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**Item 1: Cover Page**

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LOCUST POINT CAPITAL, INC.  
PART 2A OF FORM ADV: FIRM BROCHURE

Locust Point Capital, Inc.  
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[www.LocustPointCapital.com](http://www.LocustPointCapital.com)

March 30, 2020

This Form ADV Part 2A brochure (“Brochure”) provides information about the qualifications and business practices of Locust Point Capital, Inc. If you have any questions about the contents of this brochure, please contact Helen Quick, Locust Point Capital’s Chief Compliance Officer, at (732) 945-7474 or [hquick@locustpointcapital.com](mailto:hquick@locustpointcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Please note that the use of the term “registered investment adviser” or registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Locust Point Capital, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2: Material Changes**

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This Brochure is dated March 30, 2020, and is the annual updating amendment to the prior brochure, dated February 1, 2019. Set forth below is a summary of the material changes to this Brochure since that date. This summary of material changes is designed to make clients aware of information that has changed since the Brochure's last annual update and that may be important to them.

**Addition of Fund II.** Additional disclosure has been provided in Item 4 describing the addition of a second client, Locust Point Seniors Housing Debt Fund II, L.P. which had its initial closing on March 13, 2020.

**Performance-Based Fees and Side-by-Side Management.** Additional disclosure has been provided describing the allocation policies adopted in light of the overlap in investment periods between Locust Point's two clients

**Material Risks.** Additional disclosure has been provided in Item 8 in connection with the risks associated with global pandemics including COVID-19.

This summary of material changes is qualified in its entirety by reference to the full discussion in this Brochure. Investors are encouraged to read the Brochure in detail and contact Locust Point with any questions. The Brochure can be accessed via the SEC Website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or by requesting a copy by contacting Locust Point's Chief Compliance Officer at [hquick@locustpointcapital.com](mailto:hquick@locustpointcapital.com) or (732) 945-7474.

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**Item 3: Table of Contents**

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Item 1 - Cover Page .....	1
Item 2 - Material Changes .....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	5
Item 6 - Performance-Based Fees and Side-by-Side Management .....	7
Item 7 - Types of Clients .....	7
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 - Disciplinary Information .....	17
Item 10 - Other Financial Industry Activities and Affiliations .....	17
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	18
Item 12 - Brokerage Practices .....	18
Item 13 - Review of Accounts .....	19
Item 14 - Client Referrals and Other Compensation .....	19
Item 15 - Custody .....	20
Item 16 - Investment Discretion .....	20
Item 17 - Voting Client Securities .....	20
Item 18 - Financial Information .....	20

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**Item 4: Advisory Business**

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**A. Description of Advisory Business**

Locust Point Capital, Inc. (“Locust Point”), a Delaware corporation, was organized in May 2015 to provide investment advisory services to privately-offered pooled investment vehicles. Eric Smith, Daniel Contardi and Helen Quick are the Principals of Locust Point, and are also its principal owners.

**B. Description of Advisory Services**

Locust Point is a private fund manager that provides investment advisory services to privately-offered pooled investment vehicles. Currently, Locust Point’s only clients are (i) Locust Point Private Credit Fund, L.P. ( “Fund I”), a Delaware limited partnership formed in November 2016 and (ii) Locust Point Seniors Housing Debt Fund II, L.P. a Delaware limited partnership formed in November 2019 (“Fund II”). As a private credit fund, the Fund I’s investments consist of loans to small and mid-sized companies serving the senior housing and long-term care industries (as used in this Brochure, each such company is an “Owner-Operator,” and collectively, are “Owner-Operators”). Fund I’s loans primarily take the form of subordinated debt and, to a limited extent, preferred equity investments and first lien debt for Owner-Operators (as used in this Brochure, each such loan is an “investment,” and collectively, are the “investments”). Fund I provides capital to these Owner-Operators primarily for acquisitions, refinancing, recapitalizations, new construction, capital investment or working capital, or any combination thereof. Locust Point provides advisory services to Fund I pursuant to an investment management agreement that it has entered into with Fund I. Such services include, without limitation: identifying and screening potential investments; conducting diligence on and underwriting Fund I’s investments; monitoring the performance of investments; supervising and facilitating the exit and refinancing of investments; and preparing reports necessary or appropriate for compliance with Fund I’s Governing Documents (as defined below). Fund II had its initial closing on March 13, 2020 and as of the date of this Brochure has not yet made a capital call to its limited partners nor made any investments. Fund II will have the same strategy as Fund I as described above. Fund II has entered into an investment management agreement with Locust Point similar the agreement described above to Fund I. Locust Point does not participate in wrap fee programs or advise any separate accounts.

**C. Availability of Customized Services for Clients**

Locust Point’s management of each of Fund I and Fund II is governed by applicable fund’s offering memorandum, organizational documents and the investment management agreement between Locust Point and applicable (with respect to Fund I, the “Fund I Governing Documents and with respect to Fund II, the “Fund II Governing Documents”), as applicable. Locust Point does not customize its investment advice based on the needs of any particular investor in Fund I or Fund II.

Subject to applicable law, the Fund I Governing Documents and Fund II’s Governing Documents, as the case may be, Locust Point may enter into side letters or other writings with specific investors in each of Fund I and Fund II that may in each case provide for terms of investment that are more favorable than the

terms provided to other investors in Fund I or Fund II, as applicable. Such side letters or other writings may have the effect of establishing rights under, or altering or supplementing, the terms of such investors in Fund I or Fund II, as the case may be, , including with respect to waivers or reductions of the management fee and the incentive allocation (i.e., carried interest), access to information, more favorable transfer rights, more favorable liquidity rights, and other similar rights and preferences. Any rights established, or any terms altered or supplemented, will govern only that investor and not Fund I or Fund II or all of each of Fund I or Fund II's investors as a whole.

