

Appendix

(A) *Loans/Debtor-Creditor Relationship.*

(1) Any loan (including any margin loan) to or from an audit client, or an audit client's officers, directors, or ~~record or~~ beneficial owners ~~of more than ten percent~~ (known through reasonable inquiry) of the audit client's equity securities where such beneficial owner has significant influence over the audit client, except for the following loans obtained from a financial institution under its normal lending procedures, terms, and requirements:

- ~~(1)~~ (i) Automobile loans and leases collateralized by the automobile;
- ~~(2)~~ (ii) Loans fully collateralized by the cash surrender value of an insurance policy;
- ~~(3)~~ (iii) Loans fully collateralized by cash deposits at the same financial institution; and
- ~~(4)~~ (iv) A mortgage loan collateralized by the borrower's primary residence provided the loan was not obtained while the covered person in the firm was a covered person.

(2) For purposes of paragraph (c)(1)(ii)(A) of this section:

- (i) the term audit client for a fund under audit excludes any other fund that otherwise would be considered an affiliate of the audit client;
- (ii) the term fund means an investment company or an entity that would be an investment company but for the exclusions provided by Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)).