

**Item 1. Cover Page**

**Part 2A of Form ADV: Firm Brochure**

**Nut Tree Capital Management, LP**

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This brochure provides information about the qualifications and business practices of Nut Tree Capital Management, LP. If you have any questions about the contents of this brochure, please contact us at (212) 418-1290. 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.

Registration with the SEC does not imply a certain level of skill or training.

Additional information about Nut Tree Capital Management, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

This updated Form ADV Part 2 reflects a co-investment vehicle launched by Nut Tree in March 2017: Nut Tree Co-Invest LP. The investment activity of this fund is described in Item 4-“Advisory Business” and the conflicts of interest and investment allocation procedures related to this vehicle are described in Item 11-“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and Item 12-“Brokerage Practices.”

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#### **Item 4. Advisory Business**

Nut Tree Capital Management, LP (“Nut Tree”), a Delaware limited partnership, provides investment management services on a discretionary basis to privately offered investment funds. Nut Tree currently serves as the investment manager of four funds, three of which are organized in a master-feeder structure and offered to outside investors and one of which operates as a stand-alone co-investment vehicle trading capital of Nut Tree personnel. The funds organized in the master-feeder structure include a domestic feeder fund (the “Domestic Feeder Fund”), an offshore feeder fund (the “Offshore Feeder Fund”) and a master fund (the “Master Fund”).

In this brochure we refer to the Domestic Feeder Fund and the Offshore Feeder as the “Feeder Funds” collectively, and each of the funds offered to advisory clients (including the Feeder Funds and Master Fund) as the “Funds” collectively, and each, a “Fund.” The stand-alone co-investment vehicle is referred to as the “Co-Investment Vehicle.”

Investment and trading activity for the Feeder Funds is conducted at the Master Fund level. References herein to the investment objectives, strategies, investments and transactions of the Funds include the Feeder Funds’ investment objectives, strategies, investments and transactions as implemented through the Master Fund. Limited partners in the Domestic Feeder Fund and shareholders in the Offshore Feeder Fund are referred to herein as “Fund investors.”

Nut Tree makes all investment and trading decisions on behalf of the Funds. Investment advice is provided directly to the Funds according to the Funds’ investment objectives and not individually to the Fund investors.

The founding partner and principal owner of Nut Tree is Jared R. Nussbaum.

Nut Tree commenced active management of the Funds in February 2016.

As of December 31, 2016, Nut Tree had \$393,891,208 in regulatory assets under management, all managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

The Co-Investment Vehicle does not pay fees or profit allocation to Nut Tree or any affiliate for investment management services.

Compensation received by Nut Tree and/or an affiliate for investment management services to the Funds is comprised of management fees based on a percentage of assets under management and performance-based fees. The following is a general summary of fees, which are described in greater detail in the confidential private placement memorandum of each Feeder Fund (each, an “Offering Memorandum,” and collectively, the “Offering Memoranda”).

### *Management Fee*

Fund investors generally pay Nut Tree a management fee (the “Management Fee”) at an annual rate ranging from 1.25% to 1.75%, depending on the pertinent investor’s series of interests or class of shares, of the amount invested in the relevant Feeder Fund. Management Fees are calculated and payable quarterly in advance. Capital contributions or subscriptions accepted after the commencement of a calendar quarter are subject to a *pro-rated* Management Fee reflecting the time remaining during the quarter. Nut Tree may reduce or eliminate the Management Fee with respect to any Fund investor in its sole discretion.

### *Performance Allocation*

Fund investors also generally are subject to a performance allocation (the “Performance Allocation”) ranging from 15% to 20% per annum, depending on the pertinent investor series of interests or class of shares, of the net profits allocable to the amount invested in the relevant Feeder Fund, subject to a “high water mark” provision. The Performance Allocation (if due) is payable to Nut Tree Partners GP, LLC (the “General Partner”), an affiliate of Nut Tree, which serves as the general partner of the Domestic Feeder Fund and the general partner of the Master Fund. The General Partner may, in its sole discretion, reduce, waive or calculate differently the Performance Allocation with respect to any Fund investor including, without limitation, Fund investors that are affiliates of Nut Tree.

