

Introduction

Hornor, Townsend & Kent, LLC (“HTK”) is registered with the U.S. Securities and Exchange Commission as both a broker-dealer and investment adviser. HTK is also a member of the Financial Industry Regulatory Authority, INC. (“FINRA”) and a member of the Securities Investors Protection Corporation (“SIPC”). As a broker-dealer and a dually-registered investment adviser, HTK processes and supervises the investment business of the Financial Professionals who affiliate with HTK.

For accounts introduced through HTK’s clearing firm, Pershing, LLC (“Pershing”), HTK makes available a sweep program for when there is cash in your account that has not been invested. For example, you may have just deposited money or received sale proceeds into your account without giving instructions on how to invest it, or you may have received cash dividends or interest. This uninvested cash is called a free-credit balance. If you participate in the sweep program, these free-credit balances will be automatically “swept” into the chosen product. This process is typically referred to as participating in a sweep program and the uninvested balance is typically referred to as a sweep balance.

HTK has changed its default sweep product option to an FDIC-Eligible Bank Deposit Sweep Product for participating and eligible accounts. In the FDIC-Eligible Bank Deposit Sweep Product, sweep balances are automatically transferred to a Program Bank where the deposit is eligible for FDIC pass-through insurance up to allowable limits and subject to certain conditions. Program Banks are banks that participate in the FDIC-Eligible Bank Deposit Sweep Product. A list of Program Banks is available on htk.com/for-clients.

What is the FDIC?

The Federal Deposit Insurance Corporation (“FDIC”) is an independent agency of the United States government that protects bank depositors against the loss of their insured deposits in the event that an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government. FDIC insurance is automatically applied to any deposit account up to \$250,000 per depositor per FDIC-insured bank, per ownership category. Deposit insurance is calculated dollar for dollar, principal plus any interest accrued or due to the depositor, through the date of default.

In the unlikely event of a bank failure, the FDIC pays insurance to depositors up to the insurance limit. Historically, the FDIC pays insurance within a few days after a bank closing by providing each depositor with a new account at another insured bank in an amount equal to the insured balance of their account at the failed bank or by issuing a check to each depositor for the insured balance of their account at the failed bank. The FDIC also sells and collects the assets of failed banks after settling its debts, including claims for deposits in excess of the insured limits. If a depositor has uninsured funds, they may recover some portion of their funds from the proceeds from the sale of failed bank assets. This process may take years. For more information on FDIC, visit fdic.gov.

Note that HTK is not an FDIC-insured bank.

What is SIPC?

Securities Investor Protection Corporation (“SIPC”) protects against the loss of cash and securities in the event that a brokerage firm fails. SIPC protects up to \$500,000, including a \$250,000 limit for cash. SIPC protection is limited and only covers customer cash and securities that are in their accounts when the brokerage firm liquidation begins.

SIPC does not protect against the decline in value of securities or cash equivalents, worthless securities, or losses due to bad advice or timing. SIPC differs from FDIC insurance because SIPC does not protect the value of any security. For more information about SIPC please visit sipc.org.

What is an FDIC-Eligible Bank Deposit Sweep Product?

In an FDIC-Eligible Bank Deposit Sweep Product, uninvested funds (“free-credit balances”) in your account are transferred, or “swept”, to a list of banks, called Program Banks, for deposit. By participating in an FDIC-Eligible Bank Deposit Sweep Product, you are eligible for FDIC insurance on your deposits which is different than your SIPC coverage. Because HTK maintains a list of ten (10) Program Banks, you could be eligible for FDIC coverage of up to \$2.5 million for your funds in the FDIC-Insured Program.

Interest to be Paid

The FDIC-Eligible Bank Deposit Sweep Product is not designed to be a long-term investment. When your funds are deposited into a Program Bank, that money will earn interest depending on the terms between the Program Bank and Pershing. Interest on free-credit balances accrues daily and is credited monthly. The interest rate applied to your deposit is based on the value of your deposits. HTK may change the amount of interest it retains at any time without prior notification to you. HTK, Pershing and HTK’s third-party administrator, interLINK, will retain the majority of the interest earned by your deposit (“Program Fees”). HTK will retain the majority of the Program Fees compared to Pershing and interLINK. Please visit HTK.com/for-clients for an updated list of interest rates for deposit amounts.