#### **D. Client Assets**

As of March 30, 2020, Locust Point manages approximately \$550,000,000 of committed capital for two clients on a discretionary basis. Locust Point does not manage any assets on a non-discretionary basis.

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### **Item 5: Fees and Compensation**

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#### **A. Management and Performance-Based Compensation**

##### Fund I

Locust Point is entitled to receive an annual management fee from Fund I in an amount equal to 1.75% per annum of the aggregate amount of the committed capital of Fund I during Fund I's investment period (the period between December 29, 2017 and June 29, 2022). Following this investment period and until Fund I's termination, Locust Point is entitled to receive a management fee in an amount equal to 1.75% per annum of the aggregate amount of the invested capital of the Fund. Management fees will be deducted from Fund assets and allocated according to the Fund investor's capital account, consistent with the applicable provisions of the Fund I Governing Documents (including any applicable agreements, such as side letters, that have been entered into with investors). Management fees are accrued and paid quarterly in arrears. Further, LPC GP, LLC, the affiliated general partner of Fund I ("General Partner"), receives performance-based compensation in the form of an incentive distribution of "carried interest." The specific payment terms and other conditions of the performance-based compensation are set forth in the Fund I Governing Documents. Generally, performance-based compensation payable to the General Partner of the Fund will be allocated and distributed quarterly, with reconciliation occurring after year-end and after payments to investors are made in accordance with the waterfall distribution provisions in the Fund I Governing Documents.

The specific payment terms and additional conditions of the management fee and performance-based compensation are set forth in the Fund I Governing Documents. Locust Point, in its capacity as investment adviser to Fund I and in its sole discretion, has waived and reduced, and may in the future waive or reduce the management fee or performance-based compensation applicable to an investor, including the share of carried interest allocated to certain investors in Fund I.

##### Fund II

Locust Point is entitled to receive an annual management fee from Fund II in an amount equal to 1.75% per annum of the aggregate amount of the committed capital of Fund II during Fund II's investment period (four years from the initial capital call). Following this investment period and until Fund II's termination,

Locust Point is entitled to receive a management fee in an amount equal to 1.75% per annum of the aggregate amount of the invested capital of the Fund. Management fees will be deducted from Fund assets and allocated according to the Fund II investor's capital account, consistent with the applicable provisions of the Fund II Governing Documents (including any applicable agreements, such as side letters, that have been entered into with investors). Notwithstanding the foregoing, those investors who committed capital on the initial closing date which occurred on March 13, 2020, will pay a management fee in an amount equal to 1.65% per annum of their committed capital and 1.65% per annum of the aggregate amount of invested capital, during and after the investment period, respectively. Management fees are paid quarterly in advance. Further, LPC GP II, LLC, the affiliated general partner of Fund II ("General Partner"), receives performance-based compensation in the form of an incentive distribution of "carried interest." The specific payment terms and other conditions of the performance-based compensation are set forth in the Fund II Governing Documents. Generally, performance-based compensation payable to the General Partner of the Fund will be allocated and distributed quarterly, with reconciliation occurring after year-end and after payments to investors are made in accordance with the waterfall distribution provisions in the Fund II Governing Documents.

The specific payment terms and additional conditions of the management fee and performance-based compensation are set forth in the Fund II Governing Documents. Locust Point, in its capacity as investment adviser to Fund II and in its sole discretion, may generally waive or reduce the management fee or performance-based compensation applicable to any investor, including the share of carried interest allocated to certain investors in Fund II.

## **B. Additional Fees and Expenses**

As a general matter, for both Fund I and Fund II, the management fee and any performance fees are exclusive of brokerage commissions, transaction fees and certain fund expenses, including but not limited to custodial expenses, service provider costs, litigation costs, operational costs, communications expenses, taxes and other related costs and expenses that are incurred by Fund I or Fund II, as applicable. The management fee and any performance fees are also exclusive of expenses related to organizing the applicable fund, expenses related to negotiating fund documentation, placement agent fees, filing fees and other accounting and legal fees in connection with the formation, launch and closing of the Fund I or Fund II, as the case may be. Since such charges, fees and commissions are exclusive of, and in addition to, Locust Point's management fee and performance-based compensation, each of Fund I and Fund II is generally responsible for these additional expenses (as described in, and subject to the limits on expenses contained in, the Fund I Governing Documents or Fund II Governing Documents, as applicable). Investors should refer to the Fund I Governing Documents and/or Fund II Governing Documents, as applicable, for a more complete discussion of the fees and expenses applicable to Fund I or Fund II, as the case may be. Locust Point Capital does not ordinarily engage in investment activity on behalf of either Fund I or Fund II that would require it to transact through broker-dealers. Consequently, neither Fund I nor Fund II generally incurs commissions or other costs due to the execution of securities transactions through a broker-dealer. A discussion of Locust Point's brokerage practices may be found at Item 12 of this Brochure.

## C. Compensation for Sales of Securities

Neither Locust Point nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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### Item 6: Performance-Based Fees and Side-by-Side Management

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The General Partner for Fund I and the General Partner of Fund II receives performance-based compensation from each of Fund I and Fund II, respectively, in the form of “carried interest”. These fees are measured as a percentage of the profits of Fund I or Fund II, as the case may be, and are more fully described in the Fund I Governing Documents and Fund II Governing Documents, as applicable. Locust Point does not presently advise any other advisory clients beyond Fund I and Fund II that would be subject to a different type of fee schedule.

Performance-based fees create an incentive for Locust Point to cause each of Fund I and Fund II to make investments that are riskier or more speculative than would be the case if such an incentive arrangement were not in effect. Locust Point advises each of Fund I and Fund II in accordance with the investment strategy and terms set forth in the Fund I Governing Documents and Fund II Governing Documents, so that investors in each of Fund I and Fund II are aware of the investment strategy, its applicable assumptions and limitations, and the risks and potential conflicts of interest associated with investing in Fund I and/or Fund II.

