



Margin Account Application

Effective June 2013

Use this application to request margin trading for your Vanguard Brokerage Accounts.

Important: If you hold Vanguard funds in a margin-approved account, you can't designate an alternative redemption fund with the checkwriting service.

If a check is presented for payment against your margin-approved account and the balance of your settlement fund is insufficient to cover the full amount of the check, we may honor the check and create a margin debit in your account.

Print in capital letters and use black ink.

Questions?
Call 800-992-8327.

To complete this form online, go to vanguard.com/serviceforms.

1. Account owner information *Provide all of the applicable information.*

If the owner is an entity, provide the information below instead.

Vanguard Brokerage Account number
Name of owner <i>first, middle initial, last</i>
Name of joint owner <i>first, middle initial, last</i>
Name of corporation, partnership, trust, or other entity <i>if applicable</i>
Name and title of authorized person <i>if an entity</i>
Name and title of other authorized person <i>if an entity</i>

2. Financial information

For trusts or organizations, provide financial information based on the assets and income of those entities.

Liquid net worth <i>cash, securities, etc.</i> \$	Total net worth <i>excluding primary residence</i> \$
Approximate annual income \$	Number of dependents <i>excluding account owner</i>

You must check a box.

Do you have knowledge of and understand the risks associated with trading on margin? <i>Check one.</i> Yes <input type="checkbox"/> No <input type="checkbox"/>
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You must sign on the next page.

3. Authorization of account owner

You are applying for authorization to borrow money from Vanguard Brokerage Services® using Your assets as collateral. By signing this application, You acknowledge that You have received and read a copy of the Vanguard Brokerage Margin Account Agreement (Margin Agreement), Margin Disclosure of Credit Terms and Policies, and the Margin Risk Disclosure Statement. Please read all of these enclosed documents carefully.

The Margin Agreement contains a predispute arbitration clause highlighted in sections 9 and 10 on page 2. By signing this application, You agree to be bound by the terms of the Margin Agreement.

If additional signatures are required, photocopy this page. >

Signature of owner or authorized person X	Date <i>mm/dd/yyyy</i>
Print name	
Signature of joint owner or authorized person X	Date <i>mm/dd/yyyy</i>
Print name	

Mailing information

Make a copy of your completed application for your records, then mail in the enclosed postage-paid envelope.

If you don't have a postage-paid envelope, mail to: > Vanguard Brokerage Services
P.O. Box 1170
Valley Forge, PA 19482-1170

For overnight delivery, mail to: > Vanguard Brokerage Services
455 Devon Park Drive
Wayne, PA 19087-1815

Vanguard Brokerage Margin Account Agreement

Effective December 2, 2011

When You buy securities on margin, or enter into short sales, You are borrowing money or securities from Vanguard Brokerage Services®, a division of Vanguard Marketing Corporation, member FINRA and SIPC, for part of Your transactions. All Securities and Other Property in Your Margin Account (Account) are pledged as collateral to secure this loan. Margin transactions are riskier and involve the possibility of greater loss than transactions in which You are not borrowing money. If the value of Your Securities and Other Property declines, You may be required to deposit more assets (a "margin call") to secure Your loan or Your Securities and Other Property may be sold to pay down or pay off Your loan without prior notice and at a loss or at lower prices than under other circumstances.

You agree to carefully consider Your own financial condition, tolerance for risk and investment objectives, as well as market conditions, before You decide to use margin credit or short account features. By applying for a margin account and/or placing an order on margin, You acknowledge that You have carefully considered all of these factors, along with the terms of this Vanguard Brokerage Margin Account Agreement (Margin Agreement), and have decided that margin financing is appropriate for You. You also acknowledge that Vanguard Brokerage Services may, in its discretion, transfer Securities and Other Property held in Your other accounts with Us, including Your cash account, to Your Margin Account, and You understand that all transactions executed through and all Securities and Other Property purchased or deposited with Vanguard Brokerage Services will be recorded in the Margin Account. In addition, You acknowledge that purchases of open-end mutual funds and Vanguard ETFs® will settle in Your cash account and after thirty days be journaled into Your Account. All Securities and Other Property now or hereafter held in this Account may be pledged, repledged, or otherwise used.