### *Early Redemption Fee*

Fund investors generally are subject to an “early withdrawal fee” equal to 5% of proceeds withdrawn prior to the 12<sup>th</sup> month-end following the effective date of the applicable capital contribution or subscription (the “Soft Lock-Up Period”), payable to the Master Fund, as described more fully in the pertinent Offering Memorandum.

### *Other Types of Fees or Expenses*

Fund investors bear indirectly the fees and expenses charged to the Funds.

*Organizational Expenses.* The Funds (and, indirectly, Fund investors) bear the expenses of the organization of the Funds and the offering of Fund interests/shares, including legal and accounting fees, printing costs, travel, “blue sky” filing fees and expenses and out-of-pocket expenses. Organizational expenses are not subject to the expense cap that is discussed below.

*Operating Expenses.* Subject to an expense cap, as discussed below, the Funds (and, indirectly, Fund investors) bear all costs and expenses directly related to the Funds’ investment programs. These fees vary, but typically include, without limitation, expenses related to travel for research purposes; risk management systems; investment-related systems; data and technology services; proxies; underwriting and private placements; custody fees; any third party-provided investment or economic research or data; regulatory and self-regulatory filings (including Form PF and other regulatory reporting forms relating to the Funds’ operations and trading as well as Nut Tree’s trading); reporting, registrations and membership; compliance, including, without limitation, costs of compliance programs; regulatory and governmental inquiries, subpoenas and proceedings; and any withholding or transfer taxes imposed on the Funds. The Funds also bear

all out-of-pocket costs of the operation and administration of the Funds, including accounting, tax audit and legal expenses; costs of any litigation or investigation involving the Funds' activities; ongoing offering expenses; costs associated with reporting and providing information to existing and prospective investors; the costs of any liability insurance obtained on behalf of the Funds, the General Partner or Nut Tree; costs associated with possible reorganizations or restructurings of the Funds and/or related entities; costs resulting from any entities used in the course of the Funds' investing and trading (e.g., a "blocker" corporation); ERISA bonding costs, if applicable; and any indemnification payments. However, the General Partner or Nut Tree may, in its sole discretion, choose to absorb any such expenses incurred on behalf of the Funds.

The Funds' payment of ongoing operating expenses in each fiscal year is subject to the following expense cap (the "Expense Cap"): (i) if average month-end net asset value ("NAV") of the Master Fund for a fiscal year is less than or equal to \$150 million, then operating expenses charged to each Feeder Fund during such fiscal year will not exceed 0.5% of the Feeder Fund's average month-end NAV for such fiscal year; and (ii) if average month-end NAV of the Master Fund for such fiscal year is more than \$150 million, then operating expenses charged to each Feeder Fund during such fiscal year will not exceed 0.4% of the Feeder Fund's average month-end NAV for such fiscal year. Any operating expenses in excess of such cap will be borne exclusively by Nut Tree without reimbursement by the respective Feeder Fund. Specific, one-off deal- and transaction-related fees, costs and expenses (including related legal and consulting fees) are not subject to the Expense Cap. In addition, extraordinary expenses that would be classified as extraordinary items on a Feeder Fund's income statement are not subject to the Expense Cap. Such one-off deal and transaction costs include Nut Tree's participation in restructuring activities, creditor committees and loan closings in connection with its investments on behalf of the Funds.

The Feeder Funds additionally bear all transaction costs and expenses directly related to their investment programs, including brokerage commissions and interest on debit balances or borrowings, which are not subject to the Expense Cap.

Please also see "Item 12—Brokerage Practices" below.

### *Strategic Investor*

A strategic investor (the "Strategic Investor") has made a significant investment (the "Strategic Investment") in the Funds. In consideration for the Strategic Investment, the Strategic Investor is entitled to certain additional rights that differ from those available to other Fund investors, including, without limitation, certain consent rights, advance notice with respect to certain events and information and transparency rights for risk management purposes. The Strategic Investor also receives compensation relating to the Management Fees and Performance Allocations.