The investment period for Fund I expires on June 29, 2022, and consequently there is an overlap in investment period as between Fund I and Fund II. Since Fund I and Fund II follow substantially similar investment strategies, Locust Point will allocate investment opportunities consistent with the methodology set forth in the Investment Allocation Policy described below. The Investment Allocation Policy details the objective criteria by which Locust Point will allocate limited capacity investment opportunities Fund I and Fund II in an effort to ensure that Fund I and Fund II are treated on a fair and equitable basis. Locust Point will use all commercially reasonable efforts to ensure that no participating entity receives preferential treatment over any other, consistent with the procedures of the Investment Allocation Policy. Locust Point will allocate investments as between Fund I and Fund II in accordance with the foregoing and the following procedures:

- For investments presented to Locust Point for investment during Fiscal Year 2020, all transactions that have an “Expected Realization” (defined below) of three (3) years or less will be allocated to Fund I. All transactions that have an Expected Realization of greater than three (3) years will be allocated 100% to Fund II. Notwithstanding the foregoing, any amount allocated to Fund I which exceeds the available capital or investment restrictions set forth in the Fund I limited partnership agreement shall be allocated to Fund II.
- For investments presented to Locust Point for investment during Fiscal Year 2021, all transactions that have an Expected Realization of two (2) years or less will be allocated to Fund I. All transactions that have an Expected Realization of greater than two (2) years will be allocated 100% to Fund II. Notwithstanding the foregoing, any amount allocated to Fund I which exceeds the available capital or investment restrictions set forth in the Fund I limited partnership agreement shall be allocated to Fund II.

- For investments presented to Locust Point for investment during Fiscal Year 2022, all transactions that have an Expected Realization of eighteen (18) months or less will be allocated to Fund I. All transactions that have an Expected Realization of greater than eighteen (18) months will be allocated 100% to Fund II. Notwithstanding the foregoing, any amount allocated to Fund I which exceeds the available capital or investment restrictions set forth in the Fund I limited partnership agreement shall be allocated to Fund II.
- For purposes of the Investment Allocation Policy, “Expected Realization” means the mean the midpoint of the range of dates that Locust Point estimates the applicable portfolio investment will be repaid based on Locust Point’s underwriting assumptions. Such underwriting assumptions are stated in the Credit Memo that is presented to Investment Committee for each portfolio investment.

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## **Item 7: Types of Clients**

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Locust Point is a private fund manager that presently provides investment advisory services only to Fund I and Fund II, each of which is a private credit investment fund. Each of Fund I and Fund II is a limited partnership that is offered privately to institutional investors (e.g., private pension funds and insurance companies) and high net worth individuals. Neither Fund I nor Fund II is registered as an investment company under the Investment Company Act of 1940 (the “Company Act”), in reliance on Section 3(c)(7) of the Company Act, and interests in each of Fund I and Fund II are further not registered under the Securities Act of 1933. Generally, each underlying investor in each of Fund I and Fund II must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser,” as defined by the Company Act. Certain employees of Locust Point who qualify as “knowledgeable employees” under Rule 3c-5 of the Investment Company Act of 1940 may be permitted to invest directly or indirectly in Fund I and Fund II. Locust Point imposes a \$5 million investment minimum in connection with investing in each of Fund I and Fund II, which it may waive in its sole discretion.

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## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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### **A. Methods of Analysis and Investment Strategies**

The following is a summary of the investment strategies and methods of analysis employed by Locust Point when managing assets on behalf of each of Fund I and Fund II which share the same investment strategy. This summary should not be interpreted to limit in any way Locust Point’s investment activities. Locust Point may offer advisory services with respect to investment strategies and make investments, including those not described in this Brochure, that it considers appropriate subject to the Fund I Governing Documents and Fund II Governing Documents, including the investment management agreement between Locust Point and Fund I and the investment management agreement between Locust Point and Fund II. There can be no assurance that Locust Point will achieve the investment objectives of any client.

Locust Point seeks investment opportunities for both Fund I and Fund II primarily in the form of subordinated debt and preferred equity investments and first lien debt to Owner-Operators in the United States and U.S. territories, where the underlying collateral securing the debt includes the real estate interests of one or more senior housing and care facilities. Locust Point’s investment approach is to leverage the industry experience and relationships of its investment principals to originate investments that provide



capital to these companies for use for acquisitions, refinancing, recapitalizations, new construction, capital investment or working capital, or any combination thereof.

Locust Point pursues investment opportunities following a rigorous quantitative and qualitative analysis. The investment analysis process includes, but is not limited to a review of the following: the operating expertise of the management team of a prospective Owner-Operator; a capital appraisal of the underlying assets collateralizing the investment; opportunity for appreciation of the prospective Owner-Operator's business through physical improvements, financial optimization, expense management, enhanced business services, or expansion; the financial and capital structure of the prospective Owner-Operator; the risk factors associated with the investment, and the presence of any risk-mitigating considerations; due diligence, including financial modeling of the investment across a range of different economic scenarios; and available exit strategies for the investment. Each of Locust Point's investment principals has significant experience in the markets that Locust Point targets for Fund investments, and collectively Locust Point employs a highly analytic, disciplined and value-driven approach.

Locust Point's Investment Committee is comprised of its three investment principals as voting members and three additional members of the Locust Point team as non-voting members and is responsible for approving each investment made by the Fund. Each member of the Investment Committee is provided with a comprehensive investment memorandum upon completion of Locust Point's underwriting and due diligence of each Fund I and Fund II investment. The investment memorandum details Locust Point's diligence and underwriting of the prospective investment and includes a description of the prospective Owner-Operator's business plan for its facility or facilities and the anticipated specific use of proceeds in connection with the Fund's investment. Unanimous consent of the Investment Committee is required to approve an investment by each of Fund I and Fund II. After an investment is made, Locust Point implements its formalized monitoring of the investment towards the planned exit or refinancing. An in-depth description of Locust Point's method of investment analysis is available to investors in the Fund I Governing Documents and Fund II Governing Documents, as applicable.