In consideration of Our accepting Your orders to trade on margin within Your Account, You agree that the following terms and conditions apply to Your Account, in addition to the other terms and conditions contained in the Vanguard Brokerage Account Agreement (Agreement). The Margin Agreement is part of the Agreement. Unless otherwise defined in the Margin Agreement, defined terms have the same meaning as in the Agreement. In the event any provision of the Margin Agreement conflicts or is inconsistent with any provision of the Agreement, the provisions of the Margin Agreement will control for matters or services related to Your Account.

1. Payment for Transactions

You agree that You are responsible for paying for all transactions You make and all authorized transactions in Your Account. When You purchase securities on margin, You agree to deposit the required initial equity by the settlement date and to maintain Your equity at the required levels. However, Vanguard Brokerage Services reserves the right to liquidate Securities and Other Property at any time (including on or before settlement date) depending on market conditions. In addition, You agree to pay any debit remaining in Your Account if Your positions are liquidated to satisfy a margin call. We may extend credit to You according to applicable laws and regulations and Our Margin Disclosure of Credit Terms and Policies. You agree to use this credit primarily for business and investment purposes.

2. Margin Disclosure of Credit Terms and Policies

All transactions in Your Account are subject to Our Margin Disclosure of Credit Terms and Policies. You agree not to enter an order in Your Account until You have read and understood the Margin Disclosure of Credit Terms and Policies.

3. Maintenance of Collateral

You agree to maintain in Your Account collateral of the type and amount required by:

- Applicable Exchange rules and federal regulations;
- Our Margin Disclosure of Credit Terms and Policies; or
- Vanguard Brokerage Services, at our discretion.

4. Liquidation

Whenever it is necessary for Our protection or to satisfy a margin call, deficiency, debit, or other obligation owed Us, We may (but are not required to) sell, assign, and deliver all or any part of the Securities and Other Property securing Your obligations, or close any or all transactions in Your Account or in any of Your accounts with Our affiliates. It is Our policy to attempt to contact You, when practicable, before taking any action described in this section. However, We reserve the right to take any such action without prior notice or demand for additional collateral, and free of any right of redemption. Any prior demand, call, or notice will not be considered a waiver of Our right

to sell or buy without demand, call, or notice. We may choose which Securities or Other Property to buy or sell, which transactions to close, and the sequence and timing of liquidation. We may take such actions on whatever exchange or market and in whatever manner (including public auction or private sale) that We choose in the exercise of Our business judgment. You agree not to hold us liable for the choice of which Securities or Other Property to buy or sell, or of which transactions to close, or for the timing or manner of the liquidation. We may transfer Securities and Other Property from any brokerage account in which You have an interest to any other brokerage account in which You have an interest, regardless of whether there are other Account Holders on either account, if We determine that Your obligations are not adequately secured or to satisfy a margin deficiency or other obligation. You agree to pay on demand any Account deficiencies after liquidation, whether liquidation is complete or partial. We are entitled to exercise the rights described in this section in Our sole discretion at any time, including whenever any of the following occurs:

- The equity level in Your Account falls below required minimums;
 - Sufficient funds or securities are not deposited to pay for transactions in Your Account;
 - A petition of bankruptcy or for the appointment of a receiver is filed by or against You;
 - An attachment is levied against any of Your brokerage accounts with us;
 - You die or become incapacitated or incompetent;
- or
- Your Vanguard Brokerage account is closed.

5. Short Sales

You agree to designate a sell order as a short sale if, at the time You place the order, You either do not own the security being sold or are unable to deliver the security in a timely manner. You agree that short sale transactions are subject to certain regulatory rules and cannot be executed under certain market conditions. In addition, depending on market conditions, Vanguard Brokerage Services cannot guarantee that it will have shares available to facilitate a short sale. You agree that We may, in Our discretion and without notice, "buy in" securities to cover any short security position in Your Account at Your expense. We may take this action either on a regular settlement, cash, or next-day settlement basis. If You are unable to cover a short security position (either through delivery of the security or through our "buying-in" the security) in enough time so We can deliver the security to its lender (to whom We're obligated), You agree to reimburse Us for the losses We sustain as a result of Your failure to deliver the security.