### *Side Letters*

A Feeder Fund, Nut Tree and/or the General Partner, as pertinent, may from time to time enter into agreements with certain Fund investors that provide for terms that are different from those described in the pertinent Offering Memorandum ("side letters"). The Feeder Fund or the General Partner may, but is not required to, disclose the existence or terms of any such side

letters to any other Fund investor. However, except as otherwise described in the Offering Memoranda with respect to the Strategic Investor and certain groups of related investors (“limited partner groups”), the Feeder Funds will not permit any Fund investor to have withdrawal rights that are in any respect preferential to those generally applicable to all Fund investors. Furthermore, Nut Tree or the General Partner currently intends only to enter into side letters with investors which Nut Tree or the General Partner considers to be “non-substantive” (*i.e.*, in no respect substantively advantaging the side letter Fund investor over other Fund investors). Examples of “non-substantive” side letters would include, but are not limited to, meeting the individual institutional requirements of the side letter Fund investor or agreeing to reductions in Management Fees or Performance Allocations.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As stated in “Item 5 – Fees and Compensation” above, currently all Fund investors are subject to payment of a performance-based fee. Nut Tree does not presently face the potential conflicts of interest that may arise from differing fee arrangements among clients. The fact that the General Partner is eligible to receive the Performance Allocation may cause Nut Tree to trade in a more speculative manner than it otherwise would.

## **Item 7. Types of Clients**

As described in “Item 4 – Advisory Business” above, Nut Tree provides investment advice to private investment funds (defined previously as the “Funds”). Investment advice is provided directly to the Funds and not individually to the Fund investors.

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

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

#### ***General***

Nut Tree employs an investment strategy designed to generate attractive risk-adjusted returns primarily by investing in (i) stressed corporate debt, (ii) distressed corporate debt, (iii) deep value and special situation equities and (iv) low loan-to-value middle market leveraged loans and high yield bonds (“High Yield Value”). In addition, Nut Tree invests in other securities with similar investment characteristics to distressed debt, such as warrants, trade claims, sovereign debt, asset-backed securities and structured credit products. Nut Tree employs a long-biased strategy, but seeks to generate returns both on the long and short side. Short positions typically are drawn from the same opportunity set as longs, but also include index products (*e.g.*, exchange-traded funds (“ETFs”) and tranches of CDX, or certain credit default swap indices covering North American and emerging market companies) and investment grade/cross-over credits. Index products are used as a shorting tool to adjust the net exposure of the Funds, in particular the Funds’ equities book. The investment program is focused on countries comprising the Organization for Economic Co-operation and Development (“OECD”) with established, creditor-friendly corporate restructuring frameworks.

Nut Tree believes there is significant opportunity in smaller, off-the-run capital structures, both credit and equity, in all parts of the cycle. The ability to analyze a company’s prospects in a

timely and efficient manner is a key differentiator for Nut Tree. Likewise, Nut Tree seeks to take advantage of situations characterized by complacency, or an existing investor seeking to protect its mark, by shorting bonds of companies with poor outlooks. Nut Tree also opportunistically seeks investment opportunities in larger capital structures when they become mispriced. Nut Tree expects a large portion of the Funds' portfolio to be invested in middle market capital structures (defined as enterprise value less than \$1.5 billion) at most points in the credit cycle. Nut Tree intends to manage the portfolio dynamically based upon the nature and quality of the opportunity set, taking into account the point in the market cycle.

The investment objectives and methods summarized in this brochure represent Nut Tree's current intentions. Depending on conditions and trends in the securities markets and the economy in general, Nut Tree may pursue any objectives, employ any investment techniques or purchase any type of security that it considers appropriate and in the best interests of the Funds.