## **B. Material Risks**

The information contained in this Brochure cannot disclose every potential risk associated with the Fund's investment strategy, or all of the risks applicable to investing with Locust Point or a particular security or investment. Rather, it is a general description of the material risks associated with the advisory services provided by Locust Point and investments by each of Fund I and Fund II, as applicable. Investors should refer to the Fund I Governing Documents and Fund II Governing Documents, as applicable, for a complete list of the risk factors applicable to Fund I and/or Fund II, as the case may be.

**Additional Government or Market Regulation.** Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the private investment fund industry in general. Certain legislation proposing greater regulation of the industry periodically is considered by U.S. federal, state and local and non-U.S. governments, regulatory or administrative agencies, self-regulatory organizations or other similar entities. It is impossible to predict what, if any, changes in the regulations applicable to Fund I and Fund II, the General Partner of Fund I, the General Partner of Fund II, Locust Point, the markets in which they trade

and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of Fund I and Fund II, as well as require increased transparency as to the identity of the Fund I's and Fund II's investors.

**Owner-Operator Representations.** Fund I and Fund II will generally seek to obtain structural, covenant and other contractual protections with respect to the terms of its loans as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect and potential investors should regard an investment in the Fund as being speculative and having a high degree of risk. Of paramount concern for loans is the possibility of material misrepresentation or omission on the part of the Owner-Operator. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or enterprise value of the companies or may adversely affect the ability of Fund I and/or Fund II, as the case may be, to perfect or effectuate a lien or any collateral securing the loan. Locust Point will rely upon the accuracy and completeness of representations made by companies to the extent reasonable when it makes its investment decisions, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to Fund I and/or Fund II may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Contingent Liabilities.** Each of Fund I and Fund II may, in relation to certain transactions (including transactions involving the disposition or sale of its Owner-Operators), give warranties, guarantees and/or indemnities to third parties. These arrangements may result in the incurrence of contingent liabilities for which Fund I or Fund II, as the case may be, may need to establish reserves or escrows from fund assets or from draws against the Investors' commitments. In that regard, investors may be required to return amounts distributed to them to fund obligations of Fund I or Fund II, as the case may be, including indemnity obligations.

**Current and Future Healthcare Legislation.** Congress adopted legislation in 2010 that significantly reformed the nation's healthcare system and is currently contemplating additional reform measures. Neither Fund I nor Fund II can predict what impact that current or future legislation might have on the business of the Owner-Operators. Reforms may be implemented that adversely impact these Owner-Operators. Changes in those laws or regulations, particularly in laws and regulations relating to reimbursement under the federal Medicare and state Medicaid programs, could adversely affect the operations or financial results of the Owner-Operators to the extent they are reliant on those programs. Any future action by federal or state government limiting or reducing the total amount of funds available for those programs or the methodology of reimbursement could lower the amount of reimbursement available to Owner-Operators and adversely impact the each of Fund I and Fund II's investments.

Future healthcare legislation, including bills pending before the Congress and various state legislatures, may alter the financing and delivery of healthcare services provided by Owner-Operators. There are expected to be wide variations among such future and pending legislation, the bills, and the ultimate effect of such legislation, if passed, on those Owner-Operators cannot be determined.

**Follow-On Investments.** Following its initial investment in an Owner-Operator, each of Fund I and Fund II may decide to provide additional funds to the Owner-Operator or have the opportunity to increase its

investment in a successful business. There is no assurance that such fund will be entitled or able to make follow-on investments. Any decision by Fund I or Fund II not to make follow-on investments, or its inability to make them, may have a substantial negative impact on an Owner-Operator in need of such an investment.

**General Market and Economic Risks.** Investments may involve a high degree of business and financial risk, which could result in the possibility of partial or total loss of capital to an investor. Each of Fund I and Fund II and their respective Owner-Operators may be adversely affected from time to time by such matters as: (1) changes in general economic, industrial, political, and international conditions; (2) acts of war, terrorism, or international boycott; (3) changes in taxes and prices of raw materials and components; and (4) other factors of a general nature that are beyond the control of Fund I and Fund II or the Owner-Operators. Each of Fund I and Fund II and their respective Owner-Operators may be materially and adversely affected by the unavailability of credit due to turmoil in the credit markets.

**Epidemics/Pandemics.** There is currently an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared a "Public Health Emergency of International Concern." The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the pandemic is rapidly evolving, and many countries, including the United States, have reacted by instituting quarantines, global and regional travel restrictions and the closure of offices, businesses, schools, retail stores and other public venues. Such restrictions and the related uncertainty concerning the threat and impact of COVID-19, are creating significant disruption in supply chains and economic activity. As COVID-19 continues to spread, such health crisis could exacerbate political, social, and economic risks and result in significant breakdowns, delays, and other disruptions to the economy.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, MERS, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Fund and its portfolio companies and could adversely affect each of Fund I's and Fund II's ability to fulfill its investment objectives.