6. Interest on Debit Balances

We will charge interest on Your debit balance according to Our Margin Disclosure of Credit Terms and Policies. We post accrued but unpaid interest charges to Your Account each month. We compound the interest as described in Our Margin Disclosure of Credit Terms and Policies.

7. Pledge of Securities and Other Property

The Securities and Other Property in Your Account may be carried in the general loan of Vanguard Brokerage Services, and We may pledge, repledge, hypothecate, or rehypothecate, either separately or together with Securities of other customers, all Securities and Other Property that You, now or in the future, carry, hold, or maintain in Your Account. The value of the Securities and Other Property We pledge or repledge may be greater than the amount You owe Us, and We are not obligated to retain in Our possession and control for delivery the same amount of similar Securities and Other Property.

8. Loan Consent

You agree that Securities and Other Property held in Your Margin Account, now or in the future, may be borrowed (either separately or together with the property of others) by Us or by others. You agree that Vanguard Brokerage Services may receive and retain certain benefits (including, but not limited to, interest on collateral posted for such loans) to which You will not be entitled. You acknowledge that in certain circumstances, such borrowings could limit Your ability to exercise voting rights or receive dividends, in whole or in part, with respect to the Securities and Other Property lent. You understand that for Securities and Other Property that are lent by Vanguard Brokerage Services, the dividends paid on such Securities and Other Property will go to the borrower. No compensation or other reimbursements will be due to You in connection with such borrowings. However, if You are allocated a substitute payment in lieu of dividends, You understand that such a payment may not be entitled to the same tax treatment as may have been applied to the receipt of a dividend. You agree that Vanguard Brokerage Services is not required to compensate

You for any differential tax treatment between dividends and payments in lieu of dividends. Vanguard Brokerage Services may allocate substitute payments in any manner permitted by law, rule, or regulation. Please note that any substitute payments Vanguard Brokerage Services makes are voluntary and may be discontinued at any time.

9. Required Arbitration Disclosures

The Margin Agreement contains a predispute arbitration clause. By signing an arbitration agreement, the parties agree as follows:

- All parties to the Margin Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding. A party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into the Margin Agreement.

10. Arbitration Agreement

You agree to settle by arbitration any controversy between or among You and Vanguard Brokerage Services, arising out of or relating to Vanguard Brokerage Services' business or the Margin Agreement. Such arbitration will be conducted by and in accordance with the securities arbitration rules and regulations then in effect of the Financial Industry Regulatory Authority (FINRA) or any national securities exchange that provides a forum for the arbitration of disputes, provided that Vanguard Brokerage Services is a member of such national securities exchange at the time the arbitration is initiated. Arbitration must be commenced by service upon the other party of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the undersigned does not make such election within five (5) days of such demand or notice, then the undersigned authorizes Vanguard Brokerage Services to do so on behalf of the undersigned. The award of the arbitrator will be final and binding, and judgment on the award may be entered in any court having jurisdiction.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under the Margin Agreement except to the extent stated herein.

11. Governing Law

The Margin Agreement and the Agreement, all transactions made in Your Account, and all matters arising in connection with the Margin Agreement and the Agreement will be governed by, and construed and enforced in accordance with, the laws of the State of New York (regardless of the choice of law rules thereof).

12. Severability

If any provision or condition of the Margin Agreement shall be held to be invalid or unenforceable by any court or regulatory or self-regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions and

conditions shall not be affected thereby, and the Margin Agreement shall be valid and enforceable as if any such invalid or unenforceable provision or condition were not contained herein.

13. Assignment

We may assign Our rights and obligations under the Margin Agreement to any subsidiary, affiliate, or successor by merger or consolidation without notice to You, or to any other entity after thirty (30) days' written notice to You. You may not assign Your rights and obligations under the Margin Agreement without first obtaining Our written consent. Any assignment in violation of this provision will be void.

The Margin Agreement is binding upon You and Your heirs, executors, administrators, successors, and permitted assigns, and it will benefit You and Your successors and permitted assigns, if any.