Value of Deposits in FDIC Sweep Program
Up to \$10,000
\$10,000 - \$30,000
\$30,000 - \$99,999
\$100,000 - \$249,999
\$250,000 - \$499,999
\$500,000 - \$999,999
\$1,000,000 - \$2,000,000
Greater than \$2,000,000

Note that HTK and Pershing make other options available to you for long-term cash positions with no program fees, in which neither HTK nor Pershing retain any amount of interest earned on your deposits. These options include money market funds, among others. The primary benefit for you of the FDIC-Insured Program is that it may offer additional insurance coverage on free-credit balances, rather than yield or return on investment. Talk to your Financial Professional to determine which investment option is best for you.

The FDIC-Eligible Bank Deposit Sweep Product creates a financial benefit for HTK, Pershing, interLINK, and the Program Banks. Your Financial Professional does not directly receive any program fees from the FDIC-Eligible Bank Deposit Sweep Product. HTK receives more revenue from deposits in the FDIC-Eligible Bank Deposit Sweep Product than it would if your free-credit balances were invested in money market funds or other similar vehicles. This presents a conflict of interest for HTK to grow and maintain assets in the FDIC-Eligible Bank Deposit Sweep Product whereas you may be able to earn a greater return in other similar products, such as money market funds, available through Pershing.

Eligibility to Participate in the FDIC-Eligible Bank Deposit Sweep Product

The FDIC-Eligible Bank Deposit Sweep Product is available for any account except ERISA Plan accounts and accounts which participate in HTK’s Discretionary Asset Management Account (“Discretionary Accounts”), as described in the HTK Advisory Services Disclosure Brochure Part 2A, which can be found on htk.com/for-clients. ERISA Plan accounts and Discretionary Accounts, should they participate in HTK’s sweep program, will sweep to the Federated Hermes Government Obligations Fund (“GOSXX”), a Fund which is currently available as an HTK Sweep Product for only these types of accounts.

Please note that if you opt out of the FDIC-Eligible Bank Deposit Sweep Product then you will not be able to participate in HTK’s sweep program, and your free-credit balances will not be invested or earn a return for your account until you instruct HTK otherwise.

HTK is incentivized to recommend that you maintain as great a free-credit balance as possible, for as long as possible, in the FDIC-Eligible Bank Deposit Sweep Product. It is important that you understand that this sweep option is not intended or designed to be a long-term investment.

Bank Deposits

You will not have a direct account relationship with the Program Banks. However, each deposit account constitutes an obligation of a Program Bank and is not directly or indirectly an obligation of the Broker-Dealer, Pershing, or your Financial Professional. If you or HTK terminate your use of the FDIC-Eligible Bank Deposit Sweep Product or one or more of the Program Banks, then you may establish a direct depository relationship with each such bank, subject to its rules with respect to maintaining Deposit Accounts.

You may find a complete listing of Program Banks on htk.com/for-clients. You may also visit the National Information Center, which provides comprehensive information on banks and other institutions for which the Federal Reserve has a supervisory, regulatory, or research interest, at ffiec.gov/npw. The FDIC can be reached by mail at 801 Seventeenth Street, N.W Room 100, Washington, D.C. 20434, or by phone at 1-877-ASKFDIC. HTK does not guarantee the financial condition or the publicly available financial information of any Program Bank. Please reach out to HTK if you become aware of any unauthorized activity or if you have any complaints regarding the HTK sweep program.

Program Bank List

You should talk to your Financial Professional or visit htk.com/for-clients to review the most recent Program Bank list.