### *Stressed Debt*

Nut Tree defines stressed debt as debt that is performing, such that it trades at a price above 75% of face value and has a yield to maturity below 15% but well above that of the broader high yield index. Stressed debt includes high-yield bonds, other types of bond instruments, loans and credit default swaps ("CDS"). Stressed debt long investments can either be made directly in the securities markets or structured through CDS. Stressed debt short investments include high-yield CDS, investment-grade CDS, as well as short positions in cash bonds — all of which benefit from price dislocations and volatility in the credit markets.

Nut Tree seeks stressed-debt opportunities with a number of different characteristics. The foremost opportunities are situations in which deep fundamental credit analysis can uncover value. Nut Tree also focuses on event-driven credit. This typically refers to debt trading below par or the call price with under-appreciated triggers for a "pull to par" (or the call price). Nut Tree engages in capital structure arbitrage to exploit inefficiencies in an issuer's capital structure. Nut Tree also invests in struggling new issues, which periodically arise from market dislocations, poor marketing or industry stress. Finally, Nut Tree seeks opportunities to short performing credit, both on a stand-alone basis and as part of capital structure relative value trades.

### *Distressed Debt*

Nut Tree defines distressed debt as debt that is in payment default, in a formal restructuring process or subject to any other type of distress that causes such debt to trade below 75% of face value or have a yield to maturity above 15%. The typical outcome for a distressed debt situation is a restructuring of the issuer's capital structure, either out-of-court or in a bankruptcy or insolvency proceeding. Distressed debt investing often focuses on the "recovery" or "enterprise" value of the issuer as well as the legal terms of the issuer's outstanding debt and the relevant bankruptcy process. The distressed debt component of Nut Tree's strategy takes primarily long positions, as typically the only viable distressed debt trade is to acquire debt at steep discounts to face value expecting to receive substantial returns from trading such debt or from the outcomes of a restructuring.



Nut Tree generally looks to acquire small percentages of the outstanding distressed debt of an issuer, which Nut Tree can trade in and out of when the market value changes due to changed expectations regarding the outcome of the ongoing restructuring process. Nut Tree will continually re-underwrite distressed investments as they move through the restructuring process. If Nut Tree deems it necessary in order to optimize the outcome of an investment, representatives of the Funds may join ad hoc or official creditor committees from time to time. If the valuation is still deemed compelling after completion of a restructuring, Nut Tree may continue to own the restructured “reorg” security (often in the form of equity).

### *Deep Value and Special Situation Equities*

Nut Tree’s approach to equity investing shares many characteristics with the credit investing strategy and focuses on two categories of equities – deep value and special situations. As a general guideline, Nut Tree focuses on the long side, investing in equities that have significant upside over time frames spanning six months or longer. Shorting individual equities generally is limited to use in capital structure arbitrage and as a portfolio hedging tool. Nut Tree also uses other equity hedging tools, such as equity indices and put spreads, to reduce the market exposure of the Funds.

Deep value equity investments are focused on securities that are undervalued due to (i) industry dislocation or flux, (ii) investor misperception, often as a result of complexity or (iii) limited/poor research coverage. Many investments are predicated on “soft” catalysts, such as earnings approaching an inflection point or the expectation that hidden/obscured value are uncovered by the market over time. In addition, Nut Tree invests in some public equities of companies in which the Funds also own the debt.

Special situation equities include reorg equities and equities undergoing corporate action or turmoil. Special situations typically are also considered “deep value,” but are more likely to have identifiable catalysts, such as an acquisition, management change or transition of the shareholder base from the distressed community to traditional equity investors. Nut Tree expects some reorg equities will be owned via conversion of distressed debt in a restructuring process.