14. Amendment

On prior or concurrent written notice to You, We may modify or rescind existing provisions or add new provisions to the Margin Agreement. By not closing and/or continuing to use Your Account, You confirm Your agreement to abide by the Margin Agreement, as amended from time to time. Amendments will not affect rights or obligations either of Us incur before the effective date of the amendment. No prior conduct, past practice, or oral statement by any Vanguard Brokerage employee or agent can amend or modify this written agreement.

15. Vanguard Brokerage Account Agreement

All transactions in Your Margin Account are subject to the Margin Agreement and the Agreement in their entireties and any other disclosures, terms, and agreements relating to Your Account or to particular features or services offered in connection with Your Account, each as amended from time to time.

Initial Margin Risk Disclosure Statement

Vanguard Brokerage Services is providing this statement, in accordance with FINRA rules and regulations, to inform You of some important facts about purchasing securities on margin and to alert You to the risks involved with margin Securities in a margin account. Before trading Securities in Your Margin Account, You should carefully review this Margin Risk Disclosure Statement. You should call Vanguard Brokerage Services with any questions or concerns You may have with Your Margin Account.

When You purchase Securities, You may pay for the Securities in full or You may borrow part of the purchase price from Vanguard Brokerage Services. If You choose to borrow funds from Vanguard Brokerage Services, You will open a margin account with Us. The Securities purchased are Our 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. As a result, Vanguard Brokerage Services can take action by issuing a margin call and/or by selling Securities and Other Property in any of Your accounts held with Vanguard Brokerage Services or any of its affiliates to satisfy minimum equity requirements.

Before placing any trades in a margin account, it is important that You fully understand that this activity involves a high degree of risk. These risks include, but are not limited to, the following:

- **You can lose more funds than You deposit into Your Margin Account.** If the Securities in Your Margin Account decline in value, You may be required to deposit additional funds or marginable Securities to prevent Vanguard Brokerage Services from selling those or other Securities in Your Account. Market conditions can magnify any potential for loss.
- **You are fully liable for the funds that You have borrowed.** During periods of extreme market volatility, it is possible that the market value of the Securities in Your Margin Account (assets held as collateral) may drop below Your loan value. If this occurs, You will be responsible for covering the deficit in Your Account. Whenever it is necessary for our protection or to satisfy a margin call, deficiency, debit, or other obligation owed Us, We may (but are not required to) sell, assign, and deliver all or any part of the Securities and Other Property securing Your obligations or close any or all transactions in any of Your Vanguard Brokerage accounts or in any of Your accounts with Our affiliates.
- **Vanguard Brokerage Services can force the sale of Securities and Other Property in Your Account. You are not entitled to choose which securities or other assets in Your Account will be liquidated or sold to meet a margin call.** If the equity in Your Account falls below the maintenance margin requirements, or Vanguard Brokerage Services' higher "house" maintenance margin requirements (see next item below),

Vanguard Brokerage Services reserves the right to sell the Securities and Other Property in Your Account to cover the margin deficiency. You will also be responsible for any shortfall in the Account after such sale. Because the Securities and Other Property in Your Account are collateral for the margin loan that has been granted to You, Vanguard Brokerage Services has the right to decide which securities to sell in order to protect its interests.