Deposit Procedures

Your participation in the FDIC-Eligible Bank Deposit Sweep Product will cause the free-credit balances in your accounts to be swept each day into the deposit accounts at Program Banks. Although each deposit account constitutes a direct obligation of the Program Bank to you, you will not have a direct account relationship with the Program Banks, and you will not be able to instruct the Program Bank to process deposits or withdrawals from your deposit account. Initial and subsequent deposits can only be made on your behalf by Pershing and through HTK. Your interest in a Deposit Account is not transferrable.

Free-credit balances are swept to the Deposit Accounts at a Program Bank up to the maximum deposit amount. The FDIC-Eligible Bank Deposit Sweep Product generally allocates deposits to Program Banks in the same order that Program Banks appear on the Program Bank List. Deposits are generally swept to the first Program Bank on the Program Bank List; once the maximum deposit amount has been reached at that Program Bank, no further deposits will be made at that Program Bank and subsequent deposits will occur at the next Program Bank on the list. Note that once your free-credit balances have exceeded \$2,500,000 in the FDIC-Eligible Bank Deposit Sweep Product, no FDIC insurance is provided on excess funds. Once all Program Banks have reached their maximum deposit amounts, additional funds will be swept into DGUXX, which is not eligible for FDIC insurance.

You may not change the Program Bank list, however you may designate a Program Bank as ineligible to receive your free-credit balances. This designation will result in your free-credit balances being deposited into a different Program Bank on the Program Bank list, in accordance with methodology described above. You may also instruct HTK to remove your free-credit balances from a Program Bank and close your Deposit Account. Please contact your Financial Professional if you would like to designate a Program Bank as ineligible to receive your free-credit balances. Note that some Program Banks may provide HTK, Pershing, and interLINK with greater or lesser interest revenue compared to other Program Banks. HTK, Pershing, and interLINK will retain almost all of the interest earned on your free-credit balances at the Program Banks.

Withdrawal Procedures

All withdrawals necessary to satisfy the debits in your brokerage accounts will be made by Pershing as your agent through HTK. If your brokerage account includes Pershing Resource Checking or Corestone features, a debit is made to the Deposit Account to satisfy a withdrawal of funds from your brokerage account when you write a check on your account or withdraw funds using your debit card. Each debit will automatically generate a withdrawal from the FDIC-Eligible Bank Deposit Sweep Product, causing a reduction of your balance in the applicable Deposit Accounts to satisfy the debit in your brokerage account. If your sweep product is DGUXX, shares of DGUXX will be redeemed to satisfy the debit in your brokerage account. Checks written on the brokerage account are not drawn directly on the Deposit Accounts established for you at the Program Banks. If there are insufficient funds on deposit in your Deposit Accounts, Pershing will withdraw funds from other available sources as described in your account agreement or Pershing, LLC IRA Adoption Agreement.

Statements

You will not receive bank statements or transactions confirmations for each deposit to or withdrawal from your Deposit Accounts. All transactions in your Deposit Accounts will be listed on your periodic brokerage account statement. Brokerage account statements will be delivered monthly if there is qualifying activity in your account. Otherwise, your brokerage account statements will be delivered on a quarterly basis. It is recommended that you retain copies of your brokerage account statements for your records.

Appendix A - Brief Product Description for Available Sweep Options

FDIC-Eligible Bank Deposit Sweep Program	
All eligible accounts to participate in the program	
Sweep Indicator on your statement	BDH
Type of Product	Multi-Bank FDIC Insured Deposit Accounts
Brief Description: Your funds will be deposited into a deposit account at one or more participating program banks designed to provide you with eligibility of up to \$2,500,000 of FDIC Insurance Protection (\$5,000,000 for joint accounts).	

Money Market Mutual Fund

Dreyfus Government Cash Management Service Shares	
Available only for excess deposits into your account above the FDIC Insurance Protection Limits	
Ticker Symbol:	DGUXX
Product Type:	Money Market Mutual Fund
Brief Description: The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity	

Money Market Mutual Fund

Federated Hermes Government Obligations	
Only available for accounts not eligible to participate in the Bank Deposit Sweep Program	
Ticker Symbol:	GOSXX
Product Type:	Money Market Mutual Fund
Brief Description: The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity	