

## CASH SWEEP PROGRAM DISCLOSURE STATEMENT

### INTRODUCTION

FMSbonds, Inc.'s (FMS) Cash Sweep Program offers you the ability to automatically "sweep" uninvested cash balances in your account, into certain money market mutual funds (Participating Funds). Participating in the Cash Sweep Program provides you the opportunity to earn interest or dividends on your cash while awaiting investment, or as needed to satisfy obligations arising in connection with your account. The investment options available in the Cash Sweep Program are intended as a short use of cash and should not be viewed as long-term investment options. FMS does not offer an FDIC insured bank deposit account option.

If you are purchasing an investment, the automatic sweep feature allows the exact amount of the transaction to be swept from your Cash Sweep Option in order to fund such purchase on settlement date. If you are selling an investment, the proceeds are automatically swept to your account's money market option by the day following settlement. If you make a deposit to your account (by check, ACH, wire, etc.), it may take up to two business days before your deposit sweeps into your Cash Sweep Option, and such deposits will constitute Free Credit Balances until they are swept.

Upon opening your account, you will have the opportunity to elect to participate in the Cash Sweep Program and, if so, designate into which Participating Funds you want your uninvested cash swept. FMS may use and earn income on Free Credit Balances, as permitted by law, and may or may not pay interest on such balances. If you do not consent to participate in the Cash Sweep Program, your uninvested cash balances will be remitted to you in the normal course of business.

We may, upon prior notice to you, change, add or delete products available through, or the terms and conditions of, our Cash Sweep Program. Further, we may, upon prior notice to you, change the Cash Sweep Option in which you participate. If you do not object to any such notice within 30 days, you agree we may treat your non-response as your approval.

### CASH SWEEP OPTIONS

**Money Market Mutual Funds** A money market mutual fund (money market fund) is a type of mutual fund that is required by law to invest in low-risk securities. These funds have relatively low risks compared to other mutual funds and pay dividends that generally reflect short-term interest rates. Money market funds are not federally insured. Money market funds typically invest in government securities, certificates of deposit, commercial paper of companies, or other highly liquid and low-risk securities. Money Market Funds seek to achieve the highest rate of return (less fees and expenses) consistent with prudence and their investment objectives. Before investing in a money market fund, you should carefully read all of the fund's available information, including its prospectus, or profile if the fund has one, and its most recent shareholder report. **For more information about money market funds, see: <http://www.sec.gov/answers/mfmmkt.htm>.**

A list of Participating Funds is available at [www.fmsbonds.com](http://www.fmsbonds.com). You may also contact us to obtain a free prospectus for any Participating Fund. Some Participating Funds may require minimum investment amounts. You should review the prospectus carefully before selecting a Participating Fund as your Cash Sweep option or sending money to invest in such Participating Fund. Although money market funds typically seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in money market funds.

**Money market funds are securities and, as such, (i) are not insured by the FDIC, (ii) carry no bank or government guarantee, and (iii) are subject to investment risk, including loss of principal amount invested. Past performance is no guarantee of future results**

FMS may, from time to time upon notice to you, add or delete Participating Funds and/or change the Participating Fund to which your funds sweep. If we make such a change, there is no guarantee that the change will provide an equal or greater rate of return to you during any given period, and the rate of return could be lower.

FMS is a member of SIPC, which insures funds swept into money market funds as follows. Customers are protected up to applicable SIPC limits if FMS were to go out of business and there were customer securities or funds unaccounted for. Current SIPC limits are \$500,000 for securities and cash per customer, of which up to \$250,000 may be in cash (i.e., Free Credit Balances). Because money market fund balances are considered securities, they do not count against the \$250,000 cash sub-limit of SIPC protection on Free Credit Balances. FMS carries excess SIPC coverage through Lloyd's of London that, if applicable, is designed to pick-up where SIPC protection ends by covering customers for up to an additional \$24.5 million per customer, which covers up to an additional \$1.9 million in Free Credit Balances per customer. This policy has an aggregate policy limit of \$150 million in total protection. As with SIPC protection, money market fund balances do not count against the \$1,900,000 cash sub-limit. Neither SIPC protection nor excess SIPC coverage provides protection against market losses or the failure of a money market fund. **For additional information about SIPC coverage, visit [www.sipc.org](http://www.sipc.org).**

#### **CHANGING, ADDING FUNDS TO, OR WITHDRAWING FUNDS FROM YOUR CASH SWEEP PROGRAM**

Subject to satisfaction of such participation criteria as we may from time to time establish, you may change your Cash Sweep Program selection at any time by contacting FMS. Changing your Cash Sweep Program or Cash Sweep Option may result in the loss of one or more business days' interest or dividends while your transaction is being processed.

**Adding Funds** There may be minimum investments required for certain Participating Funds. Please refer to the applicable prospectus or contact your financial advisor for more information.

**Withdrawing Funds** You may access your funds in the Cash Sweep Program only through your brokerage account. You cannot access or withdraw Cash Sweep Program funds directly from a Participating Fund.

When funds are needed to cover transactions or satisfy a debit in your brokerage account, we will use the following sources in the order listed: (i) available Free Credit Balances, including money added to your brokerage account not yet swept to a Participating Fund (ii) balances available in the Cash Sweep Program.

Withdrawals from the Cash Sweep Program will normally be made on the business day following transactions in your brokerage account; however, your brokerage account is credited on the day of any debit. This process might result in you having an obligation to make us whole if you fail to sufficiently fund your brokerage account for the full amount of your daily debits.

Balances in the Cash Sweep Program can be liquidated on your order and the proceeds returned to you. Money market mutual funds may place limitations on timing and/or amount of withdrawals permitted, and you should read the fund's prospectus carefully before making an investment.

**Fees** No direct fees will be assessed to your account or deducted from your specified rate of return. Instead, we may receive 12b-1 distribution fees, service fees, sub-transfer agent fees, recordkeeping fees and/or other compensation from money market funds and/or their affiliates. Money market fund prospectuses contain additional information about such compensation. A portion of any fees received by us from Participating Funds may be paid to your registered representative.

**Information on a specific money market mutual fund and its policies regarding the above topics can be found in the prospectus and Statement of Additional Information (SAI) available for each fund. If you have any further questions please do not hesitate to ask your account representative.**