- **Vanguard Brokerage Services can increase Our “house” maintenance margin requirements at any time without advance written notice.** At this time, the minimum margin maintenance requirement is 35% for most marginable securities held at Vanguard Brokerage Services. Your Account would be at 35% equity under the following scenario: \$100,000 market value – \$65,000 margin debt = 35% equity. However, maintenance requirements may vary for certain Securities. For example, Vanguard Brokerage Services now requires a 50% or higher maintenance requirement for concentrated positions; that is, for margin accounts with a large percentage of holdings in a small number of securities or for a large amount of holdings in one particular industry group or sector. In addition, not all Securities held at Vanguard Brokerage Services are marginable. Please note that we may change Our “house” maintenance margin requirements anytime and these changes will take effect immediately and result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause Vanguard Brokerage Services to liquidate or sell Securities and other Property in Your Account. You should ascertain the margin requirements for a particular Security before placing a trade in a margin account. If You have any questions about Our margin requirements, call Us at 800-992-8327.
- **Vanguard Brokerage Services can sell Your Securities and Other Property without contacting You.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid and that the firm cannot liquidate Securities and Other Property in their accounts to meet the call unless the firm has contacted them first. This is not the case. Vanguard Brokerage Services will attempt to notify You when a margin call exists, but is not required to do so. You will normally have up to five business days (two days for Exchange calls) to satisfy a margin call. However, even if You are contacted and given explicit instructions regarding the amount and payment deadline of Your margin call, **Vanguard Brokerage Services can still take necessary steps to protect its financial interests, including by selling Securities and Other Property in any of Your accounts held by Vanguard Brokerage Services or any of its affiliates at any time without contacting You, if We deem it necessary, to mitigate the risk associated with adverse market fluctuations or otherwise.**
- **You are not entitled to an extension of time to meet a margin maintenance call.** Although Vanguard Brokerage Services may allow more time to meet a margin call under extenuating circumstances, You are not automatically entitled to receive an extension.
- **Short sales can result in unlimited liability.** A short sale occurs when a client borrows a security and sells it with the expectation that the price of the security will fall. If the shares of a Security that You have sold short should no longer be available to borrow (are recalled) by Vanguard Brokerage Services, Your Account will be subject to a mandatory “buy-in” at current market prices for all or part of Your short positions, however high those prices might be. Therefore, before placing such trades, You should fully understand the risks and potentially adverse impact such trades might have on Your portfolio.
- **Interest rates on margin debit balances may vary.** Interest charged on any margin debit balances may be up to 3.00 percentage points above the Vanguard Brokerage Base Lending Rate. The interest period begins two business days before the beginning of each month and ends three business days before the following month’s end. At the close of each interest period during which credit was extended to You, an interest charge is computed by multiplying the average daily debit balance by the applicable schedule rate, and by the number of days during which a debit balance was outstanding, and then dividing by 360. If there has been a change in the Vanguard Brokerage Base Lending Rate, separate computations will be made with respect to each rate of charge for the appropriate number of days at each rate during the interest period. If not paid, the interest charge for credit extended to Your Account at the close of the interest period is added to the opening debit balance for the next interest period. If there is a cash balance in both Your cash and margin accounts, interest will be calculated on the combined debit balance for that currency and charged to the Margin Account. Generally, You will not receive interest on any credit balances in Your

short account because such credit collateralizes the stock borrowed for delivery against the short sale.

- **All trades will be executed through Your Margin Account.** All securities must be held in Your Margin Account. Purchases of open-end mutual funds and Vanguard ETFs will settle in Your cash account and after 30 days be journaled into Your Margin Account.

Information about the rules, regulations, and risks of investing on margin is available online at the FINRA website at finra.org. We strongly urge You to access this site for additional information disclosure or call Us at 800-992-8327.

Margin Disclosure of Credit Terms and Policies

General Margin Policies

The amount of credit that may be extended by Vanguard Brokerage Services and the terms of such extension are governed by rules of the Federal Reserve Board, FINRA, and the New York Stock Exchange, Inc., within the guidelines of these rules and subject to adjustment required by changes in such rules and Our business judgment.

Vanguard Brokerage Services establishes certain policies with respect to margin accounts. Vanguard Brokerage Services may require the deposit of additional acceptable collateral at any time. Margin account equity is the current market value of Securities and Other Property deposited as security less the amount owed Vanguard Brokerage Services for credit extended at its discretion. It is Our general policy to require margin account holders to maintain equity in their accounts of the greater of 35% of the current market value or \$3 per share for common stock. Vanguard Brokerage Services applies other standards for other types of Securities. For instance, Securities valued at less than \$5 per share must initially be paid for in full. Also, certain Securities may be ineligible for margin credit from time to time.

For information with respect to general margin maintenance policies for municipal bonds, corporate bonds, U.S. Treasury notes and bonds, and other securities, as well as information about the eligibility of particular securities for margin credit, please contact Vanguard Brokerage Services at 800-992-8327.

