its name required by the SEC, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

**10.14 Several Obligations of the Funds.**

This Agreement is executed on behalf of the Board as Trustees and not individually, and the obligations of this Agreement are not binding upon any of the Customer' s Trustees, officers or shareholders personally but are binding only upon the assets and property of the Customer. With respect to the obligations of each Fund arising hereunder, J.P. Morgan shall look for payment or satisfaction of any such obligation solely to the assets of the Fund which such obligation relates as though J.P. Morgan had separately contracted by separate written instrument with respect to each Fund, and in no event shall J.P. Morgan have recourse, by set off or otherwise, to or against any assets of any other Fund.

**FLEXSHARES TRUST****By:** /s/ Peter K. Ewing**Name:** Peter K. Ewing**Title:** Vice President**Date:** August 19, 2011**JPMORGAN CHASE BANK, N.A.****By:** /s/ Ellen E. Crane**Name:** Ellen E. Crane**Title:** Executive Director**Date:** August 19, 2011

**Appendix 1-A****Information Regarding Country Risk**

1. To aid Customer in its determinations regarding Country Risk, J.P. Morgan shall furnish annually, or as requested by the Board of Trustees of the Trust, and upon the initial placing of Financial Assets and cash into a country the following information (check items applicable):
  - A Opinions of local counsel concerning:
    - i. Whether applicable foreign law would restrict the access afforded Customer' s independent public accountants to books and records kept by an eligible foreign custodian located in that country.
    - ii. Whether applicable foreign law would restrict Customer' s ability to recover its Financial Assets and cash in the event of the bankruptcy of an Eligible Foreign Custodian located in that country.
    - iii. Whether applicable foreign law would restrict Customer' s ability to recover Financial Assets that are lost while under the control of an Eligible Foreign Custodian located in the country.
  - B. Written information concerning:
    - i. The foreseeability of expropriation, nationalization, freezes, or confiscation of Customer' s Financial Assets.
    - ii. Whether difficulties in converting Customer' s cash and cash equivalents to U.S. dollars are reasonably foreseeable.
  - C. A market report with respect to the following topics:
    - (i) securities regulatory environment, (ii) foreign ownership restrictions, (iii) foreign exchange, (iv) securities settlement and registration, (v) taxation, and (vi) depositories (including depository evaluation), if any.
2. To aid Customer in monitoring Country Risk, J.P. Morgan shall furnish board the following additional information:

Market flashes, including with respect to changes in the information in market reports

**SCHEDULE 1****List of Subcustodians and Markets Used by J.P. Morgan**

<u>Country</u>	<u>Agent</u>
Argentina	HSBC Bank Argentina, S.A., Buenos Aires
Australia	JPMorgan Chase Bank, N.A., Sydney**
Austria	UniCredit Bank Austria AG, Vienna
Bahrain	HSBC Bank Middle East Limited, Al Seef
Bangladesh	Standard Chartered Bank, Dhaka
Belgium	BNP Paribas Securities Services S.A., Brussels
Bermuda	The Bank of Bermuda Limited, Hamilton
Botswana	Standard Chartered Bank Botswana Limited, Gaborone
Brazil	HSBC Bank Brasil S.A. Banco Multiplo, Sao Paulo
Bulgaria	ING Bank N.V., Sofia
Canada	Canadian Imperial Bank of Commerce, Toronto Royal Bank of Canada, Toronto
Chile	Banco Santander Chile, Santiago
China (Shanghai)	HSBC Bank (China) Company Limited, Shanghai
China (Shenzhen)	HSBC Bank (China) Company Limited, Shanghai
Colombia	Santander Investment Trust Colombia S.A., Bogota
Costa Rica	Banco BCT, S.A., San Jose
Croatia	Privredna banka Zagreb d.d., Zagreb
Cyprus	HSBC Bank plc, Athens
Czech Republic	UniCredit Bank Czech Republic a.s., Prague
Denmark	Nordea Bank Danmark A/S Taastrup
Egypt	Citibank, N.A., Cairo
Estonia	Swedbank AS, Tallinn
Finland	Nordea Bank Finland Plc, Helsinki
France	BNP Paribas Securities Services S.A., Pantin Societe Generale, Paris
Germany	Deutsche Bank AG, Eschborn J.P. Morgan AG, Frankfurt**
Ghana	Standard Chartered Bank Ghana Limited, Accra
Greece	HSBC Bank plc, Athens
Hong Kong	The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong
Hungary	Deutsche Bank Zrt., Budapest





<u>Country</u>	<u>Agent</u>
India	JPMorgan Chase Bank, N.A. Mumbai** The Hong Kong and Shanghai Banking Corporation Limited, Mumbai Standard Chartered Bank, Mumbai
Indonesia	Deutsche Bank AG, Jakarta
Ireland	JPMorgan Chase Bank, N.A., London**
Israel	Bank Leumi le-Israel B.M., Tel Aviv
Italy	BNP Paribas Securities Services S.A., Milan
Japan	Mizuho Corporate Bank, Limited, Tokyo The Bank of Tokyo-Mitsubishi UFJ, Limited, Tokyo
Jordan	HSBC Bank Middle East Limited, Amman
Kazakhstan	SB HSBC Bank Kazakhstan JSC, Almaty
Kenya	Standard Chartered Bank Kenya Limited, Nairobi
Kuwait	HSBC Bank Middle East Limited, Safat
Latvia	Swedbank AS, Riga
Lebanon	HSBC Bank Middle East Limited, Beirut
Lithuania	AB SEB Bankas, Vilnius
Luxembourg	BGL BNP Paribas, Luxembourg
Malaysia	HSBC Bank Malaysia Berhad, Kuala Lumpur
Malta	HSBC Bank Malta p.l.c., Valletta
Mauritius	The Hong Kong and Shanghai Banking Corporation Limited, Ebene
Mexico	Banco Nacional de Mexico, S.A., Mexico, D.F.
Morocco	Societe Generale Marocaine de Banques, Casablanca
Namibia	Standard Bank Namibia Limited, Windhoek
Netherlands	BNP Paribas Securities Services S.A., Amsterdam
New Zealand	National Australia Bank Limited, Auckland
Nigeria	Stanbic IBTC Bank Plc, Lagos
Norway	DnB NOR Bank ASA, Oslo
Oman	HSBC Bank Middle East Limited, Ruwi
Pakistan	Standard Chartered Bank (Pakistan) Limited, Karachi
Palestine	HSBC Bank Middle East Limited, Ramallah
Peru	Citibank del Peru S.A., Lima
Philippines	The Hong Kong and Shanghai Banking Corporation Limited, Taguig City
Poland	Bank Handlowy w. Warszawie S.A., Warsaw
Portugal	BNP Paribas Securities Services S.A., Lisbon

Qatar HSBC Bank Middle East Limited, Doha

Romania ING Bank N.V., Bucharest

<u>Country</u>	<u>Agent</u>
Russia	J.P. Morgan Bank International (Limited Liability Company), Moscow ** ING Bank (Eurasia) ZAO (Closed Joint Stock Company), Moscow
Saudi Arabia	SABB Securities Limited, Riyadh
Serbia	UniCredit Bank Srbija a.d., Belgrade
Singapore	DBS Bank Ltd., Singapore
Slovak Republic	UniCredit Bank Slovakia a.s., Bratislava
Slovenia	UniCredit Banka Slovenija d.d. Ljubljana, Ljubljana
South Africa	FirstRand Bank Limited, Johannesburg Societe Generale, Johannesburg
South Korea	Standard Chartered First Bank Korea Limited, Seoul
Spain	Santander Investment, S.A., Madrid
Sri Lanka	The Hong Kong and Shanghai Banking Corporation Limited, Colombo
Sweden	Nordea Bank AB (publ), Stockholm
Switzerland	UBS AG, Zurich
Taiwan	JPMorgan Chase Bank, N.A., Taipei**
Thailand	Standard Chartered Bank (Thai) Public Company Limited, Bangkok
Trinidad and Tobago	Republic Bank Limited, Port of Spain
Tunisia	Banque Internationale Arabe de Tunisie, S.A., Tunis
Turkey	Citibank A.S., Istanbul
Uganda	Standard Chartered Bank Uganda Limited, Kampala
Ukraine	ING Bank Ukraine, Kiev
United Arab Emirates - DFM	HSBC Bank Middle East Limited, Dubai
United Arab Emirates - NASDAQ Dubai	HSBC Bank Middle East Limited, Dubai
United Arab Emirates - ADX	HSBC Bank Middle East Limited, Dubai
United Kingdom	JPMorgan Chase Bank, N.A., London** Deutsche Bank AG, London (The Depository and Clearing Centre)
United States	JPMorgan Chase Bank, N.A., New York**
Uruguay	Banco Itaú Uruguay S.A., Montevideo
Venezuela	Citibank, N.A., Caracas
Vietnam	HSBC Bank (Vietnam) Ltd., Ho Chi Minh City



<u>Country</u>	<u>Agent</u>
WAEMU - Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal, Togo	Société Générale de Banques en Côte d' Ivoire, Abidjan
WAEMU - Ivory Coast	Société Générale de Banques en Côte d' Ivoire, Abidjan
Zambia	Standard Chartered Bank Zambia Plc, Lusaka
Zimbabwe	Barclays Bank of Zimbabwe Limited, Harare

\*\* J.P. Morgan Affiliate

**SCHEDULE 2**

Form of Board Resolution

To: JPMorgan Chase Bank, N.A.

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We hereby certify that the following is a true copy of the minutes of the Board of Trustees of FlexShares Trust\* (the “**Company**”) which was duly called and held on July 14, 2011 and at which a duly qualified quorum was present throughout and entitled to vote.

RESOLVED, that the Board of Trustees (the “Board”) of FlexShares Trust (the “Trust”), having requested and received such information as it believes to be reasonably necessary to evaluate and consider the Global Custody Agreement between the Trust and J.P. Morgan Chase, N.A. (“J.P. Morgan”), (the “Custody Agreement”) pursuant to which J.P. Morgan shall act as custodian of the securities and cash owned by the Trust upon the terms and conditions and for the compensation provided therein, hereby approves the Custody Agreement presented at this meeting; and it is

FURTHER RESOLVED, that the Board hereby authorizes and directs the officers of the Trust to execute and deliver the Custody Agreement, substantially in the form presented at this meeting, containing such changes, additions or deletions as such officers may determine, with the advice of counsel, to be necessary or appropriate and evidenced by the execution and delivery of the Custody Agreement; and it is

FURTHER RESOLVED, that the Board determines, pursuant to Rule 17f-5 under the Investment Company Act of 1940, as amended (“1940 Act”), that it is reasonable to rely on a delegate to perform the responsibilities with respect to placing and maintaining the Trust’ s Foreign Assets in the care of an Eligible Foreign Custodian (as such terms are defined in Rule 17f-5 under the 1940 Act), and hereby approves the delegation of such responsibilities to J.P. Morgan; and it is

FURTHER RESOLVED, that the Board delegates to Northern Trust Investments, Inc. (the “Adviser”) the responsibility for receiving information regarding custody arrangements from J.P. Morgan and transmitting material information (excluding any material changes in the Trust’ s foreign custody arrangements) to the Board, consistent with its oversight responsibility; and it is

FURTHER RESOLVED, that the Board, pursuant to Rule 17f-7 under the 1940 Act, delegates to the Adviser the authority to decide whether to place and maintain the Trust’ s assets with an Eligible Securities Depository (as such term is defined in Rule 17f-7 under the 1940 Act), subject to the oversight of the Board.

Director

Secretary

\* Name of Company in full.

## SCHEDULE 3

## J.P. Morgan Worldwide Securities Services Custody Restricted Markets Schedule

The following table identifies certain markets that J.P. Morgan has determined to be restricted markets and provides summary information about the nature of the restrictions applicable in each. J.P. Morgan reserves the right to update this Schedule from time to time upon notice to Customer.

<u>Market</u>	<u>Restrictions</u>
Costa Rica	<p>Local currency will be held in a separate cash account that J.P. Morgan opens for the benefit of the Customer with J.P. Morgan's Subcustodian.</p> <p>If J.P. Morgan's current Costa Rica Subcustodian exits the market or becomes an unacceptable provider of subcustody services, J.P. Morgan may cease to provide custody services with respect to Securities that are issued and safekept in Costa Rica. Although J.P. Morgan will work with customers to mitigate the impact of any decision to exit the market, it may not be practicable to give significant advance notice of the exit.</p>
Iceland	<p>Until further notice from J.P. Morgan, no deposits of Icelandic currency will be held in the Customer's Cash Account except for the proceeds of sales of Icelandic Securities or where income and corporate action proceeds are paid in local currency.</p> <p>Until further notice from J.P. Morgan, any credit of Icelandic currency to the Customer's Cash Account with J.P. Morgan will be conditional and subject to reversal by J.P. Morgan upon notice to Customer except to the extent that the funds are able to be applied at Customer's Instruction to the purchase of Icelandic Securities or J.P. Morgan is able to repatriate the funds from J.P. Morgan's Icelandic Subcustodian via a foreign exchange transaction (upon Instruction received from Customer). In this regard, Customer will be entitled to no more than Customer's pro rata share of any recoveries that J.P. Morgan is able to obtain, as reasonably determined by J.P. Morgan.</p>
Lithuania	<p>Until further notice from J.P. Morgan, no deposits of Lithuanian currency will be held in the Customer's Cash Account except for any existing balances and future proceeds of sales of Lithuanian Securities or where income and corporate action proceeds are paid in local currency.</p> <p>Until further notice from J.P. Morgan, any credit of Lithuanian currency to Customer's Cash Account with J.P. Morgan will be conditional and subject to reversal by J.P. Morgan upon notice to Customer except to the extent that the funds are able to be applied at Customer's direction to the purchase of Lithuanian Securities or J.P. Morgan is able to repatriate the funds from J.P. Morgan's Lithuanian Subcustodian via a foreign exchange transaction (upon Instruction received from Customer). In this regard, Customer will be entitled to no more than Customer's pro rata share of any recoveries that J.P. Morgan is able to obtain, as reasonably determined by J.P. Morgan.</p>



Market	Restrictions
Palestine	<p>Until further notice from J.P. Morgan, any credit of U.S. Dollars or Jordanian Dinars to the Customer's Cash Account with J.P. Morgan applied at Customer's direction to the purchase or sale of Palestine Securities will be conditional and subject to reversal by J.P. Morgan upon notice to Customer except to the extent that the funds are able to be repatriated or J.P. Morgan is able to repatriate the funds from J.P. Morgan's Palestine Subcustodian via a capital remittance transaction (upon Instruction received from Customer). In this regard, Customer will be entitled to no more than Customer's pro rata share of any recoveries that J.P. Morgan is able to obtain, as reasonably determined by J.P. Morgan.</p> <p>The Palestine Autonomous Area is not a sovereign nation and institutions can be impacted by the internal political situation. Our subcustodian in Palestine, HSBC Bank Middle East Limited ("HSBC Palestine"), advises that the territories of the Palestinian Autonomous Area are subject to social and political unrest. There is no well defined legal system in place, no satisfactory mechanism for resolving any disputes and an embryonic oversight control of the Palestinian institutions. In the event of bankruptcy of the Palestine Stock Exchange who owns and operates the Central Depository and Settlement Department, there is no system of insurance in place and no mandate at the Palestine Monetary Authority to rescue a failing bank.</p> <p>Clients should therefore be aware that, due to the political uncertainties and ongoing development, issues may arise in the territories in connection with any of the services which HSBC Palestine is providing under our subcustodian agreement with them.</p> <p>As a result, J.P. Morgan wishes to highlight that there could be disruption in services, and that these disruptions or limitations in service would be considered as force majeure.</p>
Russia (for Russian Equities only)	<p>Customer should refer to the current version of the applicable J.P. Morgan's Russia briefing memo regarding the registrar company system of recording ownership of equity Securities issued by a Russian issuer ("Russian Equities"). Registrar companies licensed in Russia to provide share registration services to an issuer of Russian Equities ("Russian Registrar Companies") are not Securities Depositories or Subcustodians or otherwise agents of J.P. Morgan.</p> <p>J.P. Morgan provides custody services with respect to Russian Equities only when held through a Russian securities depository in which the Russian Subcustodian participates or when the Russian Subcustodian has a contract with the applicable Russian Registrar Company. Customer should refer to the current version of the applicable Russia briefing memo for information concerning these contracts and steps J.P. Morgan currently takes to monitor the performance of Russian Registrar Companies.</p> <p>J.P. Morgan's responsibility with respect to the safekeeping of Russian Equities shall be limited to the safekeeping of the relevant notifications of share re-registration issued by a Russian Registrar Company in respect of the Russian Equities ("Russian Share Notifications") and notifications issued by a Russian Securities Depository ("Russian Depository Notifications").</p> <p>Due to unclear standards in the Russian market with respect to the completion and submission of corporate action elections, J.P. Morgan will be subject to a "reasonable efforts" standard of care with respect to any Corporate Action related to Russian Equities. For clients settling through Russian Registrar Companies, proxy services are available where a contract is in place with the applicable Russian Registrar Company.</p>
Ukraine (for Ukrainian Equities only)	<p>Customer should refer to the current version of the applicable J.P. Morgan's Ukraine briefing memo regarding the account structure and corporate action nuances of the Ukrainian market.</p> <p>For client opening accounts in Ukraine and unincorporated client types in particular, due to unclear standards in the Ukrainian market with respect to the completion and submission of corporate action elections, J.P. Morgan will be subject to a "reasonable efforts" standard of care with respect to any Corporate Action related to equity Securities issued by an Ukrainian issuer ("Ukrainian Equities").</p>

Market	Restrictions
West African Economic and Monetary Union (“WAEMU”)	<p>Local currency will be held in a separate cash account that J.P. Morgan opens for the benefit of the Customer with J.P. Morgan’s Subcustodian.</p> <p>If J.P. Morgan’s current WAEMU Subcustodian exits the market or becomes an unacceptable provider of subcustody services, or if market conditions otherwise deteriorate within one or more of the member states of WAEMU, J.P. Morgan may cease to provide custody services with respect to Securities issued in member states of WAEMU that are settled at Dépositaire Central/ Banque de Règlement S.A. (DC/BR). Although J.P. Morgan will work with customers to mitigate the impact of any decision to exit the market, it may not be practicable to give significant advance notice of the exit.</p>
Zimbabwe	<p>Until further notice from J.P. Morgan, any credit of U.S. Dollars to the Customer’s Cash Account with J.P. Morgan applied at Customer’s direction to the purchase or sale of Zimbabwe Securities will be conditional and subject to reversal by J.P. Morgan upon notice to Customer except to the extent that the funds are able to be repatriated or J.P. Morgan is able to repatriate the funds from J.P. Morgan’s Zimbabwe Subcustodian via a capital remittance transaction (upon Instruction received from Customer). In this regard, Customer will be entitled to no more than Customer’s pro rata share of any recoveries that J.P. Morgan is able to obtain, as reasonably determined by J.P. Morgan.</p> <p>If J.P. Morgan’s current Zimbabwe Subcustodian exits the market or becomes an unacceptable provider of subcustody services, or if market conditions otherwise deteriorate, J.P. Morgan may cease to provide custody services with respect to Securities that are issued and safekept in Zimbabwe. Although J.P. Morgan will work with customers to mitigate the impact of any decision to exit the market, it may not be practicable to give significant advance notice of the exit.</p>

#### U.K. Client Money Terms

Funds held in cash accounts that J.P. Morgan opens with a Subcustodian for the benefit of Customer will be subject to the protections of the U.K. Client Money Rules and the account treated as a Designated Client Money Account for purposes of those rules. In this regard, J.P. Morgan shall not place any of its proprietary funds in any of these cash accounts. However, Customer’s funds in these cash accounts may be commingled (though distinguishable via books and records kept at J.P. Morgan) with funds belonging to other J.P. Morgan clients. These cash accounts are not an obligation of J.P. Morgan. In cases where the market is located outside of the European Economic Area (“EEA”), the accounts may be subject to the laws of the market in which the Subcustodian operates the account. As a result, the Customer’s rights relating to such time deposits may differ from its rights in time deposits held at banks in the EEA. In the event that the Subcustodian pays interest on any of these cash accounts, the Customer shall be entitled to its proportionate share of that interest.