The extent of such impact on Fund I and Fund II and their respective portfolio companies' operational and financial performance will depend on a number of factors, including the duration and scope of such emergency, the extent of any related travel advisories and restrictions, the effect on overall supply and demand, goods and services, overall availability of a trained healthcare workforce, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. Such effects may materially and adversely impact the value and performance of Fund I and Fund II's respective portfolio companies, each of Fund I and Fund II's ability to source and manage and each of Fund I and Fund II's ability to achieve its investment objectives, all of which could result in significant losses to Fund I and/or Fund II, as the case may be. In addition, the operations of each of Fund I and Fund II, their respective portfolio companies, the General Partner of Fund I, the General Partner of Fund II and Locust Point may be significantly impacted as a result of government quarantine measures, voluntary and precautionary restrictions on access to seniors housing and long term care facilities, restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

**Healthcare Provider Regulation and Licensing.** Nursing homes and, increasingly, assisted living facilities, are subject to state and federal statutes and regulations regarding the level of care provided for residents. In addition to state laws, those facilities are often subject to the Federal Social Security Act, state Medicaid laws and regulations and the conditions of participation for the Medicare and Medicaid programs set forth in related federal regulations. Failure to comply with these provisions can lead to civil monetary penalties, temporary management by a third party, denial of payment under Medicare and Medicaid programs, directed plans of correction, directed in-service training, state monitoring, transfer of residents, closure of the facility and revocation of a state license to operate the facility. There can be no guarantee or assurance that an Owner-Operator will maintain compliance with these statutes and regulations or that such company will not be required to expend significant sums to comply with those statutes and regulations. In addition, those statutes and regulations are subject to change, and there can be no guarantee or assurance that in the future Owner-Operators will be able to comply with those changed statutes and regulations or that those companies will not expend significant amounts to comply with those changes.

**Illiquidity.** The primary investments targeted by each of Fund I and Fund II – loans to Owner-Operators – are inherently illiquid due to the absence of an established market for such investments. Consequently, this will limit each of Fund I and Fund II’s ability to vary its portfolio in response to changes in economic and other conditions. Each of Fund I and Fund II typically will depend upon the Owner-Operator being sold, refinanced, reorganized or having a public offering to achieve liquidity for Fund I or Fund II’s investment, and there can be no assurance that any such event will occur.

**Lender Liability.** Judicial decisions in the United States have upheld the right of borrowers to sue creditors on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that a creditor has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the Owner-Operator or has assumed a degree of control over the Owner-Operator resulting in the creation of a fiduciary duty owed to the Owner-Operator or its other creditors or shareholders. Because of the expected nature of the Fund I and Fund II’s debt investments, each fund could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for equitable subordination, if a lender (1) intentionally takes an action that results in the undercapitalization of an Owner-Operator to the detriment of other creditors of that Owner-Operator, (2) engages in other inequitable conduct to the detriment of those other creditors, (3) engages in fraud with respect to, or makes misrepresentations to, those other creditors or (4) uses its influence as a stockholder or holder of other interests to dominate or control an Owner-Operator to the detriment of other creditors of that Owner-Operator, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of each of Fund I and Fund II’s anticipated investments, Fund I and Fund II could be subject to claims by creditors of an obligor asserting Fund I’s or Fund II’s investments issued by that obligor that are held by Fund I or Fund II, as the case may be, should be equitably subordinated. Although each of Fund I and Fund II expects to make investments where it is the lead investor, there will be investments from which it is not the lead investor. Accordingly, it is possible that lender liability or equitable subordination of claims affecting Fund I and Fund II’s investments could arise without the direct involvement of Fund I or Fund II, as applicable.

**Lending Activities.** Each of Fund I and Fund II expects to invest the majority of its investable capital in debt. Although each of Fund I and Fund II expects a significant portion of its investments to be secured by a first or second lien on collateral, each of Fund I and Fund II may be exposed to losses resulting from default and foreclosure of any such investments. Therefore, the value of underlying collateral, the creditworthiness of Owner-Operators and the priority of liens are each of great importance in determining the value of each of Fund I and Fund II's investments. No guarantee can be made regarding the adequacy of the protection of either of Fund I's or Fund II's security in the debt securities in which it invests. Moreover, in the event of foreclosure, Fund I, Fund II, or an affiliate thereof, as the case may be, may assume direct ownership of any assets collateralizing those foreclosed debt securities. The liquidation proceeds upon the sale of those assets may not satisfy the entire outstanding balance of principal and interest on those foreclosed debt securities, resulting in a loss to the applicable fund. Any costs or delays involved in the effectuation of foreclosures or liquidation of the assets collateralizing those foreclosed debt securities will further reduce proceeds associated therewith and, consequently, increase possible losses to Fund I or Fund II, as the case may be. In addition, no assurances can be made that Owner-Operators or third parties will not assert claims in connection with foreclosure proceedings or otherwise, or that those claims will not interfere with the enforcement of Fund I or Fund II's rights, as the case may be.

*Unrated Debt.* There are no restrictions on the credit quality of the Owner-Operators to which the Fund may issue loans. It is very unlikely that any of these loans will be rated, and whether or not rated, those debt securities may have speculative characteristics. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments and changes in economic conditions to a greater extent than do higher-rated debt instruments. Owner-Operators that issue those debt securities are often highly leveraged and may not have more traditional methods of financing available to them.

*Senior debt.* Senior debt securities of Owner-Operators generally will have ratings or implied or imputed ratings below investment grade. The lower rating of those debt securities reflects a greater possibility that adverse changes in the financial condition of the Owner-Operator or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the Owner-Operator to make payment of principal and interest. In addition to the foregoing, those debt securities may become nonperforming for a variety of reasons. A nonperforming debt security may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of principal or accrued interest due.