Notwithstanding the above general policies, Vanguard Brokerage Services reserves the right, at its discretion, to require the deposit of additional collateral and to set required margin at a higher or lower amount with respect to particular accounts or classes of accounts as it deems necessary. In making these determinations, Vanguard Brokerage Services may take into account various factors including the size of the account, the liquidity of a position, concentrations of Securities in an account, or a decline in creditworthiness. If You fail to meet a margin call in a timely manner, some or all of Your positions may be liquidated by Vanguard Brokerage Services at then-current market prices.

Credit Disclosure

Cash Accounts

Cash accounts may be subject, at Vanguard Brokerage Services’ discretion, to interest on any debit balances in U.S. dollars or any other currency resulting from failure to make payment in full for securities purchased, from failure to timely deliver securities sold, from proceeds of sales paid prior to settlement date, or for other charges which may be made to the account.

Margin Accounts

Purchases of Securities on credit, commonly known as margin purchases, enable You to increase the buying power of Your equity and thus increase the potential for profit or loss. A portion of the purchase price is deposited when buying securities on margin, and Vanguard Brokerage Services extends credit for the remainder. This loan appears as a debit balance in U.S. dollars or any other currency on Your monthly account statement. Vanguard Brokerage Services charges interest on the debit balance in U.S. dollars or any other currency and requires You to maintain Securities and Other Property to secure repayment of funds advanced and interest due.

Interest will be charged in the appropriate currency for any credit extended to You for the purpose of buying, trading, or carrying any Securities; for any cash withdrawals made against the collateral of Securities; or for any other extension of credit. When funds are paid in advance of settlement on the sale of Securities, interest will be charged in the appropriate currency on such amount from date of payment until the settlement date. In the event that any other charge is made to the account in U.S. dollars or any other currency for any reason, interest may be charged on the resulting debit balances.

Interest You pay on the loan is paid to Vanguard Brokerage Services.

Interest Rates

Interest charged on any debit balances in cash accounts or on credit extended in margin accounts may be up to 3.00 percentage points above the Vanguard Brokerage Base Lending Rate for that currency. The Vanguard Brokerage Base Lending Rate for each currency will be set with reference to commercially recognized interest rates, industry conditions relating to the extension of credit, and general credit market conditions. For a loan in a currency other than U.S. dollars, the Vanguard Brokerage Base Lending Rate will be set based on the above-referenced criteria in the country whose currency is the basis of the loan. The Vanguard Brokerage Base Lending Rate for each currency will change without prior notice. When the Vanguard Brokerage Base Lending Rate for a particular currency changes during an interest period, interest will be calculated according to the number of days each rate is in effect during that period. If the rate of interest charged to You increases for any reason other than a change in the Base Rate, You will be notified at least 30 days in advance.

Interest Period

The interest period begins two business days before the beginning of each month and ends three business days before the following month's end. Accordingly, the interest charges for the period as shown on Your monthly statement are based only on the daily net debit and credit balances for the interest period.

Method of Interest Computation

At the close of each interest period during which credit was extended to You, an interest charge is computed by multiplying the average daily debit balance for that currency by the applicable schedule rate and by the number of days during which a debit balance was outstanding and then dividing by 360. If there has been a change in the Vanguard Brokerage Base Lending Rate for that currency, separate computations will be made with respect to each rate of charge for the appropriate number of days at each rate during the interest period. If not paid, the interest charge for credit extended to Your Account at the close of the interest period is added to the opening debit balance for that currency for the next interest period.

With the exception of credit balances in Your short account, all other credit and debit balances in the same currency will be combined daily, and interest will be charged on the resulting average daily net debit balances for that currency for the interest period. Credit balances in one currency will not be combined or netted with debit balances in a different currency. If there is a cash balance in both Your cash and margin accounts, interest will be calculated on the combined debit balance for that currency and charged to the Margin Account.

Any credit balance in Your short account is disregarded because such credit collateralizes the stock borrowed for delivery against the short sale. Such credit is disregarded even if You should be long in the same position in Your Margin Account (for instance, short sale against the box). If the security that You sold short (or sold short against the box) appreciates in market price over the selling price, interest will be charged in U.S. dollars or any other currency on the appreciation in value. Correspondingly, if the security that You sold short depreciates in market price, the interest charged will be reduced since Your average debit balance will decline. This practice is known as "marking-to-the-market." Daily, a closing price is used to determine any appreciation or depreciation of the security sold short.