**ANNEX A**

## Electronic Access

1. J.P. Morgan may permit the Customer and its Authorized Persons to access certain electronic systems, applications and Data (as defined below) in connection with the Agreement (collectively, the “Products”). J.P. Morgan may, from time to time, introduce new features to the Products or otherwise modify or delete existing features of the Products in its sole discretion. J.P. Morgan shall endeavor to give the Customer reasonable notice of its termination or suspension of access to the Products, but may do so immediately if J.P. Morgan determines, in its sole discretion, that providing access to the Products would violate Applicable Law or that the security or integrity of the Products is at risk. Access to the Products shall be subject to the Security Procedures.
2. In consideration of the fees paid by the Customer to J.P. Morgan and subject to any applicable software license addendum in relation to J.P. Morgan-owned or sublicensed software provided for a particular application and Applicable Law, J.P. Morgan grants to the Customer a non-exclusive, non-transferable, limited and revocable license to use the Products and the information and data made available through the Products (the “Data”) for the Customer’ s internal business use only. The Customer may download the Data and print out hard copies for its reference, provided that it does not remove any copyright or other notices contained therein. The license granted herein will permit use by Customer’ s Authorized Person, provided that such use shall be in compliance with the Agreement, including this Annex.
3. The Customer acknowledges that there are security, corruption, transaction error and access availability risks associated with using open networks such as the internet, and the Customer hereby expressly assumes such risks. The Customer is solely responsible for obtaining, maintaining and operating all software (including antivirus software, anti-spyware software, and other internet security software) and personnel necessary for the Customer to access and use the Products. All such software must be interoperable with J.P. Morgan’ s software. Each of the Customer and J.P. Morgan shall be responsible for the proper functioning, maintenance and security of its own systems, services, software and other equipment.
4. In cases where J.P. Morgan’ s web site is unexpectedly down or otherwise unavailable, J.P. Morgan shall, absent a force majeure event, provide other appropriate means for the Customer or its Authorized Persons to instruct J.P. Morgan or obtain reports from J.P. Morgan. J.P. Morgan shall not be liable for any Liabilities arising out of Customer’ s use of, access to or inability to use the Products via J.P. Morgan’ s web site in the absence of J.P. Morgan’ s gross negligence or willful misconduct.
5. Use of the Products may be monitored, tracked, and recorded. In using the Products, the Customer hereby expressly consents to such monitoring, tracking, and recording. Individuals and organizations should have no expectation of privacy unless local law, regulation, or contract provides otherwise. J.P. Morgan shall own all right, title and interest in the data reflecting Customer usage of the Products or J.P. Morgan’ s web site (including, but not limited to, general usage data and aggregated transaction data). J.P. Morgan may use and sublicense data obtained by it regarding the Customer’ s use of the Products or J.P. Morgan’ s website, as long as J.P. Morgan does not disclose to others that the Customer was the source of such data or the details of individual transactions effected using the Products or web site.
6. The Customer shall not knowingly use the Products to transmit (i) any virus, worm, or destructive element or any programs or data that may be reasonably expected to interfere with or disrupt the Products or servers connected to the Products; (ii) material that violates the rights of another, including but not limited to the intellectual property rights of another; and (iii) “junk mail”, “spam”, “chain letters” or unsolicited mass distribution of e-mail.

7. The Customer shall promptly and accurately designate in writing to J.P. Morgan the geographic location of its users upon written request. The Customer further represents and warrants to J.P. Morgan that the Customer shall not access the service from any jurisdiction which J.P. Morgan informs the Customer or where the Customer has actual knowledge that the service is not authorized for use due to local regulations or laws, including applicable software export rules and regulations. Prior to submitting any document which designates the persons authorized to act on the Customer's behalf, the Customer shall obtain from each individual referred to in such document all necessary consents to enable J.P. Morgan to process the data set out therein for the purposes of providing the Products.

8. The Customer will be subject to and shall comply with all applicable laws, rules and regulations concerning restricting collection, use, disclosure, processing and free movement of the Data (collectively, the "Privacy Regulations"). The Privacy Regulations may include, as applicable, the Federal "Privacy of Consumer Financial Information" Regulation (12 CFR Part 30), as amended from time to time, issued pursuant to Section 504 of the Gramm-Leach-Bliley Act of 1999 (15 U.S.C. §6801, et seq.), the Health and Insurance Portability and Accountability Act of 1996 (42 U.S.C. §1320d), The Data Protection Act 1998 and Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to processing of personal data and the free movement of such data.

9. The Customer shall be responsible for the compliance of its Authorized Persons with the terms of the Agreement, including this Annex.

## CUSTODY AGREEMENT

## APPENDIX A

## LIST OF FUNDS

1. FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund
2. FlexShares<sup>SM</sup> Morningstar World ex-US Market Factor Tilt Index Fund
3. FlexShares<sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund
4. FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund
5. FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund
6. FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund
7. FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

AGENCY SERVICES AGREEMENT  
BETWEEN FLEXSHARES TRUST  
AND  
JPMORGAN CHASE BANK, N.A.

WORLDWIDE SECURITIES SERVICES  
jpmorgan.com



**AGENCY SERVICES AGREEMENT**

**THIS AGENCY SERVICES AGREEMENT** made as of the 19<sup>th</sup> day of August, 2011 by and between **FLEXSHARES TRUST**, a Maryland statutory trust and registered investment company under the Investment Company Act of 1940, as amended (the “1940 Act”), with offices at 50 South LaSalle Street, Illinois, Chicago 60603 (the “Trust”), severally and for and on behalf of its series listed on Appendix A hereto (each a “Fund” and together the “Funds”) as the same may be amended from time to time, and **JPMORGAN CHASE BANK, N.A.** a national banking association with a place of business at 4 New York Plaza, New York, New York 10004 (“J.P. Morgan”).

**PREMISE**

J.P. Morgan, in its capacity as custodian of the Trust has been engaged to provide custody services to the Trust and its various portfolios pursuant to the terms of a global custody Agreement dated as the 19<sup>th</sup> of August, 2011 (the “Custody Agreement”). The Trust intends to issue in respect of its portfolios listed on Exhibit A hereto (each a “Fund” or an “ETF Series”) an exchange-traded class of shares known as “ETF<sup>1</sup> Shares” for each ETF Series. The ETF Shares shall be created in bundles called “Creation Units.” The Trust, on behalf of the ETF Series, shall create and redeem ETF Shares of each ETF Series only in Creation Units principally in kind for portfolio securities of the particular ETF Series (“Deposit Securities”) and/or cash, as more fully described in the current prospectus and statement of additional information of the Trust, included in its registration statement on Form N-1A, No 811-22555; and as authorized under the Order of Exemption dated \_\_\_\_\_ of the Securities and Exchange Commission, Investment Company Act Release No. \_\_\_\_\_; File No. \_\_\_\_\_. Only brokers or dealers that are “Authorized Participants” and that have entered into an Authorized Participant Agreement with the Distributor, acting on behalf of the Trust, shall be authorized to create and redeem ETF Shares in Creation Units from the Trust. The Trust wishes to engage J.P. Morgan to perform certain services on behalf of the Trust with respect to the creation and redemption of ETF Shares, as the Trust’s agent, namely: to provide transfer agent services for ETF Shares of each ETF Series; to act as Index Receipt Agent (as such term is defined in the rules of the National Securities Clearing Corporation) with respect to the settlement of trade orders with Authorized Participants; and to provide custody services under the terms of the Custody Agreement, as supplemented hereby, for the settlement of Creation Units against Deposit Securities and/or cash that shall be delivered by Authorized Participants in exchange for ETF Shares and the redemption of ETF Shares in Creation Unit size against the delivery of Redemption Securities and/or cash of each ETF Series.

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<sup>1</sup> “ETF” is being shown in this document until the Trust has identified a tradename for its exchange traded fund product.

**NOW THEREFORE**, in consideration of the promises and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Trust and J.P. Morgan agree as follows:

**1. DEFINITIONS.** The following terms as used in this Agreement shall have the meanings as set forth below:

**Agreement:** means this Agency Services Agreement.

**Applicable Law:** means any applicable statute, including the 1940 Act, the Advisers Act, the Securities Act of 1933, as amended (the "1933 Act") and the Securities Exchange Act of 1934, as amended, (the "1934 Act") as well as any applicable statute, treaty, rule, regulation or common law and any applicable decree, injunction, judgment, order, formal interpretation or ruling issued by a court or governmental entity.

**Authorized Participant:** a broker or dealer that is a DTC participant and that has executed an Authorized Participant Agreement with the Distributor for the creation and redemption of Creation Units.

**Authorized Participant Agreement:** the agreement between the Distributor, on behalf of the Trust, and a broker or dealer that is a DTC Participant governing the creation and redemption of Creation Units.

**Authorized Person:** means any person who has been designated by written notice from the Trust (or by any agent designated by the Trust, including, without limitation, an Investment Adviser), to act on behalf of Trust hereunder. Such persons will continue to be Authorized Persons until such time as J.P. Morgan receives Instructions from the Trust (or its agent) that any such person is no longer an Authorized Person.

**Balancing Amount:** means an amount of cash equal to the difference between the net asset value of a Creation Unit and the market value of the Deposit Securities (in the case of an creation) or the market value of the Redemption Securities (in the case of a redemption). For the creation of Creation Units, if the Balancing Amount is a positive number, then it will be an amount that is payable to the **ETF Series** by the Authorized Participant and if the Balancing Amount is a negative number, then it will be an amount that is payable by the **ETF Series** to the Authorized Participant. For redemptions of Creation Units, if the Balancing Amount is a positive number, then it will be an amount that is payable by the **ETF Series** to the Authorized Participant and if the Balancing Amount is a negative number, then it will be an amount that is payable to the **ETF Series** by the Authorized Participant.

**Cash Component:** means an amount of cash consisting of the Balancing Amount and a Transaction Fee.

**Clearing Process:** means CNS, the NSCC clearing and settlement process for the creation and redemption of Creation Units for securities in kind.



**CNS:** means the Continuous Net Settlement System of NSCC.

**“Confidential Information”** means and includes all non public information concerning the Trust which J.P. Morgan receives in the course of providing services under this Agreement. Nevertheless, the term Confidential Information shall not include information which is or becomes available to the general public by means other than J.P. Morgan’ s breach of the terms of this Agreement or information which J.P. Morgan obtains on a non- confidential basis from a person who is not known to be subject to any obligation of confidence to any person with respect to that information.

**Creation Deposit:** means the consideration for the creation of a Creation Unit consisting of Deposit Securities and the Balancing Amount.

**Creation Unit:** means a large block of a specified number of **ETF** Shares that makes up one unit of the ETF Series, as specified in the **ETF** Series’ prospectus. A Creation Unit is the minimum number of **ETF** Shares that may be created or redeemed at any one time.

**Custodian:** means J.P. Morgan acting in the capacity as securities custodian for the Trust.

**Deposit Securities:** means with respect to each business day the designated basket of securities that will generally be tendered to an **ETF** Series by an Authorized Participant to create one or more Creation Units of that Fund’ s **ETF** Shares.

**Distributor:** means the party identified as distributor in the Trust prospectus that may sign the Authorized Participant Agreement on behalf of the Trust.

**DTC:** means The Depository Trust Company, a limited purpose trust company organized under the law of the State of New York.

**DTC Participant:** means a “participant” as such term is defined in the rules of DTC.

**DTC Participant Account:** means an “account” as such term is defined in the rules of DTC.

**ETF Series:** means the series of the Trust that are listed on Exhibit A hereto, as amended from time to time.

**ETF Shares:** means the shares of each **ETF** Series.

**Fund Administrator:** means the entity appointed to provide fund administration services to the Funds, as notified by the Trust to J.P. Morgan in writing.

**Index Receipt Agent:** means J.P. Morgan acting in the capacity as “index receipt agent,” as such term is defined in the rules of NSCC, for the Trust.

**Instructions:** means instructions which: (i) contain all necessary information required by J.P. Morgan to enable J.P. Morgan to carry out the Instructions; (ii) are received by J.P. Morgan in accordance with the prevailing Security Procedures; and (iii) J.P. Morgan believes in good faith have been given by an Authorized Person or are transmitted with proper testing or authentication pursuant to terms and conditions which J.P. Morgan may specify.

**Investment Adviser:** means any person or entity appointed as investment adviser or manager of any of the Funds, in accordance with the Registration Statement.

**“J.P. Morgan Indemnitees”** means J.P. Morgan, and its nominees, directors, officers, employees and agents.

**Liabilities:** means any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys’ , accountants’ , consultants’ or experts’ fees and disbursements).

**NSCC:** National Securities Clearing Corporation, a clearing agency that is registered with the SEC.

**Order Taker:** means the entity appointed as order taker of the Funds, as notified by the Trust to J.P. Morgan in writing.

**Outside the Clearing Process:** means processing creation and redemption orders concerning Creation Units and Deposit Securities and Redemption Securities for settlement exclusively through DTC or, when the settlement is not DTC eligible, as a window delivery to the offices of the Custodian.

**Redemption Securities:** means the designated basket of securities provided by the Trust to an Authorized Participant redeeming a Creation Unit. On any given day, the Redemption Securities may or may not be identical to the Deposit Securities.

**SEC:** means the Securities and Exchange Commission

**Security Procedure:** means any security procedure to be followed by Trust upon the creation of an Instruction and/or by J.P. Morgan upon the receipt of an Instruction, so as to enable J.P. Morgan to verify that such Instruction is authorized, as set forth in operating procedures documentation in effect from time to time between the parties with respect to the services set forth in this Agreement, or as otherwise agreed in writing by the parties. A Security Procedure may, without limitation, involve the use of algorithms, codes, passwords, encryption or telephone call backs and may be updated by J.P. Morgan from time to time upon notice to the Trust. Trust acknowledges that Security Procedures are designed to verify the authenticity of, and not detect errors in, Instructions. For the avoidance of doubt, the parties agree that a SWIFT message issued in the name of Trust through any third party utility agreed upon by the parties as being a method for providing Instructions and authenticated in accordance with that utility’ s customary procedures, shall be deemed to be an authorized Instruction.

**Shareholder:** means DTC or its nominee. A single global certificate for each **ETF** Series will be created in the name of DTC or its nominee. DTC or its nominee shall be the sole registered holder of **ETF** Shares of each **ETF** Series.

**Transaction Fee:** means a transaction fee imposed by the Trust and payable by the Authorized Participant in connection with the creation or redemption of Creation Units.

**Transfer Agent:** means J.P. Morgan acting in the capacity as transfer agent for the ETF Shares of each ETF Series of the Trust.

**2. APPOINTMENT.** The Trust hereby appoints J.P. Morgan to provide services for the Trust, as described hereinafter, subject to the supervision of the Board of Trustees of the Trust (the “Board”), on the terms set forth in this Agreement. J.P. Morgan accepts such appointment and agrees to furnish the services herein set forth in return for the compensation as provided in Section 6 of this Agreement.

### **3. REPRESENTATIONS AND WARRANTIES.**

(a) J.P. Morgan represents and warrants to the Trust that:

(i) J.P. Morgan is a national bank duly organized and existing as a banking association under the laws of the United States;

(ii) J.P. Morgan is duly qualified to carry on its business in the State of New York;

(iii) J.P. Morgan is empowered under Applicable Laws and by its charter and by-laws to enter into and perform the services described in this Agreement;

(iv) J.P. Morgan is a transfer agent registered with the SEC.

(v) all requisite corporate action has been taken to authorize J.P. Morgan to enter into and perform this Agreement;

(vi) J.P. Morgan has, and shall continue to have, access to the facilities, personnel and equipment required to fully perform its duties and obligations hereunder;

(vii) no legal or administrative proceedings have been instituted or threatened against J.P. Morgan which would impair J.P. Morgan’s ability to perform its duties and obligations under this Agreement; and

(viii) J.P. Morgan’s execution and performance of this Agreement shall not cause a material breach or be in material conflict with any other agreement or obligation of J.P. Morgan or any law or regulation applicable to J.P. Morgan;

(ix) J.P. Morgan has established pursuant to the Bank Secrecy Act and other U.S. laws and regulations applicable to it, Anti-Money Laundering (AML)

compliance programs, including but not limited to: (1) the development of internal policies, procedures, and controls; (2) the designation of a compliance officer; (3) the implementation of ongoing employee training programs; and (4) the creation of an independent audit function to test such programs;

(x) J.P. Morgan has a customer identification program (CIP) consistent with the rules under section 326 of the USA Patriot Act with respect to the services performed by it under this Agreement;

(xi) To the extent that J.P. Morgan is required to effect currency transactions related to the services under this Agency Services Agreement, J.P. Morgan, in respect of those transactions, will (1) file all necessary anti-money laundering reports including, but not limited to, currency transaction reports and suspicious activity reports; (2) screen all new and existing customers against the Office of Foreign Asset Control list and any other government list that is or becomes required under the USA Patriot Act; and (3) allow appropriate regulators to examine its anti-money laundering books and records.

(xii) J.P. Morgan: (i) has in place policies and procedures reasonably designed to ensure compliance with the transfer agent rules of the Securities Exchange Act of 1934, as amended; (ii) will upon reasonable request provide certifications, reports of any material violations of, and any material changes to such policies and procedures to the Trust' s Chief Compliance Officer, and (iii) will maintain appropriate records in accordance with said transfer agent rules and any other applicable laws;

(xiii) J.P. Morgan will comply with the Trust' s portfolio holdings disclosure policy; and

(xiv) J.P. Morgan is not affiliated with any listing exchange or underlying index provider for any ETF Series.

J.P. Morgan further agrees that upon the Trust' s request, but no more frequently than annually, it will provide the Trust' s Chief Compliance Officer with an assurance letter regarding compliance with J.P. Morgan' s AML programs.

(b) The Trust represents and warrants to J.P. Morgan that:

(i) the Trust is duly organized and existing and in good standing under the laws of the State of Maryland;

(ii) the Trust is empowered under Applicable Laws and by its charter document and by-laws to enter into and perform this Agreement;

(iii) all requisite proceedings have been taken to authorize the Trust to enter into and perform this Agreement;

(iv) the Trust is an open-end management investment company properly registered under the 1940 Act;

(v) a registration statement under the 1933 Act and the 1940 Act on Form N-1A (the "Registration Statement") has been filed and shall be effective and shall remain effective during the term of this Agreement, and all necessary filings under the laws of the states shall have been made and shall be current during the term of this Agreement;

(vi) no legal or administrative proceedings have been instituted or threatened which would impair the Trust's ability to perform its duties and obligations under this Agreement, other than as described in the Trust's registration statement;

(vii) the Trust's Registration Statement complies in all material respects with the 1933 Act and the 1940 Act and none of the Trust's prospectuses and/or statements of additional information, and any amendments and supplements thereto (such prospectuses and statement of additional information, as in effect and as amended and supplemented from time to time (herein called the "Prospectus")) contain any untrue statement of material fact or omit to state a material fact necessary to make the statements therein not misleading; and

(viii) the Trust's entrance into this Agreement shall not cause a material breach or be in material conflict with any other agreement or obligation of the Trust or any law or regulation applicable to it.