*Subordinated Debt.* A portion of each of Fund I and Fund II's debt investments may be made in certain high yield securities known as subordinated debt investments, which are subordinated debt securities that may be issued together with an equity security (e.g., with attached warrants). Subordinated debt investments can be unsecured and generally subordinated to other obligations of the issuer. The expected average life of each of Fund I and Fund II's subordinated debt investments may be significantly shorter than the maturity of these investments due to prepayment rights. Subordinated debt investments share all of the risks of other high yield securities and are subject to greater risk of loss of principal and interest than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there

are greater risks associated with the lower-rated securities, the yields and prices of those securities may tend to fluctuate more than those for higher-rated securities. Locust Point does not anticipate a market for its subordinated debt investments, which can adversely affect the prices at which these securities can be sold. Each of Fund I and Fund II's subordinated debt investments generally may be subordinated, either contractually or structurally, to the senior obligations of an Owner-Operator, and each of Fund I and Fund II's subordinated debt investments will therefore involve the additional risks attendant to investments consisting of subordinated loan positions. Adverse changes in the Owner-Operator's financial condition and/or in general economic conditions may impair the ability to make payments on the subordinated loans and cause it to default more quickly with respect to those securities than with respect to the Owner-Operator's senior loans. In addition, each of Fund I and Fund II's management of those investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing those investments or to continue receiving interest and principal payments after foreclosure on any collateral securing those investments, will be subject to the rights of the senior lenders to the company or project and contractual inter-creditor provisions. These risks may be mitigated to some extent by inter-creditor agreements between the applicable fund and an Owner-Operator's senior lenders, however there can be no assurances that the Fund will be able to enter into inter-creditor agreements.

**Lending to Private Companies.** Locust Point anticipates that each of Fund I and Fund II's investments will principally consist of loans to Owner-Operators. There is generally no publicly available information about those companies, so the applicable fund must rely on the diligence of Locust Point to obtain information in connection with such fund's lending decisions. Typically, success of these businesses depends on the management talents and efforts of one person or a small group of persons, and the death, disability or resignation of one or more of these persons could have a materially adverse impact on such fund's loans to said companies. Moreover, these businesses frequently have smaller product lines and market shares than their competitors, may be more vulnerable to economic downturns and often need substantial additional capital to expand or compete. Owner-Operators may also experience substantial variations in operating results. Investments involving Owner-Operators therefore involve a high degree of business and financial risk, can result in substantial losses and should be considered highly speculative.

**Leverage.** Each of Fund I and Fund II's investments are expected to include companies whose capital structures use leverage. Those investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Investments in Owner-Operators with leveraged capital structures may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the Owner-Operator or its industry. Those Owner-Operators may be subject to restrictive financial and operating covenants as a result of their use of leverage, which may impair these companies' ability to finance their future operations and capital needs. As a result, those Owner-Operators may have limited flexibility to respond to changing business and economic conditions and business opportunities, and their performance will depend in part on prevailing interest rates and/or other factors relating to their ability to meet their debt obligations. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money was not used. In addition, in the event an Owner-Operator does not perform as anticipated or incurs unanticipated liabilities, high leverage will magnify the adverse effect on the value of the equity of the Owner-Operator and could result in substantial diminution in or the total loss of an equity investment in the Owner-Operator.

**Limited Remedies Against Owner-Operators.** The practical realization of any rights upon any default by an Owner-Operator will depend upon the exercise of various remedies specified in the related transaction documents. The remedies available to each of Fund I and Fund II upon an event of default in many respects depend upon regulatory and judicial actions that are often subject to discretion and delay. The various legal opinions to be delivered concurrently with the origination of any investment in an Owner-Operator will be qualified to the extent that the enforceability of the various legal instruments delivered in connection therewith and of certain legal rights related thereto is subject to limitations imposed by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. Further, if a petition for relief under the Federal Bankruptcy Code were filed with respect to an Owner-Operator, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Owner-Operator and its property and as an automatic stay of any act or proceeding to enforce a lien on its property. If the bankruptcy court so ordered, the Owner-Operator's property could be used for the benefit of the Owner-Operator, as applicable, despite the security interests of Fund I or Fund II, as applicable, therein, provided that "adequate protection" is given to such fund as a lien-holder. In addition, federal bankruptcy laws may have an adverse effect on the ability of each of Fund I and Fund II to enforce its claims to property granted as collateral for an investment in an Owner-Operator.

**Loan Default.** Locust Point anticipates making loans to Owner-Operators that have limited financial resources and are able to obtain only limited financing from traditional sources. Although many of each of Fund I and Fund II's loans will be secured by the assets of the applicable Owner-Operator, there is no assurance the loans will be timely repaid or repaid in full. An Owner-Operator's ability to repay its loan may be adversely affected by numerous factors, including the failure to meet its business plan, the death, disability or resignation of senior management, a downturn in its industry or negative economic conditions. A deterioration in an Owner-Operator's financial condition and prospects may be accompanied by a deterioration in the value of any collateral for a loan.

**No Assurance of Investment Returns.** Locust Point cannot provide investors with any assurance that either Fund I or Fund II's investments will generate returns, or that such returns will be commensurate with the risks of the investment strategy followed by each of Fund I and Fund II.

**Portfolio Valuation.** Typically, no public market exists for investments in or loans to small and mid-sized, privately owned companies (i.e., Owner-Operators). As a result, in the absence of readily ascertainable market values, Locust Point will make a good faith evaluation of investments in each of Fund I and Fund II's portfolio. These values may differ significantly from the values that would have been established had a ready market for the securities existed, and the differences could be material. Unlike commercial lending institutions, neither Fund I nor Fund II may establish reserves for loan losses, and it revalues its portfolio on a semiannual basis. There can be no assurance that these valuations will be correct.

Locust Point anticipates that each of Fund I and Fund II will primarily make loans directly to such Owner-Operators. Such investments will have no established trading market. The illiquidity of most of Fund I and Fund II's investments may adversely affect its ability to dispose of such investments in a timely manner and at a fair price when necessary or advantageous.