If Your Account is short shares of stock on the record date of a dividend or other distribution, however such short position occurs, on the following business day Your Account will be charged the amount of the dividend or other distribution.

Deposits of Collateral, Lien on Accounts, and Liquidation

In the event that additional collateral is requested, You may deposit funds or acceptable Securities into Your Margin Account. If satisfactory collateral is not promptly deposited after a request is made, Vanguard Brokerage Services may, at its discretion, liquidate Securities and Other Property held in any of Your Vanguard Brokerage accounts or in any account held by its affiliates. In this connection, pursuant to Our Account Agreement and Margin Agreement, Vanguard Brokerage Services retains a security interest in the Securities and

Other Property held in Your accounts, including Securities held for safekeeping so long as any credit extended remains outstanding.

Callable Securities

Securities which are held for Your Account and which are in "street name," or are being held by a securities depository, are commingled with the same securities being held for other clients of financial organizations and for Vanguard Brokerage Services' own clients. Your ownership of these Securities is reflected in Our records. You have the right at any time to require delivery to You of any such Securities that are fully paid for or are in excess of margin requirements.

The terms of many bonds allow the issuer to partially redeem or "call" the issue prior to maturity date. Certain preferred stocks are also subject to being called by the issuer. Whenever any such Security being held by Us is partially "called," We will determine, through a random selection procedure as prescribed by New York Stock Exchange® rules, the ownership of the Securities to be submitted for redemption without regard to unsettled sales. In the event that such Securities owned by You are selected and redeemed, Your Account will be credited with the proceeds. Should You not wish to be subject to this random selection process, You must instruct Vanguard Brokerage Services to deliver Your securities to You. Delivery will be effected provided, of course, that Your position is unencumbered or had not already been called by the issuer as described prior to receipt by Vanguard Brokerage Services of Your instructions. The probability of one of Your Securities being called is the same whether they are held by You or by Vanguard Brokerage Services for You.

Miscellaneous Credits

Vanguard Brokerage Services credits to Your Account funds belonging to You such as dividends, interest, redemptions, and proceeds of corporate reorganizations on the day such funds are received by Us. These funds come to Us from issuers and various intermediaries in which We are participants, such as the Depository Trust Company. Periodically, certain of those intermediaries pass on to their participants some or all of the interest earned on funds while in the possession of the intermediary. To the extent Vanguard Brokerage Services receives such payments, We retain them.

Information regarding when Vanguard Brokerage Services credits Your Account with funds due to You, when those funds are available to You, and/or when You begin earning interest on those funds is available from Vanguard Brokerage Services.

Substitute Payments

To the extent Vanguard Brokerage Services determines (in accordance with federal income tax regulations) that Your Securities have been loaned, certain payments You receive with respect to such loaned Securities will be reclassified as "substitute payments." The tax consequences of receiving substitute payments may be different than the tax consequences of receiving payments made by an issuer of an underlying security. For instance, a dividend received by an individual may be taxed at a preferential rate if the dividend is a qualified dividend. Whereas if an individual receives a substitute payment, the preferential rate for qualified dividends will not apply. Individuals may also be affected if certain payments (such as exempt-interest, dividends, capital gains distributions, return of capital, and foreign tax credit dividends) are reclassified as substitute payments. Corporate taxpayers could also be affected because the dividends-received deduction is not available with respect to substitute payments. We suggest You contact Your tax advisor to discuss the tax-treatment of substitute payments. As permitted under Your Margin Agreement, Vanguard Brokerage Services may lend shares in Your Account when Your Account has a debit balance. In the instance where Securities are on loan over an ex-dividend date, Vanguard Brokerage Services may issue a substitute payment to the Account in lieu of the dividend and, subsequently, a tax-differential reimbursement. Substitute payments received in 2007 and forward, however, may be eligible for a reimbursement to the lender's account only if the Account is open on the reimbursement date. Please note that these reimbursements are subject to change and may be eliminated without advance notification.