#### **4. DELIVERY OF DOCUMENTS.**

The Trust shall promptly furnish to J.P. Morgan such copies, properly certified or authenticated, of contracts, documents and other related information that J.P. Morgan may request or require to properly discharge its duties. Such documents may include but are not limited to the following:

(i) Resolutions of the Board authorizing the appointment of J.P. Morgan to provide certain services to the Trust;

(ii) the Trust's charter documents;

(iii) the Trust's by-laws;

(iv) the Trust's Notification of Registration on Form N-8A under the 1940 Act as filed with the SEC;

(v) the Trust's Registration Statement, as filed with the SEC;

(vi) the Trust' s final application for an Order of Exemption with respect to the **ETF** Series and **ETF** Shares, and the Order of Exemption of the SEC granting the relief requested in the application.

(vii) auditors' reports and opinions of counsel regarding the Trust' s securities creation ;

(viii) the Trust' s Prospectuses relating to all funds, series, portfolios and classes, as applicable;

(ix) the Trust' s annual and semi-annual reports for the current year and annually while this Agreement is in effect;  
and

(x) such other material agreements as the Trust may enter into from time to time including securities lending agreements, futures and commodities account agreements, brokerage agreements and options agreements.

## **5. SERVICES PROVIDED.**

J.P. Morgan shall provide the following services subject to the control, direction and supervision of the Board and its designated agents and in compliance with the objectives, policies and limitations set forth in the Trust' s Registration Statement, charter document and by-laws; Applicable Laws and regulations; and all resolutions and policies adopted by the Board:

(i) Transfer Agency Services described in Schedule A to this Agreement;

(ii) Index Receipt Agent Services described in Schedule B to this Agreement, and

(iii) such other services in connection with **ETF** Shares as the parties may mutually agree in writing.

## **6. FEES AND EXPENSES.**

(a) As compensation for the services rendered to the Trust pursuant to this Agreement the Trust shall pay J.P. Morgan the fees as may be agreed upon in writing from time to time, together with J.P. Morgan' s reasonable out-of-pocket or incidental expenses, including, but not limited to, routine legal fees related to services under this Agreement with the prior approval of the Trust or its investment adviser. All fees and expenses are to be billed monthly (unless another period is agreed upon) and shall be due and payable upon receipt of the invoice. Upon any termination of the provision of services under this Agreement before the end of any month, the fee for the part of the month before such termination shall be prorated according to the proportion which such part bears to the full monthly period and shall be payable upon the date of such termination.

(b) J.P. Morgan shall render, after the close of each month in which services have been furnished, a statement reflecting all of the fees and expenses for such month (or other agreed upon billing period). Fees and expenses remaining unpaid after thirty (30) days from the date of receipt of the statement shall bear interest, from the date of the statement to the date of repayment to J.P. Morgan by the Trust, at such rate as J.P. Morgan customarily charges for similar overdue amounts, and all costs and expenses of effecting collection of any such sums, including reasonable attorney's fees, shall be paid by the Trust to J.P. Morgan. In the event that the Trust disputes a fee or fees for a particular billing period and it is determined by the parties that an adjustment of the fees in favor of the Trust is in order, interest shall not be charged on the amount of the fee that is the subject of such adjustment, provided that the adjusted amount due is paid promptly.

## **7. INSTRUCTIONS.**

(a) The Trust authorizes J.P. Morgan to accept and act upon any Instructions received by it without inquiry. The Trust will indemnify J.P. Morgan Indemnitees against, and hold each of them harmless from, any Liabilities that may be imposed on, incurred by, or asserted against J.P. Morgan Indemnitees as a result of any action or omission taken in accordance with any Instructions or other directions upon which J.P. Morgan is authorized to rely under the terms of this Agreement unless the Liabilities result from an act of negligence, fraud or willful misconduct on the part of a J.P. Morgan Indemnitee with respect to the manner in which such Instructions or directions are followed.

(b) Unless otherwise expressly provided, all Instructions shall continue in full force and effect until canceled or suspended.

(c) J.P. Morgan may (in its sole discretion and without affecting any part of this Section 7) seek clarification or confirmation of an Instruction from an Authorized Person and may decline to act upon the Instruction if it does not receive clarification or confirmation satisfactory to it. J.P. Morgan shall not be liable for any loss arising from any delay while it seeks such clarification or confirmation, except to the extent such delays results from the fraud, negligence, or willful misconduct of J.P. Morgan or J.P. Morgan Indemnitee.

## **8. LIMITATIONS OF LIABILITY AND INDEMNIFICATION.**

(a) J.P. Morgan shall use reasonable care in performing its duties under this Agreement. J.P. Morgan will not be responsible for any loss or damage suffered by the Trust or the Funds with respect to any matter as to which J.P. Morgan has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud or willful misconduct on the part of J.P. Morgan or any J.P. Morgan Indemnitee.

(b) J.P. Morgan shall be liable to the Trust for its direct damages, excluding attorneys' fees, to the extent they result from J.P. Morgan's negligence, bad faith or willful misconduct in performing its duties as set out in this Agreement. Nevertheless, under no circumstances shall J.P. Morgan be liable for any indirect, special or consequential damages

(including, without limitation, lost profits) of any form, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

(c) Without limiting subsections (a) and (b) above, J.P. Morgan shall not be responsible for, and the Trust shall indemnify and hold J.P. Morgan, its officers, employees and agents harmless from and against, any and all Liabilities, incurred by J.P. Morgan, any of its officers, employees or agents, or the Trust' s agents in the performance of its/their duties hereunder, including but not limited to those arising out of or attributable to:

(i) any and all actions of J.P. Morgan or its officers, employees or agents required to be taken pursuant to this Agreement;

(ii) the reasonable reliance on or use by J.P. Morgan or its officers, employees or agents of information, records, or documents which are received by J.P. Morgan or its officers, employees or agents and furnished to it or them by or on behalf of the Trust, and which have been prepared or maintained by the Trust or any third party on behalf of the Trust;

(iii) the Trust' s refusal or failure to comply with the terms of this Agreement or the Trust's lack of good faith, or its actions, or lack thereof, involving negligence or willful misconduct;

(iv) the breach of any representation or warranty of the Trust hereunder;

(v) the taping or other form of recording of telephone conversations or other forms of electronic communications with the Trust, its agents or any investor or reliance by J.P. Morgan on telephone or other electronic Instructions of any person acting on behalf of the Trust or an investor for which telephone or other electronic services have been authorized so long as such taping or form of recording is in compliance with Applicable Laws;

(vi) the reliance by J.P. Morgan, its officers, employees or agents on any share certificates which are reasonably believed to bear the proper manual or facsimile signature of an Authorized Person of the Trust;

(vii) any delays, inaccuracies, errors in or omissions from information or data provided to J.P. Morgan by data, corporate action or pricing services, depositories or clearing systems, or securities brokers or dealers;

(viii) the offer or sale of ETF Shares by the Trust in violation of any requirement under the Federal securities laws or regulations or the securities laws or regulations of any state, or in violation of any stop order or other determination or ruling by any Federal agency or any state agency with respect to the offer or sale of such ETF Shares in such state (1) resulting from activities, actions, or omissions by the Trust or its



other service providers and agents, or (2) existing or arising out of activities, actions or omissions by or on behalf of the Trust prior to the effective date of this Agreement;

(ix) any failure of the Trust' s registration statement to comply with the 1933 Act and the 1940 Act and any other Applicable Laws, or any untrue statement of a material fact or omission of a material fact necessary to make any statement therein not misleading in the Trust' s Prospectus; provided such failure is not a result of information provided by J.P. Morgan to the Trust for inclusion the Trust' s Registration Statement;

(x) the actions taken by the Trust, the Distributor or by the Trust' s investment advisers in compliance with applicable securities, tax, commodities and other laws, rules and regulations, or the failure to so comply; and

(xi) all actions, omissions, or errors caused by third parties to whom J.P. Morgan or the Trust have assigned any rights and/or delegated any duties under this Agreement at the request of or as required by the Trust or the Distributor, or by the Trust' s investment advisers or sponsor.

Notwithstanding subsections (a) above, J.P. Morgan shall have no duty or obligation of reasonable care with respect to any of the activities described in clauses (viii), (ix) (x) or (xi) of this subsection (c).

(d) The Trust shall defend J.P. Morgan or, at Trust' s option, settle any claim, demand or cause of action, whether groundless or otherwise, that ETF Shares or any of the services provided herein for the Trust infringes on, violates or misappropriates any patent, copyright, trademark, trade secret or any other proprietary right, and shall indemnify and hold harmless J.P. Morgan, its officers, employees and agents against all Liabilities, including court and settlement costs incurred by J.P. Morgan or any of them as a result of or relating to such claim, demand or cause of action ("Third Party Claim"). J.P. Morgan shall notify the Trust in writing of any such Third Party Claim, and give the Trust all reasonably necessary information and assistance to defend or settle such Third Party Claim. J.P. Morgan may participate in the defense or settlement of the Third Party Claim at any time and may retain its own counsel but Trust shall not be liable for any legal fees or expenses subsequently incurred by J.P. Morgan in connection with the defense thereof, unless (i) Trust has agreed to pay such fees and expenses, (ii) Trust shall have failed to employ counsel satisfactory to J.P. Morgan in a timely fashion or (iii) J.P. Morgan shall have reasonably determined that representation of J.P. Morgan by counsel provided by the Trust pursuant to the foregoing would be inappropriate due to actual or potential conflicting interests between the Trust and J.P. Morgan, including without limitation, situations in which there are one or more legal defenses available to J.P. Morgan that are different from or additional to those available to Trust. J.P. Morgan shall not enter into any settlement with respect to such Third Party Claim subject to indemnification hereunder without the prior written consent of the Trust, which consent shall not be unreasonably withheld.

(e) This Section 8 shall survive the termination of this Agreement, regardless of the party that terminated the Agreement or the reason therefor.

## 9. TERM AND TERMINATION.

(a) The initial term of this Agreement shall be for a period of three years following the date on which J.P. Morgan commenced providing services under the Agreement (“Initial Term”). Following the Initial Term the Agreement will automatically renew for additional one year periods effective from the first anniversary of the date of the end of the Initial Term of this Agreement, unless and until a valid termination notice is given by the Trust, on behalf of one or more Funds, at least sixty (60) days prior to the applicable term or by J.P. Morgan at least one-hundred and eighty (180) days prior to the applicable term. Notwithstanding the above, in the event of the termination of the Custody Agreement or the Fund Servicing Agreement between J.P. Morgan and the Trust, the Trust at any time may terminate this Agreement in whole or in part.

(b) Notwithstanding Section 9.1(a):

(i) Either party, at any time, may terminate this Agreement immediately without penalty on written notice to the other party in the event that a material breach of this Agreement, the Custody Agreement and/or the Fund Servicing Agreement by the other party has not been cured within thirty (30) days’ of that party being given written notice of the material breach unless the parties agree to extend the period to remedy the breach, and

(ii) Either party may terminate this Agreement immediately without penalty on written notice to the other party upon the other party being declared bankrupt, entering into a composition with creditors, obtaining a suspension of payment, being put under court controlled management or being the subject of a similar measure.

**10. NOTICES.** Any notice required or permitted hereunder shall be in writing and shall be deemed effective on the date of personal delivery (by private messenger, courier service or otherwise) or upon confirmed receipt of telex or facsimile, whichever occurs first, or upon receipt if by mail to the parties at the following address (or such other address as a party may specify by notice to the other):

If to the Trust: Northern Trust Investments, Inc.  
50 South LaSalle Street  
Chicago, IL 60603  
Attention: Craig Carberry, Secretary  
Telephone: 312-557-2996  
Fax: 312-444-4676

With a copy to: Northern Trust Investments, Inc.  
50 South LaSalle Street  
Chicago, IL 60603  
Attn: Peter K. Ewing  
Telephone: 312-444-7337  
Fax: 312-431-4071

If to J.P. Morgan in its capacity as Transfer Agent to:

JPMorgan Chase Bank  
One Beacon St, 19th Floor  
Boston, MA 02108  
Attention: Leah Bowen  
Telephone: 617-223-9164  
Fax: 617-223-9150

If to J.P. Morgan in its capacity as Index Receipt Agent to:

JPMorgan Chase Bank  
4 New York Plaza, 12th Floor  
New York, New York 10004  
Attention: Adrian Dmytrenko  
Telephone: 212-623-8630  
Fax: 212-623-0625

If to J.P. Morgan in its capacity as Custodian, as provided for in the Custody Agreement.

**11. WAIVER.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver nor shall it deprive such party of the right thereafter to insist upon strict adherence to that term or any term of this Agreement. Any waiver must be in writing signed by the waiving party.

**12. FORCE MAJEURE.** J.P. Morgan shall maintain and update from time to time business continuation and disaster recovery procedures with respect to its Transfer Agent, Index Receipt Agent and custody business that are required by Applicable Law and that it determines from time to time meet reasonable commercial standards. J.P. Morgan shall have no liability, however, for any damage, loss or expense of any nature that the Trust may suffer or incur, caused by an act of God, fire, flood, civil or labor disturbance, war, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, fraud or forgery (except to the extent that such fraud or forgery is attributed to J.P. Morgan or to J.P. Morgan's employees), malfunction of equipment or software (except to the extent such malfunction is primarily attributable to J.P. Morgan's negligence in maintaining the equipment or software), failure of or the effect of rules or operations of any external funds transfer system, inability to obtain or interruption of external communications facilities, or any cause beyond the reasonable control of J.P. Morgan (including without limitation, the non-availability of appropriate foreign exchange), provided that J.P. Morgan has notified the Trust promptly when it becomes aware of a specific occurrence or event and uses commercially reasonable efforts to resolve the adverse effects of the specific occurrence or event.

**13. AMENDMENTS.** This Agreement may be modified or amended from time to time by mutual written agreement between the parties. No provision of this Agreement may be changed, discharged, or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, discharge or termination is sought.

**14. ASSIGNMENT.** This Agreement will be binding on each of the parties' successors and assigns, but the parties agree that neither party can assign any of its rights or obligations under this Agreement without the prior written consent of the other party; except J.P. Morgan may assign this Agreement without the Trust's consent to any Affiliate or subsidiary of J.P. Morgan.

**15. SEVERABILITY.** If any provision of this Agreement is invalid or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance it shall nevertheless remain applicable to all other persons and circumstances.

**16. GOVERNING LAW AND JURISDICTION.** This Agreement shall be construed, regulated, and administered under the laws of the United States or State of New York, as applicable, without regard to New York's principles regarding conflict of laws. The United States District Court for the Southern District of New York shall have the sole and exclusive jurisdiction over any lawsuit or other judicial proceeding relating to or arising from this Agreement. If that court lacks federal subject matter jurisdiction, the Supreme Court of the State of New York, New York County shall have sole and exclusive jurisdiction. Either of these courts shall have proper venue for any such lawsuit or judicial proceeding, and the parties waive any objection to venue or their convenience as a forum. The parties agree to submit to the jurisdiction of either of the courts specified and to accept service of process to vest personal jurisdiction over them in such courts. The parties further hereby knowingly, voluntarily and intentionally waive, to the fullest extent permitted by Applicable Law, any right to a trial by jury with respect to any such lawsuit or judicial proceeding arising or relating to this Agreement or the transactions contemplated hereby.

**17. USE OF NAMES.** The Trust shall not use J.P. Morgan's name in any offering material, shareholder report, advertisement or other material relating to the Trust, other than for the purpose of merely identifying and describing the functions of J.P. Morgan hereunder, in a manner not approved by J.P. Morgan in writing prior to such use; provided, however, that J.P. Morgan shall consent to all uses of its name required by the SEC, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

J.P. Morgan shall not refer to or use the names "FlexShares" or "Northern Trust" in any offering material, shareholder report, advertisement or other material relating to J.P. Morgan, other than for the purpose of merely identifying and describing the services provided to the Trust hereunder, in a manner not approved by the Trust in writing prior to such use; provided, however, that the Trust shall consent to all uses of its name required by the SEC, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

**18. CONFIDENTIALITY.**

(a) Subject to Section 18.7(b), J.P. Morgan will hold all Confidential Information in confidence and will not disclose any Confidential Information except as may be required by Applicable Law, a regulator with jurisdiction over J.P. Morgan's or Funds business, or with the prior consent of the Trust.

The Trust authorizes J.P. Morgan to disclose Confidential Information to the extent necessary to provide relevant services to the Funds to:

- (i) its professional advisers, auditors or public accountants;
- (ii) its Affiliates; and
- (iii) any revenue authority or any governmental entity.

(b) Except as otherwise required by Applicable Law or as needed to enforce the terms of this Agreement, the parties shall hold the terms and conditions of this Agreement, including, without limitation, any commercial terms, in confidence.

**19. COUNTERPARTS.** This Agreement may be executed in counterparts each of which shall be an original and together shall constitute one and the same agreement.

**20. HEADINGS.** Headings are for convenience only and are not intended to affect interpretation. References to sections are to sections of this Agreement and references to sub-sections and paragraphs are to sub-sections of the sections and paragraphs of the sub-sections in which they appear.

**21. ENTIRE AGREEMENT.** This Agreement, including the Schedules and Exhibits, and also including the Custody Agreement to the extent custody services are provided in conjunction with Index Receipt Agent services for **ETF** Shares, sets out the entire Agreement between the parties in connection with the subject matter, and this Agreement supersedes any other agreement, statement, or representation relating to the services provided herein for Trust, Funds and **ETF** Shares, whether oral or written.

**22. SEVERAL OBLIGATIONS OF THE FUNDS.** This Agreement is executed on behalf of the Board of Trustees of the Trust as Trustees and not individually, and the obligations of this Agreement are not binding upon any of the Trustees, officers or shareholders personally but are binding only upon the assets and property of the Trust. With respect to the obligations of each Fund arising hereunder, J.P. Morgan shall look for payment or satisfaction of any such obligation solely to the assets of the Fund to which such obligation relates as though J.P. Morgan had separately contracted by separate written instrument with respect to each Fund, and in no event shall J.P. Morgan have recourse, by set off or otherwise, to or against any assets of any other Fund.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their officers designated below as of the date first written above.

**FLEXSHARES TRUST**

**JPMORGAN CHASE BANK, N. A.**

By: /s/ Peter K. Ewing

By: /s/ Ellen E. Crane

Name: Peter K. Ewing

Name: Ellen E. Crane

Title: Vice President

Title: Executive Director

Date: August 19, 2011

Date: August 19, 2011

**AGENCY SERVICES AGREEMENT****SCHEDULE A****TRANSFER AGENCY SERVICES  
FOR ETF SERIES**

Following are the transfer agent services that shall be provided by J.P. Morgan for the Trust in its capacity as Transfer Agent for each **ETF** Series. Unless otherwise defined in this Schedule A, defined terms will have the same meaning as set forth in Section I of this Agreement.

**A. Creation and Redemption of ETF Shares of each ETF Series.**

1. Pursuant to such creation orders that Index Receipt Agent shall receive from the Trust or its agent, Transfer Agent shall register the appropriate number of book entry only **ETF** Shares in the name of DTC or its nominee as the sole shareholder (the "Shareholder") for each **ETF** Series and deliver the shares of the applicable **ETF** Series in Creation Units on the business day next following the trade date (T+1) to the DTC Participant Account of the Custodian for settlement. It is understood and agreed that J.P. Morgan, in its capacity as Transfer Agent, Index Receipt Agent or Custodian, shall not be responsible for determining whether any order, if accepted, shall result in the depositor of the Creation Deposit owning or appearing to own eighty percent (80%) or more of the outstanding **ETF** Shares of such **ETF** Series.