**Reliance on Owner-Operator Management.** Neither Fund I nor Fund II expects to take control over the day-to-day operations of its respective Owner-Operators. In addition, although each of Fund I and Fund II intends to seek management rights, which may include board representation, board observer or other rights where appropriate, there is no assurance that these rights, if sought, will be obtained. Even in cases where Fund I or Fund II may be represented on management boards or have other management rights, such fund does not expect to control the day-to-day operations of its Owner-Operators. Therefore, the success or failure of many of Fund I and Fund II's Owner-Operators will depend to a significant extent on the financial and management talents and efforts of specific employees of those Owner-Operators, whose death, disability or resignation could adversely affect the performance of the Owner-Operator.

**Reliance on Projections and Estimates.** In making its investment decisions, Locust Point will rely upon projections, forecasts, or estimates with respect to a prospective Owner-Operator. Projections, forecasts, and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict, may be beyond the each of Fund I and Fund II's or an Owner-Operator's control, and may differ significantly from those assumed in generating projections. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than estimated. Projected operating results of an Owner-Operator in which either Fund I or Fund II invests normally will be based primarily on financial projections prepared by each Owner-Operator's management and subject to numerous factors outside the control of the each of Fund I and Fund II. Also, general economic and regulatory factors, which are not predictable, can have a material impact on the reliability of projections.

**Reliance on Third-Party Information.** Locust Point may select investments for each of Fund I and Fund II, in part, on the basis of information and data filed by issuers with various government regulators or otherwise made available, directly or indirectly, to Locust Point by third parties. Although Locust Point will evaluate all such information and data and will ordinarily seek independent corroboration when Locust Point considers it is appropriate and when such corroboration is reasonably available, Locust Point may not be in a position to confirm the completeness, genuineness or accuracy of that information and data, and in some cases, complete and accurate information may not be available. Moreover, investment analyses and decisions by Locust Point may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In those cases, the information available to Locust Point at the time an investment decision is made may be limited, and Locust Point may not have access to detailed information regarding the Owner-Operator. Therefore, no assurance can be given that Locust Point will have knowledge of all circumstances that may adversely affect a Fund I or Fund II investment.

**Restrictions on Transfer or Withdrawal.** The interests in Fund I and Fund II represent highly illiquid investments and should only be acquired by investors able to commit their assets for an indefinite period of time. Investors may not be permitted to transfer their interests without the consent of Locust Point, as applicable. Furthermore, the transferability of the interests will be subject to certain restrictions contained in the applicable fund's partnership agreement and subscription agreement and may be affected by restrictions on resale imposed under federal and state securities laws. A public market does not currently exist for interests in the Fund and one is not expected to develop.



**Cyber Security Breaches and Identity Theft.** Locust Point's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, Locust Point may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Locust Point's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Locust Point's reputation, submit it to legal claims and otherwise affect its business and financial performance.

**Litigation.** Some of the activities that Locust Point engages as part of its operations may result in litigation with Locust Point or Clients could be a party. There can be no assurance that any such litigation, once begun, would be resolved in favor of any Client.

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**Item 9: Disciplinary Information**

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Locust Point is not aware of any legal or disciplinary events required to be disclosed pursuant to this Item 9.

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**Item 10: Other Financial Industry Activities and Affiliations**

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An affiliate of Locust Point, LPC GP, LLC, acts as General Partner of Fund I. Locust Point does not believe that such relationship creates any material conflicts of interest with Fund I or its investors. Investment advisory services for Fund I are provided exclusively by Locust Point. Locust Point does not recommend or select other investment advisers for Fund I. An affiliate of Locust Point, LPC GP II, LLC, acts as General Partner of Fund II. Locust Point does not believe that such relationship creates any material conflicts of interest with Fund II or its investors. Investment advisory services for Fund II are provided exclusively by Locust Point. Locust Point does not recommend or select other investment advisers for Fund II. Additionally, neither Locust Point nor any of its management persons are registered or have an application pending to register as a broker-dealer, registered representative of a broker dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

To address regulatory considerations governing investing and lending activities in certain states, the four principals of Locust Point identified in Item 4.A have, and may in the future, to the extent permitted by Fund II's Partnership Agreement and Fund II's Advisory Committee, effect certain investments through a special purpose vehicle ("Investment SPV") beneficially owned and managed by the four principals of Locust Point. In such instances, neither the Investment SPV, Locust Point nor any Locust Point principal will retain any net revenue, fees or other monies other than those due had such investments been made directly by Fund II as described in Item 5. All formation expenses associated with establishing an investment SPV and effecting investments through such vehicles will be borne by Fund II, pursuant to Fund II's governing documents.

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**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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**A. Code of Ethics**

Locust Point has adopted a Code of Ethics for all employees that describes, among other things, Locust Point's standard of business conduct and fiduciary duty to its advisory clients. The Code of Ethics includes provisions relating to a prohibition on insider trading and personal securities trading reporting and preclearance requirements, among others. Under the Code of Ethics, Locust Point and each of its employees must place the interests of its advisory clients above any personal interests; seek to identify any material conflicts of interest, and observe established conflict resolution procedures; avoid making any misleading or inaccurate statements; report any violations of the Code, or Locust Point's compliance policies and procedures more generally, to the Chief Compliance Officer; and comply with all applicable provisions of the federal securities laws. All employees of Locust Point must acknowledge the terms of the Code of Ethics at initial hire and annually thereafter.

Locust Point prohibits its employees from trading for their personal accounts, as defined in the Code, in any security that would present a material conflict of interest with an advisory client. Subject to limited exceptions, each employee must periodically submit to the Chief Compliance Officer or her designee a report of the holdings and transactions in their personal accounts. As an investment adviser to advisory clients that are private investment funds, Locust Point may (to the extent it sponsors and advises another advisory client that is a private fund) cause an advisory client to purchase securities in which another advisory client, or one of Locust Point's affiliates or related persons, has an investment interest. Locust Point addresses any potential conflicts of interest that this may present through disclosure to investors in an advisory client fund. Locust Point, its employees and affiliates do not buy any securities from, or sell any securities to, its private fund advisory clients.

