Vanguard Brokerage Option Account Agreement

Effective October 20, 2011

In consideration of Vanguard Brokerage Services® (VBS®), a division of Vanguard Marketing Corporation, member FINRA and SIPC, accepting Your orders to trade option contracts for Your Option Account (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). This Vanguard Brokerage Option Account Agreement (Option Agreement) is part of the Agreement. Unless otherwise defined in this Option Agreement, defined terms have the same meaning as in the Agreement. In the event any provision of this Option Agreement conflicts or is inconsistent with any provision of the Agreement, the provisions of this Option Agreement will control for matters or services related to Your Account.

1. Risks of Option Trading

The purchase or writing of option contracts involves a high degree of risk and is not suitable for all investors.

By applying to add the option trading feature to your Account, You represent that You:

- Understand the risks inherent in option trading;
- Are financially able to withstand option trading losses, including the loss of Your entire investment;
- Have determined that option trading is suitable for You, considering Your financial situation and investment objectives; and
- Are willing and able to assume the financial risks and hazards of options trading, and agree that You will in no way hold VBS, a division of Vanguard Marketing Corporation, or any of its affiliates, responsible for any associated losses.

Neither Vanguard Brokerage nor its officers, employees or agents is authorized to give tax advice. You should consult a professional tax advisor regarding the tax effect of option transactions in Your Account.

2. Special Statement for Uncovered Option Writers

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for option transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. *As a standard practice, uncovered call writing is not permitted at VBS.*
2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risk, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.
4. For combination writing, when the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.
6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that You will read the booklet entitled *Characteristics and Risks of Standardized Options* provided by VBS. In particular, Your attention is directed to the chapter entitled Principal Risks of Options Positions. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

3. OCC Disclosure Document

If approved for options trading, You will receive a booklet entitled *Characteristics and Risks of Standardized Options*, published by the OCC (the OCC Disclosure Document). You agree not to enter any orders for option transactions until You have received, read, and understood the OCC Disclosure Document. Any information contained in the OCC Disclosure Document, including information regarding the federal income tax consequences of option transactions, is subject to change.

4. Importance of Accuracy on Your Application

You represent that the information You've provided on the application to open an Account is accurate. You agree to notify VBS if there are important changes in the investment objectives or financial situation You have described in Your application.

5. Rules and Regulations

You represent that You understand that any option transaction made for Your Account is subject to the rules, regulations, customs, and usages of the OCC and of the registered national securities exchange, applicable self-regulatory organization, national securities association, clearing organization, or market where such transaction was executed. You agree to abide by such rules, regulations, customs, and usages, and agree that, in acting individually or in concert with others, You will not exceed any applicable position or exercise limits imposed by such exchange, association, clearing organization, or other market with respect to option trading.

6. Provision of Services

When We approve Your Account for option trading, We will act as Your broker to purchase, sell, assign, transfer, exercise, endorse, clear, or otherwise handle puts, calls, and other contracts relating to securities, securities-related indices, and other underlying instruments. We may, at Our discretion and without notice restrict or prohibit option trading or certain types of option transactions or specific option transactions in Your Account.

We shall not be responsible to provide You at any time with information concerning cash/stock dividends, stock splits, corporate actions, or any other information, advice, guidance, or recommendation with respect to an order to purchase or sell any securities, including options.

7. Payment

We may decline to accept Your order to purchase option contracts if there are not sufficient funds available (that is, funds on which no holds or other restrictions are imposed) in Your Account to pay the purchase price, if You do not have sufficient equity in Your Account to meet applicable margin requirements, or for other reasons subject to our discretion. Option transactions must be settled on the first business day after the day Your order is executed, and it is Your responsibility to deposit necessary funds and maintain sufficient equity in the Account.

8. Covered Options Transactions

If You are approved for covered options transactions only, You may only sell call option contracts or purchase put option contracts when You have the securities underlying the contracts sold or purchased on deposit in Your Account.

9. Maintenance of Required Equity and Liquidation

If You do not satisfy, on a timely basis, Your money or security calls, VBS is authorized, in its sole discretion and without notification, to take any and all steps We deem necessary to protect ourselves (for any reason) in connection with option transactions for Your Account, including the right to buy and/or sell for Your Account and risk any part or all of the shares represented by options handled, purchased, sold, and/or endorsed by VBS for Your Account or to buy for Your Account and risk any option as We may deem necessary or appropriate. This also includes the right to sell any of the Account Owners' securities held by Us or Our affiliates.

Our failure to take any of the above actions in any particular instance will not be considered a waiver of Our right to take such actions in later instances. You agree to reimburse Us for all expenses, fees, commissions or losses (including taxes and transfer and other fees) we incur as a result of such actions.