2. Pursuant to such redemption orders that Index Receipt Agent shall receive from the Distributor on behalf of the Trust or other designated agent of the Trust, Transfer Agent shall redeem the appropriate number of **ETF** Shares of the applicable **ETF** Series in Creation Units that are delivered to the designated DTC Participant Account of Custodian for redemption and debit such shares from the account of the Shareholder on the register of the applicable **ETF** Series.

3. Transfer Agent shall issue **ETF** Shares of the applicable **ETF** Series in Creation Units for settlement with purchasers through DTC as the purchaser is authorized to receive. Beneficial ownership of **ETF** Shares shall be shown on the records of DTC and DTC Participants and not on any records maintained by the Transfer Agent. In issuing **ETF** Shares of the applicable **ETF** Series through DTC to a purchaser, Transfer Agent shall be entitled to rely upon the latest Instructions that are received from the Distributor, Trust or its agent by the Index Receipt Agent (as set forth in Schedule B, Section A. Subsection 3(b) of this Agreement) concerning the creation and delivery of such shares for settlement.

4. Transfer Agent shall not create any **ETF** Shares for a particular **ETF** Series where it has received an Instruction from the Trust or written notification from any federal or state authority that the sale of the **ETF** Shares of such **ETF** Series has been suspended or discontinued, and Transfer Agent shall be entitled to rely upon such Instructions or written notification.
5. Upon the creation of **ETF** Shares of any **ETF** Series as provided herein, Transfer Agent shall not be responsible for the payment of any original create or other taxes, if any, required to be paid by the Trust in connection with such creation.
6. **ETF** Shares of any **ETF** Series may be redeemed in accordance with the procedures set forth in the Prospectus of the Trust, in the Authorized Participant Agreement and in the AP Handbook, as may be amended from time to time and J.P. Morgan shall duly process all redemption requests.

B. Payment of Dividends and Distributions on **ETF** Shares of each **ETF** Series.

1. J.P. Morgan shall prepare and make payments for dividends and distributions declared by the Trust on behalf of the **ETF** Series.
2. The Trust or its designated agent shall promptly notify both the Custodian and the Transfer Agent of the declaration of any dividend or distribution in respect of each **ETF** Series. The Trust shall furnish to J.P. Morgan a statement signed by an Authorized Person:
  - (i) indicating that dividends have been declared on a specific periodic basis and Instructions specifying the date of the declaration of such dividend or distribution, the date of payment thereof, the record date as of which the Shareholder shall be entitled to payment, the total amount payable to the Shareholder and the total amount payable to J.P. Morgan as Transfer Agent on the payment date; or
  - (ii) setting forth the date of the declaration of any dividend or distribution by **ETF** Series, the date of payment thereof, the record date as of which the Shareholder is entitled to payment, and the amount payable per share to the Shareholder as of that date and the total amount payable to Transfer Agent on the payment date. The Trust's Board of Trustees shall approve the Authorized Persons to provide such information to J.P. Morgan.
3. Upon its receipt from the Trust of the information set forth in Subsection 2 immediately above, the Fund Administrator, based upon the amount of **ETF** Shares outstanding on its books and records, shall calculate the total dollar amount of the dividend or distribution on each **ETF** Series and notify the Trust of this amount. The Trust shall verify this total dollar amount as calculated by the Fund Administrator. Provided the Trust is in agreement with the Fund Administrator, the Trust shall instruct the Custodian to place in a dividend disbursing account maintained by the Transfer Agent funds equal to the total cash amount of the dividend or distribution to be paid out in respect of each **ETF** Series. Should Custodian determine that it does not have sufficient cash in the Custody Account to pay the total amount of the dividend or distribution to the Transfer Agent, Custodian shall advise the Trust and the Trust shall either adjust the rate of the dividend or distribution or provide additional cash to Custodian for credit to the dividend disbursing account maintained by Transfer Agent. The Transfer Agent shall credit such dividend or distribution to the account of the Shareholder.



4. Should Transfer Agent not receive from Custodian sufficient cash to make payment as provided in the immediately preceding Subsection, Transfer Agent or Custodian shall notify the Trust, and Transfer Agent shall withhold payment to the Shareholder until sufficient cash is provided to J.P. Morgan and J.P. Morgan shall not be liable for any claim arising out of such withholding.

C. Recordkeeping.

1. J.P. Morgan shall create and maintain such records in accordance with laws, rules and regulations applicable to J.P. Morgan as a registered transfer agent. All records shall be available for inspection and use by the Trust. J.P. Morgan shall maintain such records for at least six years or for such other period as J.P. Morgan and the Trust may mutually agree.

2. Upon reasonable notice by the Trust, J.P. Morgan shall make available during regular business hours all records and other data created and maintained by J.P. Morgan as Transfer Agent for reasonable audit and inspection by the Trust, or any person retained by the Trust.

3. J.P. Morgan shall record the creation of **ETF** Shares of each **ETF** Series and maintain, pursuant to Rule 17Ad-10(e) under the 1934 Act, a record of the total number of **ETF** Shares of each **ETF** Series that are authorized, based upon data provided to J.P. Morgan by the Trust or the **ETF** Series, issued and outstanding. Also, J.P. Morgan shall provide the Trust on a regular basis with the total number of **ETF** Shares authorized, issued and outstanding in respect of each **ETF** Series but shall not be responsible for, when recording the creation of **ETF** Shares, monitoring the creation of such shares or compliance with any laws relating to the validity of the creation or the legality of the sale of such shares.

D. Establish Procedures.

Procedures applicable to the transfer agent services to be performed hereunder may be established from time to time by agreement between the Trust and J.P. Morgan. J.P. Morgan shall have the right to utilize any shareholder accounting and record-keeping systems that, in its opinion, enables it to perform any services to be performed hereunder, provided that the usage does not compromise the confidentiality of the Trust' s records or otherwise breach this Agreement.

## AGENCY SERVICES AGREEMENT

## SCHEDULE B

INDEX RECEIPT AGENT SERVICES  
AND RELATED CUSTODY SERVICES FOR ETF SERIES

Following are the Index Receipt Agent services that shall be provided by J.P. Morgan for the Trust in respect of each Fund and their respective **ETF** Series. J.P. Morgan shall perform these services as Index Receipt Agent in conjunction with the custody services that are currently provided by J.P. Morgan, as Custodian, to each Fund under the terms of the Custody Agreement. J.P. Morgan shall be entitled to all the protective provisions in the Custody Agreement in respect of its duties and its performance as Index Receipt Agent and Custodian for the settlement of creations and redemptions of Creation Units of each **ETF** Series. If there are any inconsistencies between the terms of the Custody Agreement and the terms herein with respect to processing, clearance and the settlement of creation and redemption orders for **ETF** Shares of each **ETF** Series the terms herein shall govern. Unless otherwise defined in this Schedule B, defined terms will have the same meaning as set forth in Section I of this Agreement.

A. Index Receipt Agent Services.

1. J.P. Morgan, with the assistance of the Trust, shall make application to NSCC to be the Index Receipt Agent on behalf of the Trust and each **ETF** Series for the processing, clearance and the settlement of creation and redemption orders for **ETF** Shares of each **ETF** Series and Creation Deposits through the facilities of NSCC and DTC. The forgoing shall only applicable to US domestic ETFs that maintain DTC eligible baskets of securities. US domestic ETFs that maintain non-DTC eligible baskets of securities and US domiciled global ETFs will be processed via proprietary ETF servicing modules. However, J.P. Morgan shall continue to deliver the Portfolio Composition Files to the NSCC for further dissemination to market participants.
2. The Distributor, on behalf of the Trust, shall enter into an Authorized Participant Agreement with each Authorized Participant, which shall be delivered to the J.P. Morgan and which J.P. Morgan, in its capacity as Index Receipt Agent, shall acknowledge.
3. In connection with the procedures that may be established from time to time between J.P. Morgan and the Trust on behalf of each **ETF** Series for the processing, clearance and settlement of the creation and redemption of Creation Units through the Clearing Process, J.P. Morgan shall:

(a) (i) receive from the Investment Adviser daily, a computer generated file that is in form and substance acceptable to NSCC containing a list of the Deposit Securities (if applicable) for each ETF Series, (ii) receive from the Order Taker daily, a computer generated file that is in form and substance acceptable to NSCC containing the Balancing Amount and the Transaction Fee for each ETF Series and (iii) transmit both files (referenced in subparagraphs (i) and (ii) herein) as received to NSCC;

(b) receive from the Distributor on each trade date a computer generated file that is in form and substance acceptable to NSCC and that contains creation orders from Authorized Participants that have been received and accepted by the Distributor on behalf of the Trust and each **ETF** Series, for the creation of Creation Units against delivery of Deposit Securities and a Cash Component; transmit the file of creation orders as received from the Distributor to NSCC; receive back from NSCC the file of creation orders enhanced with NSCC generated prices for the Deposit Securities contained in the file and deliver the enhanced file to Custodian for settlement; and, pursuant to such creation orders, instruct the Transfer Agent to create the appropriate number of **ETF** Shares of the applicable **ETF** Series for deposit to the Custodian's DTC Participant Account;

(c) receive from the Distributor on each trade date a computer generated file that is in form and substance acceptable to NSCC and that contains redemption orders from Authorized Participants that have been received and accepted by the Distributor on behalf of the Trust for each Fund; transmit the file of redemption orders as received from the Distributor to NSCC; receive back from NSCC the file of redemption orders enhanced with NSCC generated prices for the Redemption Securities that are in the file and deliver the enhanced file to Custodian for settlement; and, pursuant to such redemption orders, instruct the Transfer Agent to redeem the appropriate number of **ETF** Shares of the applicable **ETF** Series in Creation Units and reduce the account of the Shareholder accordingly; and

(d) at the appropriate times, cause to be paid over to Authorized Participants Balancing Amounts on the creation or redemption of Creation Units, as instructed by the Distributor or the Trust on behalf of each **ETF** Series.

4. The Trust understands and agrees that all risk associated with the processing, clearance and settlement of the creation and redemption of **ETF** Shares, Deposit Securities and Redemption Securities and cash through the Clearing Process shall be that of the Trust and each **ETF** Series irrespective of whether in effecting such creations and redemptions for the Trust on behalf of each **ETF** Series through the Clearing Process, J.P. Morgan, as a member of NSCC, is acting as principal or as agent; and, in respect hereof, the Trust and each **ETF** Series, shall be bound by all the rules and procedures of NSCC and DTC as though it were the member or participant of such clearing and settlement systems.

**B. Outside the Clearing Process.**

1. The following transactions shall be handled Outside the Clearing Process:

- (i) any creation or redemption of Creation Units that the Trust, its Distributor or another authorized agent shall instruct J.P. Morgan to settle Outside the Clearing Process; J.P. Morgan will set up ETFs for processing, clearing and settlement within the Clearing Process or Outside of the Clearing Process. This set up is not subject to change on an ad hoc basis; and
- (ii) any security create that is part of a Creation Deposit or redemption of Creation Units and that according to NSCC rules is deemed to be ineligible for the Clearing Process, including securities that are not eligible to be settled through DTC.

2. All such transactions shall be effected by J.P. Morgan on a delivery-versus-payment and receive-versus-payment basis through DTC and according to DTC' s rules, and the Trust or the **ETF** Series shall provide to J.P. Morgan the information and terms that are necessary to settle each transaction, including the cash value of each security settlement, unless the Trust' s or the **ETF** Series' Instruction is that delivery is to be made free of payment; provided, however, that any security that is not DTC eligible shall be settled as a window delivery pursuant to street practice. All such transactions shall be effected by J.P. Morgan as Custodian and subject to the terms of the Custody Agreement. US fixed income securities that are not DTC eligible will be settled free of payment via the Fed or similar US clearing structure. Foreign equity and fixed income securities will be settled locally free of payment.

3. The Trust recognizes that fails to receive (including partial fails) may occur from time to time with respect to one or more of the security creates in a basket of Deposit Securities settled outside the Clearing Process, including but not exclusive to non-DTC eligible domestic ETFs, US-domiciled global fixed income ETFs and US-domiciled global equity ETFs. The Trust acknowledges and agrees that, whenever a fail to receive shall occur on a settlement date, J.P. Morgan will make available to the Trust a report that details such fails to receive and their value. The Trust will in turn instruct the necessary parties about the required collateral that will be delivered to J.P. Morgan by an Authorized Participant. J.P.Morgan will maintain a separate account that will be used for receipt of such collateral.

**C. Settlement of Cash Component.**

Any Cash Component to a particular transaction shall be handled over the funds transfer wire (Fedwire) or as part of J.P. Morgan' s overall daily net cash settlement at DTC.

**D. Creation Deposits through the Clearing Process: Allocation of Fails; Posting of Accounts.**

1. The Trust recognizes that fails to receive (including partial fails) may occur from time to time with respect to one or more of the security creates in a basket of Deposit Securities settled through the Clearing Process. The Trust acknowledges and agrees that, whenever a fail to receive shall occur on a settlement date, J.P. Morgan shall book

to a single control account maintained for all funds for which J.P. Morgan provides Index Receipt Agent services (the “Control Account”), the quantity of the security that it failed to receive (each such fail a “short receive position”) and the cash value of that short position that it receives from NSCC (and that NSCC, pursuant to its rules, marks to market daily) pending settlement. J.P. Morgan shall not post to any **ETF** Series account any cash that it receives from NSCC on a short receive position pending settlement.

J.P. Morgan shall make available to the Trust a daily listing of all short receive positions that are in the Control Account and that relate to any **ETF** Series. J.P. Morgan will allocate daily, on a pro-rata or other basis deemed by it to be fair and equitable, short receive positions in the same security that is common to the securities accounts of such **ETF** Series and to the securities accounts of such other funds for which J.P. Morgan is acting as Index Receipt Agent. The Trust agrees that any such allocation shall be conclusive on the Trust and the affected **ETF** Series. When the Deposit Securities that are subject of the short receive positions are received by J.P. Morgan, they will be credited by J.P. Morgan on a FIFO basis to the custody accounts of the applicable funds. J.P. Morgan shall not process a securities transaction in a security having a short receive position in the Control Account to the extent the Trust does not have a sufficient quantity of that security in its **ETF** Series accounts with J.P. Morgan to settle the transaction. Custodian shall post Deposit Securities to the applicable **ETF** Series custody accounts on a contractual settlement basis pursuant to the terms of the Custody Agreement.

2. Should a short receive position in a security remain in the Control Account for two (2) or more NSCC business days, the Trust may elect to instruct J.P. Morgan to exercise NSCC’ s buy-in rules with respect to that short position. If an **ETF** Series needs to sell a short security in its account, the Trust may request that J.P. Morgan exercise a buy-in of the short security under applicable NSCC rules.

E. Redemptions through the Clearing Process: Delivery Fails; Posting of Cash.

1. The Trust recognizes that on the redemption of Creation Units of an **ETF** Series through the Clearing Process J.P. Morgan, on behalf of the applicable **ETF** Series, is obligated to deliver to NSCC on the settlement date the required type and amount of Redemption Securities to redeem the Creation Units of the applicable **ETF** Series. It shall be the responsibility of the Trust and each **ETF** Series to maintain in the custody account the required type and amount of Redemption Securities for the redemption of Creation Units of each **ETF** Series. Should the custody account of an **ETF** Series for any reason (for example, through the Trust’ s participation in a securities lending program on behalf of the **ETF** Series) have a short position in respect of any of the securities creates comprising the basket of Redemption Securities (a “short delivery position”) with the result that, on settlement date, J.P. Morgan is unable to deliver a sufficient quantity of the Redemption Securities to NSCC, the Trust acknowledges that J.P. Morgan shall be obligated under NSCC’ s rules to fund the short delivery position with cash pending delivery of the quantity of securities needed to cover the short delivery position. J.P. Morgan shall be entitled to charge to the account of the applicable **ETF** Series the amount of cash needed to cover the short delivery position. In the event that J.P. Morgan

advances its own funds to cover an **ETF** Series short delivery position, J.P. Morgan, in its discretion, may charge the applicable **EFT** Series interest on the amount of the advance at the rate that J.P. Morgan charges for advances of a similar nature to similar customers of J.P. Morgan, unless J.P. Morgan and the Trust have mutually agreed in writing upon another rate.

2. In the event that J.P. Morgan shall have advanced its own funds to cover a short delivery position at NSCC for an **ETF** Series, J.P. Morgan shall have, to the extent of the amount of the advance, a security interest in the securities that remain in the **ETF** Series custody account and J.P. Morgan shall have all the rights and remedies of a secured party under the New York Uniform Commercial Code. Nothing herein or in the Custody Agreement shall be construed to mandate that J.P. Morgan, acting as Index Receipt Agent for the Trust and each **ETF** Series, effect redemptions of Creation Units where J.P. Morgan, acting in good faith, believes that it may not be repaid an advance by the Trust or the **ETF** Series or otherwise not receive from the **ETF** Series delivery of the Redemption Securities that are the subject of a short delivery position.

F Establish Procedures.

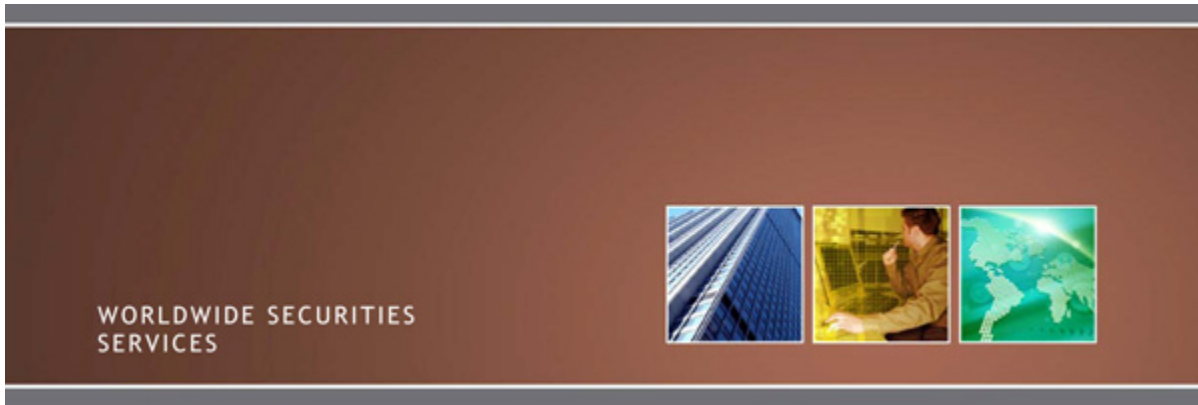
The Trust and J.P. Morgan, from time to time, may establish written procedures for the processing and settlement and related activities effected for **ETF** Shares of each **ETF** Series through the Clearing Process and Outside the Clearing Process.

**AGENCY SERVICES AGREEMENT**

**EXHIBIT A**

**LIST OF ETF SERIES**

1. FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund
2. FlexShares<sup>SM</sup> Morningstar Developed Ex-US Markets Factor Tilt Index Fund
3. FlexShares<sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund
4. FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund
5. FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund
6. FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund
7. FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund



**THIS AGREEMENT IS TO BE ONLY USED FOR THE PROVISION OF ADMINISTRATION SERVICES TO A UNITED STATES EXCHANGE-TRADED FUND**

ETF Fund Servicing Agreement - December 2010 version

J.P.Morgan



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ETF Fund Servicing Agreement -  
December 2010 version

**FORM OF ADMINISTRATION AGREEMENT**

This Agreement, dated [            ], [201    ], is between **FLEXSHARES TRUST**, a Maryland statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), with a place of business at 50 South LaSalle Street, Illinois, Chicago 60603 (the “Trust”), severally and for and on behalf of its series listed on Appendix A hereto (each a “Fund” and together the “Funds”) as the same may be amended from time to time and **JPMORGAN CHASE BANK, N. A.** with a place of business at One Beacon Street, Boston, Massachusetts 02108. (“J.P. Morgan”).