Investors in the Fund may request a copy of Locust Point's Code of Ethics by e-mailing [hquick@locustpointcapital.com](mailto:hquick@locustpointcapital.com).

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**Item 12: Brokerage Practices**

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Each of Fund I and Fund II's investments consist of subordinated debt and, to a lesser extent, preferred equity and first lien debt for private companies. Consequently, Locust Point does not transact through or have regular interactions with broker-dealers who execute transactions on behalf of Fund I or Fund II. Locust Point does not enter into any arrangements with broker-dealers or third parties in which it receives research or other products or services in connection with client securities transactions. Locust Point further does not enter into any directed brokerage arrangements, or consider client referrals when selecting or recommending broker-dealers to clients. Locust Point currently only advises a single Advisory Client (the Fund), and as such, does not aggregate any securities orders for multiple client accounts.

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**Item 13: Review of Accounts**

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Locust Point's investment principals monitor the performance of each of the Fund I and Fund II's Owner-Operators on an ongoing basis. For each Owner-Operator to which Fund I or Fund II, as applicable, has provided financing, Locust Point will review that company's operations, overall performance, financial performance and strategic direction and execution of the stated business objectives. Additionally, the Locust Point management team meets on a weekly basis and distributes reports on a quarter basis to provide collective oversight of the performance of all of Fund I and Fund II's Owner-Operators. Further, members of the Locust Point portfolio management team hold regular meetings with the principals of the Owner-Operators during the pendency of each investment.

Locust Point delivers written financial reports to each of the Fund I and Fund II's investors on a quarterly basis within 45 days after the end of each quarter. These reports include information relevant to Fund I and Fund II's current investments, as applicable, as well as each investor's investment in Fund I and/or Fund II, as applicable, a snapshot of the current pipeline of potential investments for each of Fund I and Fund II, as applicable, a brief overview of the seniors housing and care market during such quarter and management reviewed financial statements for Fund I or Fund II for such quarter. Each of Fund I and Fund II also delivers audited annual financial statements (including a balance sheet and a statement of income or loss) to its investors on an annual basis, within 120 days after the end of Fund I or Fund II's fiscal year end, as applicable.

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**Item 14: Client Referrals and Other Compensation**

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Locust Point does not receive any economic benefit from any third party for providing advisory services to either Fund I or Fund II.

Locust Point entered into an agreement with a third-party placement agent in connection with the offering of interests in each of Fund I and Fund II. This agreement provides for compensation to be paid to the placement agent for referring investors to Fund I or Fund II. Under this agreement, the placement agent receives a fee equal to a percentage of the capital commitments attributable to each prospective investor in the applicable fund, depending upon specific circumstances and restrictions. The placement agent also receives a retainer that is paid by Fund I and Fund II, a portion of which, in the case of Fund I, was waived and credited back to the Fund I when Fund I's target size was reached. The presence of this arrangement was disclosed to prospective investors in the each of Fund I and Fund II. In addition, Locust Point entered into an agreement with B.C. Ziegler and Company ("B.C. Ziegler") to compensate B.C. Ziegler for accepting certain investors into Fund I that it introduced. B.C. Ziegler is an affiliate of a Ziegler entity that is an anchor investor in Fund I (the "Ziegler Investor"). The Ziegler Investor is a non-managing member of Fund I's General Partner, and in that capacity is entitled to minority participation in the net carried interest that the General Partner receives from Fund I. Consequently, B.C. Ziegler had a financial incentive to refer prospective investors to Locust Point that may be accepted as investors in Fund I. The final closing date of Fund I occurred on August 27, 2018, and as such no further placement agent referrals are taking place with respect to Fund I.

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**Item 15: Custody**

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Locust Point generally is deemed to have custody of funds and securities owned by each of Fund I and Fund II, as its related person is the General Partner of the Fund I and the General Partner of Fund II. Locust Point complies and will in the future continue to comply with Advisers Act Rule 206(4)-2, the Custody Rule, by obtaining an audit of each of Fund I and Fund II on an annual basis by an independent public account that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Each of Fund I and Fund II will distribute its audited financial statements on an annual basis to all its respective investors no later than 120 days after the end of the applicable fund's fiscal year. Locust Point will further maintain each of Fund I and Fund II's assets with a "qualified custodian," to the extent required by the Custody Rule.

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**Item 16: Investment Discretion**

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Locust Point manages the each of Fund I and Fund II on a discretionary basis pursuant to the Fund I Governing Documents and the Fund II Governing Documents, respectively. Investors in each of Fund I and Fund II grant authority to the Fund I and/or Fund II, as applicable, to enter into an investment management agreement with Locust Point when they sign a subscription agreement.

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**Item 17: Voting Client Securities**

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While it is unlikely that Locust Point will receive or vote proxies in connection with investments made pursuant to either Fund I's or Fund II's investment strategy, Locust Point has adopted and implemented policies and procedures which it believes are reasonably designed to ensure that it votes proxies (if and when applicable) in the best interests of its advisory clients. Locust Point's proxy voting policy requires, among others, that Locust Point determine whether Locust Point or any of its employees has a conflict of interest with the interests of its advisory clients. In the event that a material conflict of interest is identified, the Chief Compliance Officer or her designee will take such steps as they determine necessary in order to vote the proxy in the best interests of Locust Point's advisory client(s). Locust Point's investors may obtain a copy of Locust Point's proxy voting policy, and a record of how proxies have been voted, by e-mailing [hquick@locustpointcapital.com](mailto:hquick@locustpointcapital.com).

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**Item 18: Financial Information**

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Locust Point does not have any financial commitments that impairs its ability to meet contractual and fiduciary commitments to its advisory clients, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.