10. Short Option Positions

If You write a call option contract, You agree to honor all assignments by delivering to Us the underlying securities in negotiable form or cash (in the case of cash settled options, such as index options)) at the times prescribed by the securities exchanges and/or the Financial Industry Regulatory Authority (FINRA). If You fail to do so, We may act as your agent to buy in such securities at the current market price and deliver these securities or cash to fulfill Your delivery commitment. We may exercise Our discretion regarding the timing and manner of any such purchases. In case the following situations occur:

- You write a call option contract in a security that becomes subject to a reorganization transaction (such as a tender offer or other offer in which value is offered in exchange for or with respect to ownership of such security); **and**
- You are assigned an exercise notice on such contract; **and**
- You are unable to cover Your obligation to deliver, either through delivery of the security to Us or Our buying in the position; **then**
- You agree to pay Us the losses that We sustain as a result of Your failure to deliver. If You write a put option contract, You agree to honor all exercise assignments in a timely manner. You agree to pay all expenses, fees, commissions, and/or losses (including taxes) incurred as a result of the transactions described above.

In addition, at Our discretion, We will pair options positions in the Account that constitute a spread position. You agree to accept the matching logic employed by VBS to determine spread pairings and You agree to maintain sufficient equity in your Account to meet the equity requirements that may result from such pairings as determined by VBS in its discretion.

11. Exercises

If You exercise a long option contract, You agree to pay the full aggregate exercise price provided for by the option contract. You acknowledge that the OCC, the national securities exchanges, and VBS have established cutoff times for delivering exercise instructions. We are not obligated to give You prior notice of option expiration dates. Equity option contracts are American-style options, meaning they may be exercised at any time prior to expiration. Exercise instructions for equity option contracts can be accepted for same-day execution on business days prior to 4:30 p.m., Eastern time. The OCC has established that all equity options that are in-the-money by $.01 or more will be automatically exercised upon expiration. Any instructions to not automatically exercise an option that is in-the-money by $.01 or more must be provided by you prior to 4:30 p.m., Eastern time on the last business day prior to the expiration date of the option. Index options may be American- or European-style options. For European-style options, exercise is only permissible on the day of expiration prior to 4:30 p.m., Eastern time. The OCC has established that all index options that are in-the-money by $.01 or more of the index value will be automatically exercised upon expiration; any in-the-money value will be exercised and credited to Your Account.

If sufficient assets or securities are not in Your Account to cover the exercise of an option, VBS, at Our discretion, may (but are not required to) take action. We may place an order to sell the long option position on the business day prior to expiration. We may instruct the OCC not to exercise valuable options. If an option is exercised, We may close out the position(s) that result from the exercise. You agree to waive, and to release Us and Our officers, employees, and agents from any and all claims of damage or loss, then or at a later time sustained, as a result of the exercise or nonexercise of an option contract(s).

12. Assignments

If sufficient assets or securities are not in Your Account to cover the assignment of an option, VBS, at Our discretion, may (but are not required to) take action. We may place an order to close the short option position on the business day prior to expiration. If an option is assigned, We may close out the position(s) that result from the assignment. You agree to waive, and to release Us and Our officers, employees, and agents from any and all claims of damage or loss, then or at a later time sustained, as a result of the exercise or nonexercise of an option contract(s).

We allocate exercise assignment notices among customer short positions according to an automated procedure. This procedure randomly selects from among all customer short option positions (including positions established on the date of assignment) those contracts that are subject to exercise. All American-style short option positions are liable for assignment at any time. You acknowledge that the assignment process may result in multiple partial assignments and/or multiple transactions to fulfill a single assignment, and a separate commission charge will apply to each partial assignment or transaction needed to complete an assignment. At Your request, We will furnish You with a more detailed description of the automated assignment process.

13. Position and Exercise Limits–Rules

You agree that You will not, either acting individually or together with others, directly or indirectly:

- Hold or control any number of option contracts that exceed the position limitations, or
- Exercise a long position in any option contract that exceeds the exercise limitations, all as set from time to time by the exchanges or markets where such option contracts are traded.

All option trading activity in Your Account will be conducted according to the constitutions, rules, regulations, and usages of the OCC, FINRA, and any applicable exchange and/or regulatory agency. In addition, We may, at Our discretion and without prior notice impose more restrictive house option position limitations.

14. Required Arbitration Disclosures

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

- **All parties to the Option 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 Option Agreement.**

15. Arbitration Agreement

You agree to settle by arbitration any controversy between or among You and VBS, arising out of or relating to VBS' business or the Option Agreement. Such arbitration will be conducted by, and in accordance with, the securities arbitration rules and regulations then in effect of FINRA or any national securities exchange that provides a forum for the arbitration of disputes, provided that VBS 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 VBS 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 Option Agreement except to the extent stated herein.

16. Governing Law

The Option Agreement and the Agreement, all transactions made in Your Account and all matters arising in connection with the Option 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).

17. Severability

If any provision or condition of the Option 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 Option Agreement shall be valid and enforceable as if any such invalid or unenforceable provision or condition were not contained herein.

18. Assignment

We may assign Our rights and obligations under the Option 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 Option Agreement without first obtaining Our written consent. The Option Agreement is binding upon You and Your heirs, executors, administrators, successors and assigns, and it will benefit You and Your successors and assigns, if any.

19. Amendment

On prior or concurrent written notice to You, We may modify or rescind existing provisions or add new provisions to the Option Agreement. By not closing and/or continuing to use Your Account, You confirm Your agreement to abide by the Option 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 VBS employee or agent can amend or modify this written agreement.

20. Vanguard Brokerage Account Agreement

All transactions in Your Account are subject to the Option 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.

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