**1. Intention of the Parties; Definitions****1.1 Intention of the Parties.**

- (a) J.P. Morgan is a national association formed under the laws of the United States.
- (b) The Trust is an open-end management investment company whose Funds are registered under the Investment Company Act of 1940, with the purpose of investment of its assets in certain types of securities and instruments, as more fully described in the each Fund’ s Registration Statement, as amended from time to time.
- (c) The Customer has requested J.P. Morgan to provide Accounting and NAV Calculation Services and Fund Administration Services to the Funds, which J.P. Morgan has agreed to do subject to the terms and conditions appearing in this Agreement and the Schedules. J.P. Morgan will be responsible for the performance of only those duties set forth in this Agreement.
- (d) The terms and conditions of this Agreement are applicable only to the services which are specified in this Agreement. Other services are subject to separate terms and conditions, which J.P. Morgan will make available to the Customer upon request.

**1.2 Definitions; Interpretation.**

- (a) As used in this Agreement and the Schedules and Appendices to this Agreement, the following terms have the meaning hereinafter stated.

“**Accounting and NAV Calculation Services**” means the services described in Schedule 1.

“**Advisers Act**” means the Investment Advisers Act of 1940, as amended.

“**Affiliate**” means an entity controlling, controlled by, or under common control with, J.P. Morgan or Customer, as the case may be,

“**Applicable Law**” means any applicable statute, including the Investment Company Act of 1940, as amended. (the “**1940 Act**”), the Advisers Act, the Securities Act of 1933, as amended (“**1933 Act**”) and the Securities Exchange Act of 1934, as amended, (“**1934 Act**”) as well as any applicable statute, treaty, rule, regulation or common law and any applicable decree, injunction, judgment, order, formal interpretation or ruling issued by a court or governmental entity.

“**Articles**” means the Declaration of Trust of the Trust, as amended from time to time.

“**Authorized Person**” means any person who has been designated by the Customer (or by any agent designated by the Customer) to act on behalf of Customer or the Funds under this Agreement. Such persons will continue to be Authorized Persons until such time as J.P. Morgan receives, and has had reasonable time to act upon, Instructions from the Customer (or its agent) that any such person is no longer an Authorized Person.

“**Board**” means the board of trustees of the Trust.

“**Change**” has the meaning given in Section 2.6.

“**Change Control**” means the process set out in Section 2.6.

“**Change Request**” has the meaning given in Section 2.6.

“**Confidential Information**” means and includes all non-public information concerning the Customer and/or the Funds which J.P. Morgan receives in the course of providing services under this Agreement. Nevertheless, the term Confidential Information shall not include information which is or becomes available to the general public by means other than J.P. Morgan’s breach of the terms of this Agreement or information which J.P. Morgan obtains on a non-confidential basis from a person who is not known to be subject to any obligation of confidence to any person with respect to that information.

“**Customer**” means the Trust on behalf of each Fund.

“**Distributor**” means any entity acting as principal underwriter of the Funds.

“**Fees**” means the payments described in Article 4, to be made by the Customer to J.P. Morgan for the Services.

“**Fund Administration Services**” means the services described in Schedule 2.

“**Fund(s)**” means each series of the Trust listed on Exhibit A hereto, as may be amended from time to time.

“**Instruction**” means an instruction that has been verified in accordance with a Security Procedure or, if no Security Procedure is applicable, which J.P. Morgan believes in good faith to have been given by an Authorized Person.

“**Investment Adviser**” means any person or entity appointed as investment adviser or manager of any of the Funds, as described in the Registration Statement.

“**J.P. Morgan Indemnitees**” means J.P. Morgan and its affiliates and nominees, and their respective directors, officers, employees and agents.

“**Liabilities**” means any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys’, accountants’, consultants’ or experts’ fees and disbursements).

“**1940 Act**” means the Investment Company Act of 1940, as amended.

“**Prospectus**” means the prospectus of the applicable Fund as supplemented, updated or amended from time to time.

“**Registration Statement**” means the registration statement on Form N-1A of the applicable Fund, filed under the 1933 Act and the 1940 Act, as amended or supplemented, updated or amended from time to time.

“**SAI**” means the Statement of Additional Information of the Funds as supplemented, updated or amended from time to time.

“**SEC**” means the United States Securities and Exchange Commission.

“**Security Procedure**” means any security procedure to be followed by Customer upon the issuance of an Instruction and/or by J.P. Morgan upon the receipt of an Instruction, so as to enable J.P. Morgan to verify that such Instruction is authorized, as set forth in operating procedures documentation in effect from time to time between the parties with respect to the services set forth in this Agreement, or as otherwise agreed in writing by the parties. A Security Procedure may, without limitation, involve the use of algorithms, codes, passwords, encryption or telephone call backs and may be updated by J.P. Morgan from time to time upon notice to the Customer. Customer acknowledges that Security Procedures are designed to verify the authenticity of, and not detect errors in, Instructions. For the avoidance of doubt, the parties agree that a SWIFT message issued in the name of Customer through any third party utility agreed upon by the parties as being a method for providing Instructions and authenticated in accordance with that utility’ s customary procedures, shall be deemed to be an authorized Instruction.

“**Service Commencement Date**” means the first date on which J.P. Morgan is entitled to receive fees under this Agreement.

“**Services**” means the Accounting and NAV Calculation Services, and Fund Administration Services.

“**Shares**” means the shares issued by the Customer.

“**Shareholder**” means a holder of Shares.

- (b) Headings are for reference and convenience only and are not intended to affect interpretation.
- (c) References to Articles and Sections are to Articles and Sections of this Agreement and references to sub-sections and paragraphs are to sub-sections of the Sections and paragraphs of the sub-sections in which they appear.
- (d) Unless the context requires otherwise, references in this Agreement to “persons” shall include legal as well as natural persons; references importing the singular shall include the plural (and vice versa); use of the generic masculine pronoun shall include the feminine; use of the term “including” shall be deemed to mean “including but not limited to;” and references to appendices and numbered sections shall be to such addenda and provisions herein; all such addenda are hereby incorporated in this Agreement by reference.

## 2. What J.P. Morgan is Required to Do

### 2.1 The Services.

- (a) The Customer hereby appoints J.P. Morgan to act as administrator of and to provide the Services with respect to each of the Funds, subject to the

supervision of the Board, and J.P. Morgan agrees to act as administrator of and to provide the Services with respect to the Funds (subject to any limitations notified by the Customer to J.P. Morgan in writing and subject to any requirements or restrictions imposed on the performance of such functions by any statutory provisions for the time being in force), until this Agreement is terminated as hereinafter provided.

- (b) The Customer shall not permit the Registration Statement to be amended in any way inconsistent with the terms and conditions of the Agreement, unless otherwise required by Applicable Law.
- (c) J.P. Morgan shall act as agent of the Customer and/or the Funds solely with respect to the duties of J.P. Morgan described in this Agreement.
- (d) The Customer acknowledges that J.P. Morgan is not providing any legal, tax or investment advice in providing the Services.

## **2.2 No Duty to Monitor Compliance.**

Each party hereto acknowledges that the duty of J.P. Morgan in its capacity as the provider of any of the Services shall not constitute a duty to monitor the compliance of any other party hereto or their delegates or any other person whatsoever (other than J.P. Morgan or any of its Affiliates, agents or sub-contractors) with any restriction or guideline imposed on any of the Funds or the Investment Adviser by the Registration Statement and any other document, or by law or regulation or otherwise with regard to any of the Funds or the Investment Adviser, except as expressly set forth in this Agreement, (including Schedule 2 of the Agreement, pursuant to which J.P. Morgan agrees to assist the Funds with certain monitoring requirements) and further, that the duties of J.P. Morgan in its capacity as the provider of any of the Services, shall not extend to enforcing compliance of any of the Funds, the Investment Adviser, their respective delegates or any other person whatsoever (other than J.P. Morgan or any of its Affiliates, agents or sub-contractors) with any such restrictions or guidelines.

## **2.3 No Responsibility for Tax Returns.**

Notwithstanding anything herein to the contrary, while J.P. Morgan shall provide the Customer with information regarding taxable events in the United States in relation to the Customer and/or the Funds, J.P. Morgan is not responsible for preparing or filing any tax reports or returns on behalf of the Shareholders or the Funds except as expressly set forth in this Agreement (including in Schedule 2 of this Agreement, pursuant to which J.P. Morgan agrees to provide certain tax services).

## **2.4 Storage of Records.**

J.P. Morgan is authorized to maintain all accounts, registers, corporate books and other documents on magnetic tape or disc, or on any other mechanical or electronic system; provided that they are capable of being reproduced in legible form in accordance with Applicable Law. Where any Authorized Person, including any Fund' s auditor, wishes to inspect such documents maintained by J.P. Morgan, J.P. Morgan shall provide legible documents, for the discharge of the Fund' s and its auditors' legal and regulatory duties. The applicable Funds shall be responsible for the payment of any research and copying costs associated with any such request, in accordance with J.P. Morgan' s customary practices.

## 2.5 Compliance with Laws and Regulations.

J.P. Morgan will comply with Applicable Law in the United States with respect to the provision of the Services. The Customer undertakes to comply (and to cause the Funds to comply) with Applicable Law in the United States and in each state in which the Customer conducts business, to the extent that compliance with such Applicable Law is relevant to the provision or receipt of the Services or the marketing of the Funds.

## 2.6 Change Control.

- (a) If either party wishes to propose any amendment or modification to, or variation of, the Services (including the scope or details of the Services) (a “Change”) then it shall notify the other party of that fact by sending a request (a “Change Request”) to the party, specifying in as much detail as is reasonably practicable the nature of the Change. J.P. Morgan shall maintain a log of all Change Requests.
- (b) Promptly following the receipt of a Change Request the parties shall agree whether to implement the Change Request, whether the Fees should be modified in light of the Change, and the basis upon which J.P. Morgan will be compensated for implementing the Change Request.
- (c) If a change to Applicable Law requires a Change, the parties shall follow the Change Control processes set forth in this Section 2.6. J.P. Morgan shall bear its own costs with respect to implementing such a Change Request except that:
  - (i) J.P. Morgan shall be entitled to charge the Customer for any changes to software that have been developed or customized specifically for the Customer; and
  - (ii) J.P. Morgan shall be entitled to charge the Customer for any Changes required as a result of the change in Applicable Law affecting the Customer and/or any of its Funds in a materially different way than it affects J.P. Morgan’s other customers, or which the Customer wishes J.P. Morgan to implement in a way different from what J.P. Morgan reasonably intends to implement for its other customers.

## 3. Instructions

### 3.1 Acting on Instructions; Unclear Instructions.

- (a) The Customer authorizes J.P. Morgan to accept, rely upon and/or act upon any Instructions received by it without inquiry. The Customer will indemnify the J.P. Morgan Indemnitees against, and hold each of them harmless from, any Liabilities that may be imposed on, incurred by, or asserted against the J.P. Morgan Indemnitees as a result of any action or omission taken in accordance with any Instruction unless the Liabilities result from an act of negligence, fraud or willful misconduct on the part of a J.P. Morgan Indemnitee with respect to the manner in which such Instructions are followed.
- (b) J.P. Morgan shall promptly notify an Authorized Person or Shareholder, as applicable, if an Instruction does not contain all information reasonably necessary for J.P. Morgan to carry out the Instruction. J.P. Morgan may decline to act upon an Instruction if it does not receive clarification or confirmation satisfactory to it. J.P. Morgan will not be liable for any loss

arising from any reasonable delay in carrying out any such Instruction while it seeks such missing information, clarification or confirmation or in declining to act upon any Instruction for which it does not receive clarification reasonably satisfactory to it.

### **3.2 Verification and Security Procedures.**

- (a) J.P. Morgan and the Customer shall comply with any applicable Security Procedures with respect to the delivery or authentication of Instructions and shall ensure that any codes, passwords or similar devices are reasonably safeguarded.
- (b) J.P. Morgan may record any of its telephone communications, so long as such taping or form of recording is in compliance with Applicable Laws.

### **3.3 Instructions Contrary To Applicable Law/Market Practice.**

J.P. Morgan need not act upon Instructions which it reasonably believes to be contrary to Applicable Law or market practice but J.P. Morgan will be under no duty to investigate whether any Instructions comply with Applicable Law or market practice. In the event J.P. Morgan does not act upon such Instructions, J.P. Morgan will notify Customer where reasonably practicable

### **3.4 Cut-Off Times.**

J.P. Morgan has established cut-off times for receipt of certain Instructions, which will be made available to the Customer. If J.P. Morgan receives an Instruction (other than Instructions relating to a Share transaction, which shall be processed by J.P. Morgan as described in the Registration Statement) after its established cut-off time, J.P. Morgan will attempt to act upon the Instruction on the day requested if J.P. Morgan deems it practicable to do so or otherwise as soon as practicable after that day.

### **3.5 Electronic Access.**

Access by the Customer to certain applications or products of J.P. Morgan via J.P. Morgan's web site or otherwise shall be governed by this Agreement and the terms and conditions set forth in Annex A.

## **4. Fees and Expenses Owning to J.P. Morgan**

### **4.1 Fees and Expenses.**

- (a) The Customer will pay J.P. Morgan for the Services under this Agreement the fees as set forth in Schedule 3 hereto, or as otherwise agreed upon in writing between the Customer and J.P. Morgan from time to time.
- (b) In addition to the fees provided for above, the Customer shall be responsible for the payment of all the reasonable fees and disbursements of J.P. Morgan in connection with the establishment, and ongoing business of the Customer and/or any Fund, all governmental or similar fees, charges, taxes, duties and imposts levied in or by any relevant authority in the United States on or in respect of the



Customer and/or any Fund which are incurred by J.P. Morgan, and any other customary or extraordinary expenses. The Customer shall reimburse J.P. Morgan for any of the foregoing and for all reasonable out-of-pocket expenses including without limitation telephone, postage and stationery and expenses of a similar nature as J.P. Morgan may incur in the execution of its duties under this Agreement and including the reasonable costs and expenses, by the Customer's request or with the Customer's agreement, incurred by J.P. Morgan and its agents in determining the value of assets in connection with its duty as the calculator of the Net Asset Value of the Funds or any Shares and in connection with the performance of its duties pursuant to this Agreement.

- (c) Invoices will be payable within thirty (30) days of the date of the invoice. If the Customer disputes an invoice, it shall nevertheless pay on or before the date that payment is due such portion of the invoice that is not subject to a *bona fide* dispute. Without prejudice to J.P. Morgan's other rights, J.P. Morgan reserves the right to charge interest on overdue amounts from the due date until actual payment at such rate as J.P. Morgan customarily charges for similar overdue amounts. In the event that the Customer disputes a fee or fees for a particular billing period and it is determined by the parties that an adjustment of the fees in favor of the Customer is in order, interest shall not be charged on the amount of the fee that is the subject of such adjustment, provided that the adjusted amount due is paid promptly.

## 5. Additional Provisions

### 5.1 Representations of the Customer and J.P. Morgan.

- (a) The Customer represents and warrants that (i) assuming execution and delivery of this Agreement by J.P. Morgan, this Agreement is the Customer's legal, valid and binding obligation, enforceable against Customer in accordance with its terms, (ii) it has full power and authority to enter into and has taken all necessary corporate action to authorize the execution of this Agreement, and (iii) it has not relied on any oral or written representation made by J.P. Morgan or any person on its behalf, and acknowledges that this Agreement sets out to the fullest extent the duties of J.P. Morgan.
- (b) J.P. Morgan represents and warrants that (i) assuming execution and delivery of this Agreement by the Customer, this Agreement is J.P. Morgan's legal, valid and binding obligation, enforceable against J.P. Morgan in accordance with its terms and (ii) it has full power and authority to enter into and has taken all necessary corporate action to authorize the execution of this Agreement; (iii) no legal or administrative proceedings have been instituted or threatened against J.P. Morgan which would impair J.P. Morgan's ability to perform its duties and obligations under this Agreement; (iv) J.P. Morgan's execution and performance of this Agreement shall not cause a material breach or be in material conflict with any other agreement or obligation of J.P. Morgan or any law or regulation applicable to J.P. Morgan; (v) J.P. Morgan will comply with the Trust's portfolio holdings policy; and (vi) J. P. Morgan is not affiliated with any listing exchange or underlying index provider.

### 5.2 The Customer to Provide Certain Information to J.P. Morgan.

Upon request, the Customer will promptly provide to J.P. Morgan such information about itself and its financial status as J.P. Morgan may reasonably request, including the Articles and its current audited and unaudited financial statements, its Registration Statement and any contracts, regulatory documents or opinions (for informational purposes only) from a lawyer or accountant that relate to the Services described in this Agreement.

**5.3 Information Used to Provide the Service.**

The Customer agrees with J.P. Morgan that any information the Customer provides to J.P. Morgan pursuant to this Agreement shall be, to the Customer's knowledge, complete and accurate in all material respects to enable J.P. Morgan to perform its responsibilities pursuant to this Agreement.

**6. Where J.P. Morgan is Liable to the Customer or the Funds****6.1 Standard of Care; Liability.**

- (a) J.P. Morgan will use reasonable care in performing its obligations under this Agreement. J.P. Morgan will not be responsible for any loss or damage suffered by the Customer or the Funds with respect to any matter as to which J.P. Morgan has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud or willful misconduct on the part of J.P. Morgan or any J.P. Morgan Indemnitee.
- (b) J.P. Morgan will be liable for the Customer's and/or any Fund's direct damages to the extent they result from J.P. Morgan's or any J.P. Morgan Indemnitee's fraud, negligence, or willful misconduct in performing its duties as set out in this Agreement. Nevertheless, under no circumstances will J.P. Morgan be liable for any indirect, incidental, consequential or special damages (including, without limitation, lost profits or business) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought arising from J.P. Morgan's performance under this Agreement, or J.P. Morgan's role as a service provider to the Customer.
- (c) The Customer will indemnify the J.P. Morgan Indemnitees against, and hold them harmless from, any Liabilities that may be imposed on, incurred by or asserted against any of the J.P. Morgan Indemnitees by any third party in connection with or arising out of J.P. Morgan's performance under this Agreement, provided the J.P. Morgan Indemnitees have not acted with negligence or engaged in fraud or willful misconduct in connection with the Liabilities in question.

**6.2 Force Majeure.**

J.P. Morgan will maintain and update from time to time business continuation and disaster recovery procedures with respect to its global business that are required by Applicable Law and that it determines from time to time meet reasonable commercial standards. To the extent permitted by Applicable Law, J.P. Morgan will have no liability, however, for any damage, loss, expense or liability of any nature that the Customer or any of the Funds may suffer or incur, caused by an act of God, fire, flood, civil or labor disturbance, war, terrorism, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, , malfunction of equipment or software (except where such malfunction is primarily and directly attributable to J.P. Morgan's negligence in maintaining the equipment or software), failure of or the effect of rules or operations of any external funds transfer system, inability to obtain or

interruption of external communications facilities, or any cause beyond the reasonable control of J.P. Morgan; provided that J.P. Morgan has notified the Customer promptly when it becomes aware of a specific occurrence or event and has used its best efforts to resolve the effects of the specific occurrence or event.

### 6.3 J.P. Morgan May Consult with Counsel.

J.P. Morgan will be entitled to rely on, and may act upon the advice of professional advisors in relation to matters of law, regulation or market practice (which may be the professional advisors of the Customer or the Funds), and shall not be liable to Customer under this Agreement for any action taken or omitted pursuant to such advice provided that J.P. Morgan has acted with reasonable care.

### 6.4 Limitations of J.P. Morgan's Liability.

- (a) J.P. Morgan may rely on information provided to it by or on behalf of the Funds, or which was prepared or maintained by the Customer or any third party on behalf of the Funds, in the course of discharging its duties under this Agreement. J.P. Morgan shall not be liable to any person for any Liabilities suffered by any person as a result of J.P. Morgan: (i) having relied upon the authority, accuracy, truth or completeness of such information including, without limitation, information supplied to J.P. Morgan by the Customer or by the Investment Adviser or any third party which is not an Affiliate or subcontractor of J.P. Morgan, including but not limited to, information in relation to trades in respect of the Funds or expenses of the Funds; (ii) having relied upon the authority, accuracy, truth and completeness of information furnished to J.P. Morgan by any pricing services, data services, or provider of other market information or information concerning securities held by the Funds.
- (b) J.P. Morgan shall not be liable for any error in data that is transitioned to J.P. Morgan at the time it begins to provide the Services with respect to the Funds provided however that J.P. Morgan:
- (i) shall use reasonable efforts to mitigate any Losses arising as a result of any such error of which it is aware; and
  - (ii) shall notify the Customer as soon as practicable after becoming aware of the error.
- J.P. Morgan shall be entitled to reasonable compensation, at its customary hourly rates, for the remediation efforts needed to correct any such error in data.
- (c) J.P. Morgan shall not be liable for any losses resulting from a failure by any person (other than an Affiliate or subcontractor of J.P. Morgan or any J.P. Morgan Indemnitee) to provide J.P. Morgan with any information or notice that is reasonably necessary for the provision of the Services provided however that the losses do not result from an act of negligence, fraud or willful misconduct on the part of the Affiliate, subcontractor or J.P. Morgan Indemnitee. J.P. Morgan shall use reasonable efforts to find alternative sources of information in the event of any such failure. In the event of any such failure that may affect the performance of the Services, J.P. Morgan shall promptly notify the Customer.
- (d) J.P. Morgan shall not be liable for any Liabilities whatsoever incurred or suffered by any party hereto, whether on their own account or for the account of the Funds, as a result of the failure of the Customer or its agents, officers or employees to comply with the laws or regulations of any jurisdiction in which Shares are offered.

- (e) J.P. Morgan's responsibilities with respect to the correction of an error in calculating the net asset value of any Fund shall be subject to the NAV correction policy and procedures attached to this Agreement as Appendix A to Schedule 1 of this Agreement.
- (f) The Customer agrees that the accounting reports provided by J.P. Morgan, as well as any share class or other similar reports, are to enable the Customer to fulfill its statutory reporting and investor subscription/redemption obligations, and are not for investment, treasury or hedging purposes.

## 7. Term and Termination

### 7.1 Term and Termination.

This Agreement shall be in effect for an initial term of three years from the Services Commencement Date (the "Initial Term"). The Agreement will automatically renew for additional one year periods effective from the first anniversary of the date of the end of the Initial Term of this Agreement, unless and until a valid termination notice is given by the Customer or J.P. Morgan at least sixty (60) days prior to the end of the applicable term.

### 7.2 Other Grounds for Termination.

- (a) In the event of the termination of the Global Custody Agreement or the Agency Services Agreement between J.P. Morgan and the Customer, the Customer or J.P. Morgan may terminate this Agreement in whole or in part and cease to provide the Services simultaneously with the transition of the assets of the respective Funds to a successor custodian. In the event that any such termination occurs prior to the end of the Initial Term, the Customer shall pay J.P. Morgan an early termination fee in an amount equal to six (6) times the average monthly Fee paid by Customer during the preceding six (6) months (an "Early Termination Fee"), unless the Customer's termination of the Global Custody Agreement or Agency Services Agreement was for material breach. No Termination Fee will be charged in the event that the Customer or any Fund(s) are liquidated during the Initial Term.
- (b) Either party at any time may terminate this Agreement without penalty immediately upon written notice to the other party following the occurrence of any of the following:
  - (i) the other party being declared bankrupt, entering into a composition with creditors, obtaining a suspension of payment, being put under court controlled management or being the subject of a similar measure;
  - (ii) a relevant federal or state authority withdrawing its authorization of either party; or
  - (iii) the other party committing any material breach of this Agreement, the Global Custody Agreement and/or Agency Services Agreement and failing to remedy such breach within 30 days of being given written notice of the material breach, unless the parties agree to extend the period to remedy the breach.

**7.3 Consequences of Termination.**

Termination of this Agreement under the provisions of this Article 7 will be without prejudice to the performance of any party' s obligations under this Agreement with respect to all outstanding transactions at the date of termination.

**7.4 Transition following Termination.**

As soon as reasonably practicable following its resignation or termination of appointment becoming effective and subject to payment of any amount owing to J.P. Morgan under this Agreement, J.P. Morgan agrees to transfer such records and related supporting documentation as are held by it under this Agreement, to any replacement provider of the Services or to such other person as the Customer may direct. Except as otherwise provided in Section 7.2(b), J.P. Morgan will provide the Services until a replacement administrator is in place subject to the terms and conditions of this Agreement (including Article 4). J.P. Morgan will also provide reasonable assistance to its successor, for such transfer, subject to the payment of such reasonable expenses and charges as J.P. Morgan customarily charges for such assistance. The Customer undertakes to use its best efforts to appoint a new administrative service provider as soon as possible.

**8. Miscellaneous****8.1 Notices.**

Notices required under this Agreement shall be sent or served by registered mail, overnight delivery services, such as Federal Express (FedEx) or United Parcel Service (UPS), etc., courier services or hand delivery to the address of the respective parties as set out on the first page of this Agreement, unless notice of a new address is given to the other party in writing. Notice will not be deemed to be given unless it has been received.

**8.2 Successors and Assigns.**

This Agreement will be binding on each of the parties hereto and their respective successors and permitted assigns, but the parties agree that neither party can assign its rights and obligations under this Agreement without the prior written consent of the other party; except J.P. Morgan may assign this Agreement without Customer' s consent to any Affiliate or subsidiary of J.P. Morgan. Notwithstanding the foregoing, J.P. Morgan may not assign this Agreement under any circumstances without the prior approval of the Customer' s Board of Trustees.

**8.3 Entire Agreement.**

This Agreement, including the Schedules, Appendices and Annexes, sets out the entire Agreement between the parties in connection with the subject matter, and this Agreement supersedes any other agreement, statement, or representation relating to the Services under this Agreement, whether oral or written. Amendments must be in writing and signed by both parties.

**8.4 Insurance.**

The Customer acknowledges that J.P. Morgan will not be required to maintain any insurance coverage specifically for the benefit of the Customer or the Funds. J.P. Morgan will, however, provide summary information of its own general insurance coverage, to the Customer upon written request.

**8.5 Governing Law and Jurisdiction.**

This Agreement will be construed, regulated and administered under the laws of the United States or State of New York, as applicable, without regard to New York's principles regarding conflict of laws, except that the foregoing shall not reduce any statutory right to choose New York law or forum. The United States District Court for the Southern District of New York will have the sole and exclusive jurisdiction over any lawsuit or other judicial proceeding relating to or arising from this Agreement. If that court lacks federal subject matter jurisdiction, the Supreme Court of the State of New York, New York County will have sole and exclusive jurisdiction. Either of these courts will have the proper venue for any such lawsuit or judicial proceeding, and the parties waive any objection to venue or their convenience as a forum. The parties agree to submit to the jurisdiction of any of the courts specified and to accept service of process to vest personal jurisdiction over them in any of these courts.

**8.6 Severability; Waiver; and Survival.**

(a) If one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect on the basis of any particular circumstances or in any jurisdiction, the validity, legality and enforceability of such provision or provisions under other circumstances or in other jurisdictions and of the remaining provisions will not in any way be affected or impaired.

(b) Except as otherwise provided herein, no failure or delay on the part of either party in exercising any power or right under this Agreement operates as a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or waiver of any breach or default, is effective unless it is in writing and signed by the party against whom the waiver is to be enforced.

(c) The parties' rights, protections, and remedies under this Agreement shall survive its termination.

**8.7 Confidentiality.**

(a) Subject to Section 8.7(b), J.P. Morgan will hold all Confidential Information in confidence and will not disclose any Confidential Information except as may be required by Applicable Law, a regulator with jurisdiction over J.P. Morgan's or Funds business, or with the prior consent of the Customer.

- (b) Subject to prior notice to the Customer, the Customer authorizes J.P. Morgan to disclose Confidential Information to the extent that J.P. Morgan believes such disclosure is reasonably necessary to provide relevant services to the Funds to:
- (i) any service providers and/or vendors to the Funds;
  - (ii) its professional advisers, auditors or public accountants;
  - (iii) its Affiliates; and
  - (iv) any revenue authority or any governmental entity.
- (c) Except as otherwise required by Applicable Law or as needed to enforce the terms of this Agreement, the parties shall hold the terms and conditions of this Agreement, including, without limitation, any commercial terms, in confidence.
- (d) Immediately upon: (i) termination of this Agreement; and/or (ii) a written request by Customer at any time (which will be effective if actually received by J.P. Morgan), J.P. Morgan will return to Customer (as requested by Customer) any Confidential Information still in J.P. Morgan's possession and capable of being returned or destroy any Confidential Information (as requested by Customer); provided that J.P. Morgan shall be permitted to retain media and materials containing Confidential Information of Customer hereto for customary archival and audit purposes (including with respect to regulatory compliance) subject to the terms of this Agreement. Customer may request and J.P. Morgan shall provide upon request an attestation certifying the return or destruction of Confidential Information in a form the parties mutually agree to.

#### **8.8 Use of Names.**

The Customer agrees not to use (or permit the use of) J.P. Morgan's name in any document, publication or publicity material relating to the Customer or the Funds, including but not limited to notices, sales literature, stationery, advertisements, etc., without the prior consent of J.P. Morgan (which consent shall not be unreasonably withheld), provided that no prior consent is needed if the document in which J.P. Morgan's name is used merely states that J.P. Morgan is acting as administrator to the Funds and that J.P. Morgan shall consent to all uses of its name required by the SEC, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

J.P. Morgan shall not refer to or use the names "FlexShares" or "Northern Trust," in any offering material, shareholder report, advertisement or other material relating to J.P. Morgan, other than for the purpose of merely identifying and describing Services provided to Customer hereunder, in a manner not approved by the Customer in writing prior to such use; provided, however, that the Customer shall consent to all uses of its name required by the SEC, any state securities commission, or any federal or state regulatory authority; and provided, further, that in no case shall such approval be unreasonably withheld.

#### **8.9 Delegation.**

J.P. Morgan may delegate to a reputable agent any of its functions herein. However, J.P. Morgan will remain liable and responsible to the Funds for any such delegation to the same extent J.P. Morgan would be liable under this Agreement had no such delegation occurred. J.P. Morgan will not delegate any of its Services herein without the prior written consent of the Customer, which consent shall not be unreasonably withheld or delayed .

**8.10 Third Party Rights.**

A person who is not a party to this Agreement shall have no right to enforce any term of this Agreement.

**8.11 Counterparts.**

This Agreement may be executed in several counterparts each of which will be deemed to be an original and together will constitute one and the same agreement.

**8.12 SEVERAL OBLIGATIONS OF THE FUNDS.**

This Agreement is executed on behalf of the Board as Trustees and not individually, and the obligations of this Agreement are not binding upon any of the Customer' s Trustees, officers or shareholders personally but are binding only upon the assets and property of the Customer. With respect to the obligations of each Fund arising hereunder, J.P. Morgan shall look for payment or satisfaction of any such obligation solely to the assets of the Fund which such obligation relates as though J.P. Morgan had separately contracted by separate written instrument with respect to each Fund, and in no event shall J.P. Morgan have recourse, by set off or otherwise, to or against any assets of any other Fund.

AS WITNESS the hand of the duly authorized officers of the parties hereto:

**FLEXSHARES TRUST**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**JPMORGAN CHASE BANK, N. A.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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## SCHEDULE 1

## Accounting and NAV Calculation Services

## A. Definitions

## 1. Definitions.

As used in this Agreement and the Schedules and Appendices to this Agreement, the following terms have the meaning hereinafter stated:

“**Accounting Records**” means the official books and records which are maintained by J.P. Morgan with respect of the Funds, including in accordance with Applicable Law.

“**Administrator**” the entity appointed as the administrator of the Customer and/or Funds under this Agreement.

“**Basket**” means the in-kind deposit of a designated portfolio of equity or debt securities required to be delivered for a Creation Unit.

“**Business Day**” means a day on which the New York Stock Exchange is open for Business.

“**Cash Component**” means the balancing cash due with each creation or redemption of a Creation Unit, i.e., the difference between the aggregate value of the securities in a Basket and the total value of the Creation Unit.

“**Creation Unit**” means a bundle of shares created or redeemed on a continuous basis in a large, specified number at net asset value.

“**Custodian**” means the entity appointed as the custodian of the Funds, as notified by the Customer to J.P. Morgan in writing.

“**Daily**” means, in relation to an activity, that it is repeated on each Business Day.

“**NAV**” means, in relation to any of the Funds, the net asset value per Share for that Fund.

“**NAV Error**” has the meaning given in Appendix A.

“**Order Taker**” means the entity appointed as order taker of the Funds, as notified by the Customer to J.P. Morgan in writing.

“**Portfolio Composition File**” (or “**PCF**”) means the securities, share quantities, and or cash that would be required to effect a Creation or Redemption on the next trading day by an Authorized Participant. The PCF file shall include Deposit Securities and Redemption Securities (each as defined in the Agency Agreement) for each Fund, as applicable, as well as the Balancing Amount (as defined in the Agency Agreement) and/or cash component.

“**Transfer Agent**” means J.P. Morgan acting in the capacity as transfer agent for the Customer.

“**Valuation File**” (or “**VF**”) means the portfolio of securities, share quantities

and cash inclusive of non-deliverable assets such as futures, swaps and short equity holdings that are held, in a creation unit size, by the Fund. The file may contain the names, identifiers and number of shares of each security, the types of instruments, and such other information as agreed with the Customer.

“Valuation Procedures” means the procedures to be followed by J.P. Morgan with respect to valuation of the Funds’ securities, as agreed by the parties.

## 2. Interpretation.

Capitalized terms which are defined in the main body of this Agreement shall be defined as provided in the main body unless otherwise defined in this Schedule.

## B. Fund Accounting

### 1. Maintenance of Accounting Records.

(a) J.P. Morgan shall maintain the following Accounting Records in accordance with U.S. generally accepted accounting principles:

- (i) journals containing an itemized Daily record of all purchases and sales of securities, all receipts and disbursements of cash and all other debits and credits;
- (ii) general and auxiliary ledgers reflecting all asset, liability, reserve, capital, income and expense accounts, including interest accrued and interest received;
- (iii) separate ledger accounts; and
- (iv) a monthly trial balance of all ledger accounts (except shareholder accounts)

(b) J.P. Morgan shall update the Accounting Records to reflect completed Share transactions as notified to it by the Order Taker on a total aggregate basis.

(c) J.P. Morgan shall provide maintenance on behalf of the Funds of all books (in accordance with GAAP and Tax Basis) and records which the Funds are, or may be, required to keep and maintain pursuant to any applicable statutes, rules, regulations, including without limitation Rules 31a-1 and 31a-2 under the 1940 Act.

### 2. Distributions.

(a) **Daily Distributing Funds:** J.P. Morgan will compute each Fund’ s net income and capital gains, dividend payables, dividend factors and agreed upon rates and yields.

(b) **Non-Daily Dividend Funds:** J.P. Morgan will record Fund distributions as notified to it by the Funds’ Administrator.

**3. Assistance to Auditors.**

J.P. Morgan shall provide reasonable cooperation and assistance to the auditors of the Funds, including without limitation by providing copies of extracts of the Accounting Records and other documentation which is maintained by J.P. Morgan on behalf of the Funds as reasonably required by such auditors to carry out their functions. The Customer and/or the Investment Adviser shall coordinate all requests for assistance by auditors.

**C. Fund Valuations****1. NAV Calculation and Reporting.**

- (a) J.P. Morgan shall perform NAV calculations in accordance with:
  - (i) the Prospectus;
  - (ii) the 1940 Act;
  - (iii) Valuation Procedures and the Trust' s Policy Regarding the Correction of Net Asset Value Pricing Errors adopted by the Trust' s Board of Trustees; and
  - (iv) Instructions which are consistent with J.P. Morgan' s operating model, provided that, in the cases of (iii) and (iv), they are consistent with (i) and (ii).
- (b) J.P. Morgan shall perform the following NAV calculation functions Daily, unless otherwise agreed with the Customer:
  - (i) recording all security transactions including appropriate gains and losses from the sale of Fund securities applying dual sell selection methodology such that highest "book" cost applied to market trades and lowest "book" cost applied to in-kind redemption trades;
  - (ii) recording each Fund' s (or class' ) capital share activities based upon Share Transactions received by the Order Taker;
  - (iii) accounting for and recording interest income, amortization/accretion income and dividend income and distributions made be each Fund;
  - (iv) accruing Fund (or class) expenses according to instructions received from the Funds' Administrator;
  - (v) recording all corporate actions affecting securities held by each Fund;
  - (vi) determining the outstanding receivables and payables for all (1) security trades, (2) Share transactions; and (3) income and expense accounts; and
  - (vii) obtaining security prices from independent pricing services, or if such quotes are unavailable, obtaining such prices from the Funds' Investment Adviser or its designee, as approved by the Board.
  - (viii) sending the daily PCF to the Customer as directed.
  - (ix) calculating the estimated and actual Cash Component of the PCF and transmitting it as directed by the Customer.
  - (x) differentiating between and track gains/losses from redemption in kind trades and gains/losses from market trading;

- (xi) creating for each Fund, the PCF file on any given business day and transmitting the PCF file to NSCC daily;
- (xii) If required, on a daily basis providing on T+1 portfolio holdings publicly available for each Fund for population by the Trust on a website designated by the Trust, including names and numbers of shares held of each specific security together with the specific types of financial instruments and characteristics of same, money market instruments and amount of cash held in the portfolio of each Fund.
- (xii) Any additional reporting agreed to between J.P. Morgan and the Trust necessary to support the Trust's website.

(c) J.P. Morgan shall review daily the net asset value calculation for each Fund, check and confirm the net asset values for reasonableness and deviations, and report confirmed NAV calculations to

- (i) the Investment Adviser;
- (ii) the Order Taker; and
- (iii) such third parties as agreed with the Customer.

## 2. NAV Errors.

Subject to Applicable Law and notwithstanding additional duties of J.P. Morgan as furthermore described in Appendix A to this Schedule:

- (a) J.P. Morgan shall report all NAV Errors to the Customer and designated Officers of the Trust promptly upon discovery.
- (b) The Customer shall ensure that all errors in NAV calculations identified by it, or by the Investment Adviser, are reported to J.P. Morgan as soon as reasonably practicable following discovery.
- (c) J.P. Morgan shall correct NAV Errors as and when required by Appendix A to this Schedule.

## D. Reconciliations of Securities Positions and Cash and/or Currency Balances

- 1 J.P. Morgan shall reconcile its records of securities positions and cash and/or currency balances of the relevant Fund to the records of the relevant Custodian, and shall perform similar reconciliations to the relevant source with respect to other material investment assets or liabilities. Daily cash and weekly position reconciliations will be performed unless otherwise agreed with the Customer.
- 2 In cases where an Affiliate of J.P. Morgan is not the appointed Custodian for a Fund, the Customer shall ensure that the Custodian shall provide J.P. Morgan with timely, accurate and complete records of securities position and cash and/or currency balances to J.P. Morgan for each Fund. The Customer also shall ensure that the relevant source shall provide J.P. Morgan with timely, accurate and complete records of any other material investment assets or liabilities for each Fund.

**E. Standard Reporting**

J.P. Morgan shall make available, including by internet, to Customer, a standard set of reports as agreed with the Customer, including all reports necessary or appropriate in connection with Trust' s quarterly Board meetings and annual audit.

**F. Services Requiring Separate Arrangements****1. Non-Standard Services and Reports.**

Additional services and special reports are available by arrangement between the Customer and J.P. Morgan under the terms and conditions of this Agreement (other than adjustments in compensation as may be agreed). The non-standard services and special reports will be subject to the Change Control processes set forth in Section 2.6.

**2. Messaging/Communication.**

Unless otherwise agreed in accordance with the Change Control process set forth in Section 2.6, all information delivered to J.P. Morgan (including but not limited to trade flows and reconciliation reports) shall be via J.P. Morgan' s standard means of electronic communication.

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**APPENDIX A****Net Asset Value Error Correction Policy and Procedures**

1. As used in this Agreement and the Schedules and Appendices to this Agreement, the following terms have the meaning hereinafter stated:

“**NAV Error**” is defined as one or more errors in the computation of net asset value which, when considered cumulatively, result in a difference between the originally computed NAV calculation and the corrected NAV calculation of at least \$0.010 per share. This computation is based upon the actual difference and is not based upon the rounding of the NAV calculation to the nearest cent per share.

The term “**responsible person**” means a person who, by virtue of negligence, fraud, or willful misconduct, or otherwise, caused or contributed to an NAV Error.
2.
  - (a) In the event of an NAV Error J.P. Morgan and the Customer shall comply with the Customer’ s Policy Regarding the Correction of Net Asset Value Pricing Errors adopted by the Customer’ s Board of Trustees (the “Policy”). The Customer will be responsible for obtaining any reimbursements due in accordance with this Agreement from the responsible person or persons.
  - (b) In cases where J.P. Morgan is not the responsible person with regard to a NAV Error, J.P. Morgan shall be entitled to reasonable compensation for the work it performs with respect to the remediation of the NAV Error.
  - (c) In cases where a NAV Error has occurred, the Customer, pursuant to the Customer’ s Policy, will instruct the Transfer Agent to reprocess each Authorized Participant’ s Creation and/or Redemption transactions occurring during the NAV Error period by adjusting only the corresponding dollar amounts associated with the transactions, at the expense of the responsible person or persons.

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**SCHEDULE 2****Fund Administration Services****A. Portfolio Compliance Service.**

1. Subject to the timely availability of accurate data, J.P. Morgan will perform testing of the Fund' s portfolio compliance:
  - (i) on a daily basis with respect to such investment restrictions and other regulatory requirements as are agreed in writing by the Customer and J.P. Morgan.
  - (ii) on a quarterly basis with respect to the requirements of Section 851 of the Internal Revenue Code and applicable Treasury Regulations for qualification as a regulated investment company; andwill report its findings to the Customer from time to time as agreed between the parties, including at least on quarterly basis in connection with Board meetings (the "**Portfolio Compliance Service**").
2. J.P. Morgan is providing the Portfolio Compliance Service as a reporting service to the Customer to assist it in the oversight of the Funds and is not acting in a fiduciary capacity for the Funds. Accordingly, J.P. Morgan shall have no liability for any Liabilities (including investment losses) incurred by the Customer or any Fund resulting from the reliance by the Customer (or any other person) on the accuracy or completeness of the Portfolio Compliance Service unless as result of negligence, fraud or willful misconduct of J.P. Morgan or its affiliates or sub-contractors.

For avoidance of doubt, J.P. Morgan' s Portfolio Compliance Services will include the following:

- (i) Prepare quarterly reports listing any known material compliance violations that occurred;
- (ii) Monitor and test each Fund' s compliance with such investment restrictions and other regulatory requirements, as may be agreed to among the Funds' investment adviser, J.P. Morgan and each Fund as necessary to meet industry regulations (e.g., issuer or industry diversification, etc.);
- (iii) Prepare brokerage commission reports for review by the Funds' investment adviser;
- (iv) Provide access to compliance records and compliance tracking systems;
- (v) Develop, maintain, and monitor a compliance calendar for the Trust;
- (vi) Assist in monitoring best execution by providing quarterly brokerage commission

**B. Financial Reporting Services.**

J.P. Morgan will prepare the reports and filings below for the review and approval by the Customer' s officers and will file such documents with the SEC upon receipt of approval from the Customer' s officers.

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1. Coordinate, prepare and review each Fund' s financial statements (annual and semiannual), in accordance with all applicable rules and regulations, including:
  - (i) Schedules of Investments;
  - (ii) Statements of Assets and Liabilities;
  - (iii) Statements of Operations;
  - (iv) Statements of Changes in Net Assets;
  - (v) Financial Highlights; including expense ratios and portfolio turnover rates;
  - (vi) Notes to Financial Statements;
  - (vii) Review of other Financial Data included in annual and semi-annual reports;
  - (viii) Fund performance information;
  - (ix) Tax disclosure information;
  - (x) Supplemental premium/discount charts (e.g. Net Asset Value compared to the midpoint between the bid-ask spread);
  - (xi) Trustees and Officers information;
  - (xii) Expense Examples;
  - (xiii) Portfolio Holdings; and can incorporate Index Composition Data sent by Customer )
2. Coordinate, , and review (3<sup>rd</sup> Party Printer would prepare and file) SEC Form N-CSR Filings, including certifications by fund officers, if applicable, subject to review and approval by the Principal Financial Officer of the Trust.
3. Coordinate, prepare, review, and filing of Form N-SAR.
4. Prepare, coordinate and review Form N- Q for all Funds.
5. Prepare, review and coordinate the financial highlights for the prospectus.
6. Prepare the annual Rule 24f-2 Notice. (to be completed by JPM Reg Services)
7. **Additional Services.**

The following services are available by arrangement between the Customer and J.P. Morgan (and subject to additional fees): pro forma statements and in-house type-setting and publishing.



## C. Tax Services

J.P. Morgan will provide the following tax services, subject to the review and approval of the Customer, the Investment Adviser and/or the Funds' auditors.

1. **Preparation of Certain Documents:** J.P. Morgan shall prepare the following for review and approval by the Customer:
  - (i) Fiscal and excise tax provisions in accordance with the Internal Revenue Code and applicable rules and regulations;
  - (ii) Federal (Form 1120-RIC), state income tax return for state of incorporation of Customer (or additional states as agreed, subject to additional fees) and excise tax returns (Form 8613) (including filings by extended due dates) and file;
  - (iii) Year end re-characterizations, such as return of capital, foreign tax credit, qualified dividend income and tax exempt percentages for Form 1099-DIV;
  - (iv) Provide support for all applicable data required for year end shareholder reporting requirements, such as income by state, income by country, treasury income;
  - (v) On an annual basis, calculation of income/capital gain distributions (in compliance with income/excise tax distribution requirements) in accordance with the Internal Revenue Code and any applicable rules and regulations
  - (vi) All items regarding liquidations or mergers, including completion of the final tax provisions, returns and calculations of all tax attributes.
  - (vii) Quarterly tax exempt asset test and annual foreign security asset test
  - (viii) Tax equalization calculations on an annual basis.
  - (ix) Prepare and review one tax basis income estimate, including capital gains, during each Fund's excise year.

2. **Financial Statement Support:**

J.P. Morgan will support the Funds' financial statement process by preparing and reviewing the following:

- (i) Return of Capital Statement of Position (ROC SOP) disclosure.
- (ii) Tax Footnote disclosure that involves tax cost of investments, ROC SOP reclassification, tax character of distributions (comparative table - prior year and current year), distributable earnings, capital loss carry forward (and if applicable, post October loss).
- (iii) 60 day notice information required by the Tax Code for foreign tax credit, long-term capital gain designation, tax exempt income, dividend received deduction, qualified dividend income, qualified interest income, and qualified short-term gain.

3. **Additional Services.**

The following services are available by arrangement between the Customer and J.P.

Morgan (and subject to additional fees): REMIC OID calculations, accelerated fiscal or excise tax reporting, additional wash sales processing and analysis (to be performed by GainsKeeper), Passive Foreign Investment Company ("PFIC") identification services (to be performed by Ernst & Young's PFIC analyzer product, pursuant to a contractual engagement by Customer with Ernst & Young), mutually agreed upon-tax consulting, assistance with Internal Revenue audits or audits conducted by state taxing authorities, assist and test for ownership charges (based upon mutually agreed upon procedures) and determine personal holding company status, as deemed necessary.

#### **D. Regulatory Services**

J.P. Morgan will perform the following services subject to the review and approval of the Customer and its legal counsel.

1. **Prospectus/Statement of Additional Information Updates.**

J.P. Morgan will prepare for review by the Customer post-effective amendments to the Registration Statement for annual update purposes and file with the SEC; prepare draft response to SEC comments and file response letter when a post-effective amendment includes material changes; prepare and file prospectus and statement of additional information stickers as required and coordinate printing and distribution thereof.

2. **Other Regulatory Filings.**

- (a) **Fidelity Bond:** J.P. Morgan shall obtain a copy of the Customer's fidelity bond from the Customer's insurance broker, and prepare and file with the SEC annually.
- (b) **Form N-PX:** J.P. Morgan shall obtain the Funds' proxy voting record information from the vendor designated by the Customer, prepare a draft Form N-PX for review by the Customer and act as liaison with the Customer's financial printer with respect to its filing.

3. **Board Materials.**

J.P. Morgan shall prepare for review by the Customer and its legal counsel a production schedule, notice, agenda and all routine Board materials, including Board memoranda and resolutions for regular quarterly Board meetings and distribute the materials to all necessary parties. An officer of J.P. Morgan will attend the Board meetings and draft the minutes thereof for review by the Customer and its legal counsel. J.P. Morgan shall maintain the minutes of all meetings in the corporate records of the Funds.

4. **Calendars.**

J.P. Morgan shall maintain an annual calendar of Board and Committee meetings and all required SEC filings.

**E. General Administration Services****1. Board Materials.**

J.P. Morgan will prepare or compile Fund performance and expense information, financial reports, and compliance data and information for inclusion in the

regular quarterly Board meeting materials. In this regard, J.P. Morgan will:

- (a) Prepare or compile performance and expense information, financial reports, and compliance data and information for inclusion in the Trust's regular quarterly Board meeting materials;
- (b) Prepare quarterly Board meeting time and responsibility chart;
- (c) Prepare all quarterly Board materials, minutes and agendas and assist in preparation of narrative materials such as memoranda on routine items and new regulatory developments, subject to review by Trust counsel;
- (d) Prepare all Board minutes subject to review by Trust counsel;
- (e) Prepare special Board meeting and organizational Board meeting materials;
- (f) Coordinate Board book production and distribution;
- (g) Coordinate the provision of certain 1940 Act Section 15(c) materials and fee comparison reporting, subject to the direction and oversight of the investment adviser for the Trust;
- (h) Maintain calendar and files for all Board and shareholder meeting materials; and
- (i) Coordinate and facilitate distribution of trustee/officer questionnaires including audit committee financial expert questionnaire, subject to review and approval by Trust counsel and respond to trustees/officers questions relating thereto. Coordinate and facilitate distribution of questionnaires and other materials to trustees/officers regarding board self-assessment, as provided by Trust counsel.
- (j) Initiate and coordinate execution of Board approved documents as necessary.

**2. Dividend Distributions.**

J.P. Morgan will calculate dividend distributions in accordance with the Funds' distribution policies and assist the Investment Adviser in making final determinations of distribution amounts.

**3. Expense Accruals.**

J.P. Morgan will prepare Fund or class expense projections, establish accruals and review on a periodic basis, including expenses based on a percentage of average daily net assets (e.g., management, advisory and administrative fees) and expenses based on actual charges annualized and accrued daily (e.g. audit fees, registration fees, directors' fees). For the avoidance of doubt, J.P. Morgan's services in this regard will include:

- (i) Prepare Fund budgets and calculate expense ratio projections on a monthly or more frequent basis as needed;
- (ii) Monitor expense accruals including expenses based on a percentage of average daily net assets (e.g., management, advisory and administrative fees) and expenses based on actual charges annualized and accrued daily (audit fees, registration fees, directors' fees, etc.) for adequacy and make adjustments as needed

- (iii) Calculate contractual Trust expenses and monitor all Funds' expense ratios;
- (iv) Implement and determine methodology for allocating expenses within the Trust;
- (v) Calculate and monitor fee waivers, if necessary, under any Expense Limitation Agreement approved by the Board of Trustees; and
- (vi) Prepare, calculate, review and coordinate fee table and fee example information and disclosures for the prospectus.

4. **Expense Payments.**

Upon Instruction by the Customer' s officer, J.P. Morgan will arrange for the payment of each Fund' s (or class' ) expenses. For avoidance of doubt, J.P. Morgan' s services in this regard will include:

- (i) Review invoices directed to the funds and effect payments as appropriate;
- (ii) Calculate Trust expense allocations when appropriate;
- (iii) Arrange, if directed by the appropriate client Fund officers, for the payment by wire of a Fund' s expenses;
- (iv) Prepare form 1099-MISC for fund expense payments, including Trustees' fees; and
- (v) Provide expense details to the Funds' investment adviser for periodic review.
- (vi) Assist in the verification of the appropriateness of all Fund expenses including out-of-pocket costs charged to the Funds,

5. **Reports.**

J.P. Morgan will report Fund performance to outside statistical service providers as instructed by the Investment Adviser.

6. **Chief Compliance Officer Support.**

J.P. Morgan will provide annual representation letters in connection with Customer' s obligations under Rule 38a-1 under the 1940 Act and liaise with the Funds' Chief Compliance Officer as necessary.

7. **SEC Examinations.**

J.P. Morgan will provide support and coordinate communications and data collection of records and documents held by J.P. Morgan on the Funds' behalf, with respect to routine SEC regulatory examinations of the Funds. Prepare draft responses to examinations with respect to information in the possession of J. P. Morgan or which implicate J. P. Morgan services provided to the Funds.

8. **Non-Executive Officers.**

J.P. Morgan will furnish appropriate non-executive officers for the Customer, such as assistant treasurers and secretaries.

**SCHEDULE 3**

**Remuneration**

[To be agreed by the parties]

ETF Fund Servicing Agreement -  
December 2010 version

## ANNEX A

## Electronic Access

1. J.P. Morgan may permit the Customer and its Authorized Persons to access certain electronic systems, applications and Data (as defined below) in connection with the Agreement (collectively, the “Products”). J.P. Morgan may, from time to time, introduce new features to the Products or otherwise modify or delete existing features of the Products in its sole discretion. J.P. Morgan shall endeavor to give the Customer reasonable notice of its termination or suspension of access to the Products, but may do so immediately if J.P. Morgan determines, in its sole discretion, that providing access to the Products would violate Applicable Law or that the security or integrity of the Products is at risk. Access to the Products shall be subject to the Security Procedures
2. In consideration of the fees paid by the Customer to J.P. Morgan and subject to any applicable software license addendum in relation to J.P. Morgan-owned or sublicensed software provided for a particular application and Applicable Law, J.P. Morgan grants to the Customer a non-exclusive, non-transferable, limited and revocable license to use the Products and the information and data made available through the Products (the “Data”) for the Customer’s internal business use only. The Customer may download the Data and print out hard copies for its reference, provided that it does not remove any copyright or other notices contained therein. The license granted herein will permit use by Customer’s Authorized Person, provided that such use shall be in compliance with the Agreement, including this Annex.
3. The Customer acknowledges that there is security, corruption, transaction error and access availability risks associated with using open networks such as the internet, and the Customer hereby expressly assumes such risks. The Customer is solely responsible for obtaining, maintaining and operating all software (including antivirus software, anti-spyware software, and other internet security software) and personnel necessary for the Customer to access and use the Products. All such software must be interoperable with J.P. Morgan’s software. Each of the Customer and J.P. Morgan shall be responsible for the proper functioning, maintenance and security of its own systems, services, software and other equipment.
4. In cases where J.P. Morgan’s web site is unexpectedly down or otherwise unavailable, J.P. Morgan shall, absent a force majeure event, provide other appropriate means for the Customer or its Authorized Persons to instruct J.P. Morgan or obtain reports from J.P. Morgan. J.P. Morgan shall not be liable for any Liabilities arising out of Customer’s use of, access to or inability to use the Products via J.P. Morgan’s web site in the absence of J.P. Morgan’s gross negligence, fraud or willful misconduct.
5. Use of the Products may be monitored, tracked, and recorded. In using the Products, the Customer hereby expressly consents to such monitoring, tracking, and recording. Individuals and organizations should have no expectation of privacy unless local law, regulation, or contract provides otherwise. J.P. Morgan shall own all right, title and interest in the data reflecting Customer usage of the Products or J.P. Morgan’s web site (including, but not limited to, general usage data and aggregated transaction data). J.P. Morgan may use and sublicense data obtained by it regarding the Customer’s use of the Products or J.P. Morgan’s website, as long as J.P. Morgan does not disclose to others that the Customer was the source of such data or the details of individual transactions effected using the Products or web site.
6. The Customer shall not knowingly use the Products to transmit (i) any virus, worm, or destructive element or any programs or data that may be reasonably expected to interfere with or disrupt the Products or servers connected to the Products; (ii) material that violates the rights of another, including but not limited to the intellectual property rights of another; and (iii) “junk mail”, “spam”, “chain letters” or unsolicited mass distribution of e-mail.

ETF Fund Servicing Agreement -  
December 2010 version

7. The Customer shall promptly and accurately designate in writing to J.P. Morgan the geographic location of its users upon written request. The Customer further represents and warrants to J.P. Morgan that the Customer shall not access the service from any jurisdiction which J.P. Morgan informs the Customer or where the Customer has actual knowledge that the service is not authorized for use due to local regulations or laws, including applicable software export rules and regulations. Prior to submitting any document which designates the persons authorized to act on the Customer' s behalf, the Customer shall obtain from each individual referred to in such document all necessary consents to enable J.P. Morgan to process the data set out therein for the purposes of providing the Products.
8. The Customer will be subject to and shall comply with all applicable laws, rules and regulations concerning restricting collection, use, disclosure, processing and free movement of the Data (collectively, the "Privacy Regulations"). The Privacy Regulations may include, as applicable, the Federal "Privacy of Consumer Financial Information" Regulation (12 CFR Part 30), as amended from time to time, issued pursuant to Section 504 of the Gramm-Leach-Bliley Act of 1999 (15 U.S.C. §6801, et seq.), the Health and Insurance Portability and Accountability Act of 1996 (42 U.S.C. §1320d), The Data Protection Act 1998 and Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to processing of personal data and the free movement of such data.
9. The Customer shall be responsible for the compliance of its Authorized Persons with the terms of the Agreement, including this Annex.

ETF Fund Servicing Agreement -  
December 2010 version

**FLEXSHARES TRUST****FORM OF SUBLICENSE AGREEMENT**

This Sublicense Agreement (the "Agreement") is entered into as of \_\_\_\_\_, 2011, by and between Northern Trust Investments, Inc., an Illinois state bank (the "Adviser"), and FlexShares Trust (the "Licensee"), a Maryland statutory trust.

WHEREAS, the Adviser, through licenses ("Licenses") with index providers (each an "Index Provider and together the "Index Providers"), has the right to license the indexes, trademarks and service marks (the "Indexes and Marks") listed in Schedule A, for use in connection with the exchange-traded fund products listed in Schedule B (the "Products"); and

WHEREAS, Licensee desires to use the Indexes and Marks in connection with the distribution of the Products and the Adviser is willing to grant Licensee a license for such use.

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, and for good and valuable consideration set forth in the Agreement, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **GRANT OF LICENSE.** The Adviser grants Licensee an exclusive, non-transferable, non-sublicensable, royalty-free right and license to use and refer to the Indexes and Marks in connection with the creation, issuance, trading and marketing of the Products pursuant to the terms and conditions of this Agreement.

2. **OWNERSHIP AND VALIDITY.** Licensee acknowledges Index Providers' ownership of the entire right, title and interest in and to the Indexes and Marks and Licensee's use shall inure to the sole benefit of the applicable Index Provider.

3. **OBLIGATION.** Licensee acknowledges that it has received and read a copy of the applicable License Agreement for each Index and Mark and agrees to be bound by the provisions thereto other than the obligations to pay fees, which shall be paid by the Adviser.

4. **TERM.** This Agreement shall become effective upon the execution of this Agreement by both parties and remain in effect unless terminated by either party as provided herein.

5. **TERMINATION.** This Agreement shall terminate with respect to a particular Index or Mark if: (a) the applicable License with respect to the Index or Mark expires or terminates; (b) the Adviser or one of its affiliates or successors ceases to exercise investment discretion over the applicable Product in its capacity as investment adviser; (c) the Trust terminates the Product relating to such Index or Mark; or (d) the Adviser or its permitted affiliates ceases to be a subsidiary of Northern Trust Corporation. The Adviser shall promptly notify the Licensee of the occurrence of an event described in Sections 5(a) or 5(d) hereof. Upon termination of this Agreement with respect to such Index or Mark, the Licensee's right to use the Index or Mark shall terminate consistent with the termination provisions of the applicable License.



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6. **ENTIRE AGREEMENT.** This Agreement sets forth the entire Agreement and the understanding between the parties. No modification or amendment of this Agreement shall be valid or binding unless made in writing and signed on behalf of the parties by their duly authorized officers or representatives.

7. **EXECUTION.** This Agreement may be executed simultaneously with any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8. **GENERAL PROVISIONS.**

(a) A party may not assign this Agreement and/or any of its rights and/or obligations hereunder, except to an affiliate or successor in interest, without the prior written consent of the other party, and any attempted assignment by a party requiring the consent of the other party which is made by the assigning party without the other party's prior written consent shall be null and void.

(b) No change in, addition to or waiver of any of the provisions of this Agreement shall be binding upon either party unless in writing signed by an authorized representative of such party. No waiver by either party of any breach by the other party of any of the provisions of this Agreement shall be construed as a waiver of that or any other provision on any other occasion.

(c) It is expressly acknowledged and agreed that the obligations of the Trust hereunder shall not be binding upon any of the shareholders, Trustees, officers, employees or agents of the Trust, personally, but shall bind only the trust property of the Trust, as provided in its Agreement and Declaration of Trust. The execution and delivery of this Agreement have been authorized by the Trustees of the Trust and signed by an officer of the Trust, acting as such, and neither such authorization by such Trustees nor such execution and delivery by such officer shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, but shall bind only the trust property of the Trust as provided in its Agreement and Declaration of Trust.

(d) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Illinois, without regard to its conflict of law provisions.

(e) In any event any one or more of the provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall remain in effect and the Agreement shall be read as though the offending provision had not been written or as the provision shall be determined by such court to be read.

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IN WITNESS WHEREOF, the Adviser and Licensee have caused this Agreement to be duly executed on their behalf in the manner legally binding upon them.

NORTHERN TRUST INVESTMENTS, INC.

Signature: \_\_\_\_\_

By:

Title:

FLEXSHARES TRUST

Signature: \_\_\_\_\_

By:

Title:

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SCHEDULE A

**Underlying Indexes**

**Name of Index**

Morningstar® Global Upstream Natural Resources Index<sup>SM</sup>  
Morningstar® US Market Factor Tilt Index<sup>SM</sup>  
Morningstar® Developed ex-US Markets Factor Tilt Index<sup>SM</sup>  
Morningstar® Emerging Markets Factor Tilt Index<sup>SM</sup>  
iBoxx 3-Year Target Duration TIPS Index  
iBoxx 5-Year Target Duration TIPS Index  
iBoxx 7-Year Target Duration TIPS Index

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SCHEDULE B

**FlexShares Trust**

**Name of Fund**

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Developed ex-US Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Emerging Markets Factor Tilt Index Fund  
FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund  
FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund  
FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

Drinker Biddle & Reath LLP  
One Logan Square, Ste. 2000  
Philadelphia, PA 19103-6996  
(215) 988-2700 (Phone)  
(215) 988-2757 (Facsimile)  
www.drinkerbiddle.com

September 1, 2011

FlexShares Trust  
50 South LaSalle Street  
Chicago, IL 60603

Re: Registration Statement on Form N-1A/Issuance of Shares

Ladies and Gentlemen:

We have acted as counsel for FlexShares Trust, a Maryland statutory trust (the "Trust"), organized under an Agreement and Declaration of Trust dated May 13, 2010, as amended and restated June 28, 2011 (the "Declaration of Trust"), in connection with the registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Investment Company Act of 1940, as amended, pursuant to a Registration Statement ("Registration Statement") on Form N-1A (File Nos. 333-173967; 811-22555), of the Trust's shares of beneficial interest, which are divided into five portfolios (together, "Funds") designated as follows: FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund; FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund; FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund; FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund; and FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund. Shares of beneficial interest of the Funds are referred to hereinafter as "Shares." The Trust is authorized to issue an unlimited number of Shares in each of the Funds.

We have examined the originals or copies, certified or otherwise identified to our satisfaction, of the Trust's Declaration of Trust and By-Laws, the Registration Statement, and the resolutions adopted by its Trustees (the "Resolutions") relating to the authorization of the sale and issuance of the Shares in a continuous public offering, and have considered such other legal and factual matters as we have deemed appropriate.

In all cases, we have assumed the legal capacity of each natural person signing the Registration Statement, the genuineness of signatures, the authenticity of documents submitted to us as originals, the conformity to authentic original documents of documents submitted to us as copies and the accuracy and completeness of all corporate records and other information made available to us by the Trust. As to questions of fact material to this opinion, we have relied upon the accuracy of the certificates and other comparable

documents of officers and representatives of the Trust, upon statements made to us in discussions with the Trust's management and upon statements and certificates of public officials.

This opinion is based exclusively on the substantive laws of the State of Maryland and the federal laws of the United States of America. In rendering our opinion, we have relied on the attached opinion of Venable LLP to the extent that any matter which is the subject of this opinion is governed by the laws of the State of Maryland. We express no opinion as to the laws of any state other than the State of Maryland or as to state securities laws, including the securities laws of the State of Maryland.

Based upon the foregoing and subject to the qualifications, limitations and assumptions stated herein, we are of the opinion that the issuance of the Shares has been duly authorized and, when and if issued against payment of net asset value therefor in accordance with the Resolutions and the Registration Statement, the Shares will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as part of the Trust's Registration Statement on Form N-1A. Except as provided in this paragraph, the opinion set forth above is expressed solely for the benefit of the addressee hereof in connection with the matters contemplated hereby and may not be relied upon by, or filed with, any other person or entity or for any other purpose without our prior written consent.

We hereby consent to the use of our name and to the references to our Firm under the caption "Other Information - Counsel" in the Statement of Additional Information included in the Registration Statement. This consent does not constitute a consent under Section 7 of the 1933 Act, and in consenting to the use of our name and the references to our Firm under such caption we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under said Section 7 or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ DRINKER BIDDLE & REATH LLP

DRINKER BIDDLE & REATH LLP

Venable® LLP  
750 E. Pratt Street, Suite 900  
Baltimore, MD 21202  
T (410) 244-7400  
F (410) 244-7742  
www.venable.com

September 1, 2011

FlexShares Trust  
50 South LaSalle Street  
Chicago, Illinois 60603

Re: Registration Statement on Form N-1A:  
1933 Act File No. 333-173967  
1940 Act File No. 811-22555

Ladies and Gentlemen:

We have served as Maryland counsel to FlexShares Trust, a Maryland statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company (the “Trust”), in connection with certain matters of Maryland law arising out of the registration and issuance of an indefinite number of shares (the “Shares”) of beneficial interest, par value \$.0001 per share, of the Trust classified and designated in the five series listed on Exhibit A hereto, covered by the above-referenced Registration Statement (the “Registration Statement”), filed by the Trust with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “1933 Act”), and the 1940 Act.

In connection with our representation of the Trust, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the “Documents”):

1. The Prospectus and Statement of Additional Information with respect to the Shares, which form part of the Registration Statement, substantially in the form transmitted to the Commission under the 1933 Act and the 1940 Act;
2. The Certificate of Trust of the Trust, certified by the State Department of Assessments and Taxation of Maryland (the “SDAT”);
3. The Declaration of Trust of the Trust, certified as of the date hereof by an officer of the Trust;

4. The Bylaws of the Trust, certified as of the date hereof by an officer of the Trust;

5. Resolutions adopted by the Board of Trustees of the Trust (the "Resolutions") relating to the authorization of the sale and issuance of the Shares in a continuous public offering, certified as of the date hereof by an officer of the Trust;

6. A certificate executed by an officer of the Trust, dated as of the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Trust) is duly authorized to do so.

3. Each of the parties (other than the Trust) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that the issuance of the Shares has been duly



authorized and, when and if issued and delivered against payment of net asset value therefor in accordance with the Resolutions and the Registration Statement, the Shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with federal or state securities laws, including the securities laws of the State of Maryland, or the 1940 Act.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ VENABLE LLP

VENABLE LLP

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**Exhibit A**

FlexShares<sup>SM</sup> Morningstar US Market Factor Tilt Index Fund

FlexShares<sup>SM</sup> Morningstar Global Upstream Natural Resources Index Fund

FlexShares<sup>SM</sup> iBoxx 3-Year Target Duration TIPS Index Fund

FlexShares<sup>SM</sup> iBoxx 5-Year Target Duration TIPS Index Fund

FlexShares<sup>SM</sup> iBoxx 7-Year Target Duration TIPS Index Fund

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Pre-Effective Amendment No. 2 to Registration Statement No. 333-173967 on Form N-1A of our report dated September 1, 2011, relating to the statement of assets and liabilities of FlexShares™ iBoxx 3-Year Target Duration TIPS Index Fund, a series of FlexShares Trust, appearing in the Statement of Additional Information, which is a part of such Registration Statement. We also consent to the reference to us under the heading “Independent Registered Public Accounting Firm”, also appearing in the Statement of Additional Information.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
September 1, 2011

Northern Trust Corporation  
50 South LaSalle Street  
Chicago, IL 60603

August 23, 2011

FlexShares Trust  
50 South LaSalle Street  
Chicago, IL 60603

Ladies and Gentlemen:

This letter serves as an offer to purchase two thousand (2000) shares (the "Seed Capital Shares") of the FlexShares i-Boxx 3-Year Target Duration TIPS Index Fund, a series of FlexShares Trust (the "Trust"), for the sum of one hundred thousand dollars (\$100,000.00). This letter will confirm that Northern Trust Corporation ("we") is purchasing the Seed Capital Shares for the purpose of providing the initial capitalization of the Trust as required by the Investment Company Act of 1940, as amended. We are purchasing for our own account for investment purposes only and have no present intention of redeeming or reselling the Seed Capital Shares.

Sincerely,

NORTHERN TRUST CORPORATION

/s/ Stephen N. Potter

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Stephen N. Potter  
Executive Vice President

Accepted and Agreed:

FlexShares Trust

By: /s/ Peter K. Ewing

---

Peter K. Ewing  
Vice President

**DISTRIBUTION AND SERVICE PLAN****FlexShares Trust**

1. The Trust. FlexShares Trust (the “Trust”) is an open-end investment company registered under the Investment Company Act of 1940 (the “1940 Act”), and organized as a series trust (each such series, a “Fund” and together, the “Funds”).

2. The Plan. The Trust desires to adopt a plan of distribution pursuant to Rule 12b-1 under the 1940 Act with respect to the shares of beneficial interest (“Shares”) of the Funds, and the Board of Trustees of the Trust (the “Board”) has determined that there is a reasonable likelihood that adoption of this Plan will benefit each such Fund and its holders of Shares (“Shareholders”). Accordingly, the Trust has adopted this Plan on behalf of each Fund to enable such Fund to directly or indirectly bear expenses relating to the distribution of Shares of the Fund.

3. The Distributor. The Trust has entered into a written Distribution Agreement with Foreside Fund Services, LLC (the “Distributor”), pursuant to which the Distributor will act as the exclusive distributor with respect to the creation and distribution of creation unit size aggregations of shares described in the Funds’ registration statement (“Creation Units”) of each Fund.

4. Payments. The Trust may pay the Distributor a monthly fee to reimburse the Distributor for actual amounts expended to finance any activity primarily intended to result in the sale of Creation Units of a Fund or the provision of investor services. The Trust also may pay other service providers for services rendered in connection with the sale and promotion of Shares and the furnishing of services to Shareholders. Such services include, but are not limited to: (i) marketing and promotional services, including advertising; (ii) printing and distributing to persons other than current Shareholders the reports, prospectuses, notices and similar materials that are prepared by the Trust for current Shareholders; (iii) preparing, printing and distributing any sales literature used in connection with the offering of the Shares which is not covered by (ii) above; (iv) the promotion and sale of the Shares, including travel, communications and the compensation of sales personnel; and (v) distribution and shareholder support assistance.

Amounts paid or payable by a Fund under this Plan or any agreement related hereto shall not exceed .25% (twenty-five basis points) of the Fund’ s average daily net assets.

As of the end of a Fund’ s fiscal year, the expenses incurred in connection with the sale and promotion of the Shares and the furnishing of services to Shareholders, as described above, may exceed .25% of the Fund’ s average daily net assets. Although the Fund is not permitted to pay any such excess expenses during that same fiscal year, such excess expenses may be reimbursed during any of the Fund’ s subsequent three fiscal years, *provided and to the extent that* the current expenses plus the excess expenses do not exceed the .25% limitation for that subsequent year. Such reimbursement must be approved by a majority of the Board of Trustees, including a majority of the Qualified Trustees (defined below in paragraph 8). All or any portion of such excess expenses may be reimbursed by the Fund during any one or more of the three subsequent fiscal years.

5. Effective Date. This Plan shall not take effect with respect to any Fund until it has been approved (a) by a vote of at least a majority of the outstanding voting securities of the Shares of such Fund, if adopted after the public offering of such Shares; and (b) together with any related agreements, by votes of the majority of both (i) the Trustees of the Trust and (ii) the Qualified Trustees (as defined in paragraph 8 below), cast in person at a Board of Trustees meeting called for the purpose of voting on this Plan or such agreement.

6. Term. This Plan shall continue in effect for a period of more than one year after it takes effect, only for so long as such continuance is specifically approved at least annually in the manner provided in paragraph 5 above for the approval of this Plan.

7. Agreements Relating to the Plan. All agreements with any person relating to implementation of this Plan shall be in writing, and any agreement related to this Plan shall provide (a) that such agreement may be terminated at any time, without payment of any penalty, by the vote of a majority of the Qualified Trustees or by the vote of a majority of the outstanding voting securities of the Shares of the Funds, on not more than 60 days written notice to any other party to the agreement; and (b) that such agreement shall terminate automatically in the event of its assignment. This Plan shall not obligate the Trust or any other party to enter into an agreement with any particular person.

8. Qualified Trustees. As used in this Plan, (a) the term “Qualified Trustees” shall mean those Trustees of the Trust who are not interested persons of the Trust, and have no direct or indirect financial interest in the operation of this Plan or any agreements related to it, and (b) the terms “assignment” and “interested person” shall have the respective meanings specified in the 1940 Act and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission.

9. Reports. Any person authorized to direct the disposition of monies paid or payable by the Trust pursuant to this Plan or any related agreement shall provide to the Trustees of the Trust, at least quarterly, a written report of the amounts so expended and the purposes for which such expenditures were made. Such report shall include any division or allocation of expenses between or among Funds.

10. Records. The Trust shall preserve copies of this Plan, each agreement related hereto and each report referred to in paragraph 9 hereof for a period of at least six years from the date of the Plan, agreement and report, the first two years in an easily accessible place.

11. Severability. If any provision of the Plan shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of the Plan shall not be affected thereby.

12. Amendments. This Plan may not be amended to increase materially the amount of distribution expenses permitted pursuant to paragraph 4 above without the approval of Shareholders holding a majority of the outstanding voting securities of the Shares of the Funds, and all material amendments to this Plan shall be approved in the manner provided in Part (b) of paragraph 5 above for the approval of this Plan.

13. Termination. This Plan may be terminated at any time by the vote of a majority of the Qualified Trustees or by vote of a majority of the outstanding voting securities of the Shares of the Funds.

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14. Independent Trustees. While this Plan is in effect, the selection and nomination of those Trustees who are not interested persons of the Trust within the meaning of Section 2(a)(19) of the 1940 Act shall be committed to the discretion of the Trustees then in office who are not interested persons of the Trust.

Adopted: July 14, 2011

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**FLEXSHARES TRUST**

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned, being a Trustee of FlexShares Trust, a statutory trust organized under the laws of the State of Maryland (the "Trust"), does hereby make, constitute and appoint Craig R. Carberry, Diana E. McCarthy, Shundrawn A. Thomas and Peter K. Ewing, and each of them, attorneys-in-fact and agents of the undersigned with full power and authority of substitution and resubstitution, in any and all capacities, to execute for and on behalf of the undersigned any and all filings and amendments to the Trust's Registration Statements on Form N-1A and Form 8-A relating to the shares of the Trust and any other documents and instruments incidental thereto, and to deliver and file the same, with all exhibits thereto, and all documents and instruments in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing that said attorneys-in-fact and agents, and each of them, deem advisable or necessary to enable the Trust to effectuate the intents and purposes hereof, and the undersigned hereby fully ratifies and confirms all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed his or her name this 14<sup>th</sup> day of July 2011.

/s/ Sarah N. Garvey

Sarah N. Garvey

/s/ Philip G. Hubbard

Philip G. Hubbard

/s/ Eric T. McKissack

Eric T. McKissack



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(215) 988-2757 (Facsimile)  
www.drinkerbiddle.com

September 1, 2011

VIA EDGAR TRANSMISSION

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: FlexShares Trust (811-22555; 333-173967)

Ladies and Gentlemen:

Filed herewith electronically via EDGAR is Pre-Effective Amendment No. 2 to the Registration Statement on Form N-1A (the "Amendment") of the FlexShares Trust (the "Trust"). The Amendment is being filed pursuant to the Securities Act of 1933, as amended, and the applicable rules thereunder, and the Investment Company Act of 1940, as amended, and the applicable rules thereunder.

The Amendment is being filed to add information and revise disclosure. We request that the Securities and Exchange Commission declare the Registration Statement on Form N-1A, including Pre-Effective Amendments thereto, effective September 6, 2011 or as soon thereafter as is reasonably practicable.

As requested in the Staff's generic comment letter dated February 25, 1994, we note for your information that shares of the Trust are marketed in part through banks.

Questions and comments may be directed to me at (215) 988-1137, or in my absence, Jillian Bosmann at (215) 998-3307.

Very truly yours,

/s/ Mary Jo Reilly

Mary Jo Reilly

Enclosures

cc: Craig R. Carberry, Esq.  
Diana McCarthy, Esq.