

## 408(b)(2) Service Provider Compensation Disclosure Statement

This disclosure is being provided in accordance with the United States Department of Labor final regulation under Section 408(b)(2) of the Employee Retirement Income Security Act of 1974 (ERISA). Daiwa Capital Markets America Inc. (“DCMA”) earns compensation in connection with services provided to retirement plans. Certain fees may be considered “direct compensation” or “indirect compensation” for purposes of the section 408(b) (2) regulation 29 C.F.R. § 2550.408b-2(c) (1) (IV) (C).

It is important that fiduciaries of retirement plans understand the services that DCMA provides, and the related compensation DCMA expects to receive for those services from retirement plan clients or third parties. You should consider the following important information in connection with the services to be provided by DCMA, as a covered service provider to an employee benefit plan that is a covered plan under Section 408(b)(2) of ERISA (Plan).

**We do not expect to provide services to plan clients as either a fiduciary (as that term is defined in ERISA) or as an investment adviser registered under either the Investment Adviser Acts of 1940 or any State law.**

**If you are a client of an introducing broker, you should contact your introducing broker for any required disclosures.**

Required Information	Line of Business	Applicable Disclosure
<b>Description of Services</b>	Cash Equity Securities	DCMA may provide execution services as a broker in connection with the purchase and sale of equity securities executed on an agency basis.
	Futures	As further described in a plan client's Institutional Futures Client Account Agreement or similar agreement and any Futures Client Account Application, disclosure statements, and notices (collectively, the "Futures Agreement"), DCMA may provide services as either an executing broker and/or clearing broker in connection with the purchase and sale of Futures Contracts (as that term is defined in the Futures Agreement).
	OTC Clearing	As further described in a plan client's Futures Agreement as supplemented by the Cleared Derivatives Transactions Addendum (the "Cleared Derivatives Addendum") DCMA may act as a clearing member in connection with certain over the counter derivatives transactions.
<b>Direct Compensation</b>	Cash Equity Securities	We charge a commission for trades that we execute as broker for your account on an agency basis. The total amount of the brokerage commission will be confirmed in writing after the trade is executed. Commissions charged for equity securities trades vary but generally do not exceed \$0.05 per share transacted.
	Futures	We will generally receive a commission with respect to any trade for which we act as broker or clearing broker. The commissions and any other similar charges a plan client pays will be set forth in the Futures Agreement (including any fee schedule related thereto) or otherwise provided in writing (including electronically) to you.

	OTC Clearing	We will generally receive a commission with respect to any trade for which we act as clearing member. The commissions and any other similar charges will be set forth in the Futures Agreement as supplemented by the Cleared Derivatives Addendum (including any fee schedule related thereto) or otherwise provided in writing (including electronically) to you.
<b>Indirect Compensation</b>	Cash Equity Securities	The following arrangements and practices may constitute indirect compensation: In connection with executing transactions in the marketplace, we route orders to national securities exchanges, alternative trading systems, electronic communications networks, and broker-dealers ("Market Centers"). Certain of these Market Centers offer monetary credits for orders that provide liquidity and assess charges for orders that take liquidity. Whether a Market Center offers us a net credit or assesses us a net charge is determined based on the overall volume of business that we transact with the applicable Market Center over a given period (typically a month) and is not individually based on the activity of any particular account. In addition, we participate in the options order flow programs that are sponsored by various options exchanges and approved by the Securities and Exchange Commission ("SEC"). These exchange-sponsored programs offer payments for listed option orders that are directed to such options markets. When handling equity security orders, we pursue different execution strategies across multiple Market Centers consistent with our best execution obligation, taking into account market conditions, client instructions, liquidity dynamics and price improvement opportunities.
		<p>These Market Centers competitively employ different and frequently revised pricing schedules with respect to charges, credits and other payments. As a result, it is not possible to predict with reasonable certainty the amount of indirect compensation, if any, that may be received with respect to your particular orders. In accordance with SEC Rule 606, we disclose, on a quarterly basis, the top Market Centers to which we route customer orders for execution. Please see our disclosure at <a href="https://www.daiwacm.com/disclosure-documents/sec-rule-605-and-606/">us.daiwacm.com/disclosure-documents/sec-rule-605-and-606/</a> and a description of the material aspects of our relationships with Market Centers. In general, we expect annually to incur charges (rather than receive credits) across Market Centers on a net basis with respect to the aggregate business we transact over such period. Further information on the charge/credit schedules for Market Centers can be found at the following websites:</p> <p><b>Options &amp; Equities</b></p> <p><i>CBOE:</i>  <a href="https://www.cboe.com/us/options/notices/fee_schedule/">https://www.cboe.com/us/options/notices/fee_schedule/</a>  <a href="https://www.cboe.com/us/options/membership/fee_schedule/">https://www.cboe.com/us/options/membership/fee_schedule/</a>  <a href="https://www.cboe.com/us/options/membership/fee_schedule/bzx/">https://www.cboe.com/us/options/membership/fee_schedule/bzx/</a>  <a href="https://www.cboe.com/us/options/membership/fee_schedule/ctwo/">https://www.cboe.com/us/options/membership/fee_schedule/ctwo/</a>  <a href="https://www.cboe.com/us/options/membership/fee_schedule/edgx/">https://www.cboe.com/us/options/membership/fee_schedule/edgx/</a>  <a href="https://www.cboe.com/us/equities/membership/fee_schedule/edga/">https://www.cboe.com/us/equities/membership/fee_schedule/edga/</a></p> <p><i>NYSE:</i>  <a href="https://www.nyse.com/publicdocs/nyse/markets/american-options/NYSE_American_Options_Fee_Schedule.pdf">https://www.nyse.com/publicdocs/nyse/markets/american-options/NYSE_American_Options_Fee_Schedule.pdf</a>  <a href="https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf">https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf</a></p> <p><i>NASDAQ:</i>  <a href="https://listingcenter.nasdaq.com/rulebook/bx/rules/bx-equity-7">https://listingcenter.nasdaq.com/rulebook/bx/rules/bx-equity-7</a>  <a href="https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-options-7">https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-options-7</a>  <a href="https://listingcenter.nasdaq.com/rulebook/phlx/rules/phlx-equity-7">https://listingcenter.nasdaq.com/rulebook/phlx/rules/phlx-equity-7</a></p> <p><b>Equities</b></p> <p><i>NYSE:</i>  <a href="https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf">https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf</a>  <a href="https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf">https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf</a>  <a href="https://www.nyse.com/publicdocs/nyse/markets/nyse-american/NYSE_America_Equities_Price_List.pdf">https://www.nyse.com/publicdocs/nyse/markets/nyse-american/NYSE_America_Equities_Price_List.pdf</a>  <a href="https://www.nyse.com/publicdocs/nyse/regulation/nyse/NYSE_National_Schedule_of_Fees.pdf">https://www.nyse.com/publicdocs/nyse/regulation/nyse/NYSE_National_Schedule_of_Fees.pdf</a>  <a href="https://www.nyse.com/publicdocs/nyse/NYSE_Chicago_Fee_Schedule.pdf">https://www.nyse.com/publicdocs/nyse/NYSE_Chicago_Fee_Schedule.pdf</a></p> <p><i>NASDAQ:</i>  <a href="http://nasdaqtrader.com/Trader.aspx?id=bx_pricing">http://nasdaqtrader.com/Trader.aspx?id=bx_pricing</a>  <a href="http://nasdaqtrader.com/Trader.aspx?id=PSX_Pricing">http://nasdaqtrader.com/Trader.aspx?id=PSX_Pricing</a></p> <p><i>You should check these websites for periodic updates.</i></p>

	Futures	The following arrangements and practices may constitute indirect compensation:• As disclosed in the Futures Agreement, in conjunction with clearing or execution services we provide to plan clients, we may, in some circumstances, direct orders to unaffiliated market makers, other executing firms, individual floor brokers or floor brokerage groups for execution. When such unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates or similar payments in return for receiving such business. Any price concessions or volume discounts we receive are passed on to our clients. Furthermore, in general, we do not expect to receive any refunds, rebates or similar payments from such venues. We will, however, receive a \$0.50/contract rebate from ICE Futures U.S. for a three month period ending August 31, 2012 for the clearing of newly-listed grain futures.
		<ul style="list-style-type: none"> <li>• As described in the Futures Agreement, a plan client may have granted us the right to pledge, re-pledge, hypothecate, re-hypothecate, engage in repurchase or reverse repurchase transactions with respect to, invest or loan, either separately or with the property of other clients, to either ourselves as broker or to others, any securities or other property held by us on margin for their accounts or as margin or collateral for futures contracts. Because Commodity Futures Trading Commission ("CFTC") Regulation 1.25 (which may be amended by the CFTC from time to time) currently limits the instruments in which we can invest collateral to certain U.S. and U.S. agency obligations, municipal securities, bank CDs, commercial paper and corporate notes/bonds fully guaranteed by the U.S. and money market mutual funds, the return that we may earn by investing that collateral will be limited by the nature of those instruments, the returns of which will vary and are generally dependent on prevailing interest rates.</li> </ul>
	All Lines of Business	Our internal policies prohibit our employees from accepting gifts or entertainment from ERISA fiduciaries or their representatives or on account of any ERISA plan. Thus, we do not reasonably expect to receive any gifts or entertainment or similar items that would constitute indirect compensation.
<b>Compensation Paid Among Related Parties</b>	All Lines of Business	Any DCMA related entity that performs a service for, or transacts with, a plan client's account may share some or all of its fees or other remuneration with other DCMA related entity that assist in providing that service or trans-action. For example, when a plan client executes a trade on a non-U.S. exchange, DCMA directly services the plan client may share a portion of its commission with the non-U.S. DCMA related entity that actually executed the transaction on the non-U.S. exchange. These sharing arrangements are generally structured and performed on an arm's length basis.
<b>Compensation for Termination of Arrangement</b>	All Lines of Business	We will not receive any compensation for the termination of a plan client's relationship other than the payment of commissions, fees or costs that have been incurred but not yet paid.

**Special note regarding Form 5500**

Based on Q&A 3&4 of the U.S. Department of Labor's FAQs About The 2009 Form 5500 Schedule C, we generally expect any compensation we may receive in connection with any services that we may provide to pension plans subject to ERISA to constitute ordinary operating expenses for Form 5500 purposes. Ordinary operating expenses do not constitute indirect compensation that is reportable on Form 5500. Thus, we do not expect to receive any compensation that is reportable for Form 5500 purposes.

**Disclaimer**

The new DOL rules that describe the foregoing disclosures are complex and often ambiguous in their application to many arrangements described herein. These rules are also the subject of continuing DOL guidance. We have prepared the foregoing disclosures in good faith and with reasonable diligence. To the extent we have referenced agreements or other documents herein, you should review those agreements or other documents in full, as they may contain additional information that may be relevant to required disclosures under the new DOL rules.