

MARGIN INTEREST DISCLOSURE

This statement is being furnished to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before opening a margin account and trading stocks on margin, you should carefully review the Hilltop Securities Inc. Margin Agreement provided to you. Hilltop Securities Inc. ("Hilltop") acts as the clearing firm for Kensington Capital Corp. ("KCC"). Consult Hilltop or your KCC Registered Representative regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase cost from the brokerage firm in the form of a margin loan. If you choose to purchase a security on margin in your KCC margin account, or otherwise use your margin privileges, the margin loan, and associated interest charged for the loan, is provided to you through KCC's clearing firm, Hilltop Securities Inc. ("Hilltop"). The securities purchased in your account are used as collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and as a result, Hilltop or KCC can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with KCC in order to maintain the required equity in the account.

Although Hilltop is technically the lender in such arrangements and sets the rate of margin interest on the customer margin loan, KCC shares in the revenue generated from the margin interest charged to such customers' margin accounts. The margin rate of any such margin loans is further detailed, along with the margin interest calculation, in the Hilltop Customer Agreement and Information Brochure which can be found in the link below.

[HTS-Customer-Information-Brochure.pdf \(hilltopsecurities.com\)](#)

A significant portion of revenue generated by margin loans is received by KCC in the form of an interest rebate from Hilltop and is a portion of the overall margin interest charged to KCC customers' margin accounts, which creates a conflict of interest when KCC recommends the trading on margin in your account. Further information on KCC account fees and compensation can be found in KCC's Customer Relationship Summary ("CRS") which can be found in the link below.

[Customer Relationship Summary | Kensington Capital \(kenscap.com\)](#)

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- **Interest on Account Balances.** All balances in the Cash and Margin account types will be net together. If the netting results in a settled debit, debit interest will be charged. If the netting results in a settled credit, credit interest will be paid. Interest will be charged on those net debit balances that accrue \$ 1.00 or greater of interest during the month. Please consult your Registered Representative for additional information.

- **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to Hilltop to avoid the forced sale of those securities or other securities or assets in your account(s). KCC or Hilltop can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements or Hilltop's or KCC's higher "house" requirements, Hilltop or KCC can sell the securities or other assets in any of your accounts held at KCC to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

- **Your securities or other assets may be sold without contacting you.** Some investors mistakenly believe that Hilltop or KCC must contact the customer for a margin call to be valid, and that Hilltop or KCC cannot liquidate securities or other assets in customer accounts to meet the call unless Hilltop or KCC has contacted customers first. This is not the case. Most firms will attempt to notify customers of margin calls, but firms are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect their financial interests, including immediately selling the securities without notice to the customer.

- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, Hilltop or KCC has the right to decide which security to sell in order to protect Hilltop's or KCC's interests.

- **"House" maintenance margin requirements may be increased at any time without advance written notice.** These changes in Hilltop's and/or KCC's policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause Hilltop or KCC to liquidate or sell securities in your account(s).

- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

- **Please see Schedule A of the Hilltop Customer Information Brochure found in the link below for standard margin rates.** The specific rate charged may differ from the rates listed in Schedule A. Please consult your KCC Registered Representative.

[HTS-Customer-Information-Brochure.pdf \(hilltopsecurities.com\)](https://www.hilltopsecurities.com/HTS-Customer-Information-Brochure.pdf)