### *High Yield Value*

Nut Tree invests in “High Yield Value” both to generate attractive risk-adjusted returns and to preserve flexibility to increase the risk profile of the Funds during periods of greater opportunity. The category is meant to serve as a stable placeholder that will provide a ballast of current yield to the portfolio with limited principal risk. High Yield Value generally comprises middle market syndicated loans and bonds. The loans and bonds in this category are generally first lien secured debt or unsecured debt in “single layer” capital structures that have limited risk of being layered by secured debt. The loan-to-value is generally below 65%, and issue size typically ranges from \$200 million to \$1 billion. High Yield Value loans are frequently non-conforming for a collateralized loan obligation, due to issue size, ratings or other structural nuances. High Yield Value bonds tend to be middle market, in unpopular industries or have other characteristics shunned by traditional high yield managers, in spite of their attractive loan-to-value. Bankruptcy exit financings are among the investments considered.

### ***Material Risks of Nut Tree's Strategies***

Investing in securities involves risk of loss that Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' investments. This summary does not attempt to describe all of the risks associated with an investment in the Funds or to provide a complete description of any of the individual risks referenced. Although no summary can fully describe all of the risks associated with such an investment, the Offering Memoranda contain a more complete description of the risks associated with an investment in the Funds.

*Illiquidity.* A portion of the investments made by the Funds may be very illiquid, and consequently the Funds may not be able to sell such investments at prices that reflect Nut Tree's assessment of their value or the amount paid for such investments by the Funds. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Funds and other factors. Furthermore, the nature of the Funds' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

*Lack of Diversification.* Because the Funds' investment portfolio may not necessarily be widely diversified, the portfolio may be subject to more rapid changes in value than would be the case if the Funds were required to maintain a wide diversification among companies, securities and types of securities.

*Fundamental Analysis.* One of the principal components of Nut Tree's strategy is the fundamental analysis of individual issuers. Fundamental analysis — which is based on the theory that market mispricings exist because market prices do not incorporate all knowable economic and other relevant data — is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting future prices based upon analysis of all known information. Investments made based upon fundamental analysis are subject to significant losses when market sentiment leads to investments' market prices being materially discounted from the expected prices indicated by fundamental analysis or when technical factors dominate the market.

Fundamental analysis is inherently subject to the risk of not having identified all the relevant economic factors. In the case of Nut Tree, this risk is exacerbated by the difficulty of even being aware of all relevant idiosyncratic factors (for example, possible dissension among management, illness of one or more key persons or inaccurate accounting procedures, none of which are within the scope of Nut Tree's universe of data). Fundamental analysis is also inherently subject to the unpredictable duration of periods during which market prices and "true value" as determined by such analysis will change. Nut Tree may be entirely correct in its analysis of the idiosyncratic factors affecting the price of a security, but the market may not reflect "true value" during the period that Nut Tree determines a position in such security can be held.

*Relative Value Strategy Risk.* The Funds may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In implementing "relative value" strategies, the Funds seek to reduce exposure to the risk of overall market price movements, but will be fully exposed to the risks of disruptions

in historical price relationships, the restricted availability of credit and the obsolescence of its valuation models.

*Credit Analysis and Credit Risk.* Nut Tree's investment strategy requires accurate and detailed credit analysis of issuers. There can be no assurance that Nut Tree's analysis will be accurate or complete. The Funds may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in their portfolio. While the Funds generally intend to hedge their credit risk, there can be no assurance the Funds will have the ability to establish such hedges in the market place or, if established, that the hedges will offset losses.

*Hedging Strategies.* Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Funds' securities or other objective of Nut Tree; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by Nut Tree; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Funds' position; and (v) default or refusal to perform on the part of the counterparty with which the Funds trade. Furthermore, to the extent that any hedging strategy involves the use of OTC derivative transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank").

*Short Sales.* The Funds may effect short sales. Short selling is the practice of selling investments that are not owned by the seller, generally when the seller anticipates a decline in the price of the investments or for hedging purposes. To complete a short sale, the seller must borrow the investments from a third party in order to make delivery to the buyer. Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, the Funds may be prematurely forced out of a short position. The lender of a security used to cover a short position generally has the right to demand the return of the stock that has been loaned at any time. In such event, the Funds would be required to replace the borrowed securities by borrowing the securities from another lender. If the Funds were unable to replace the borrowed securities they would be required to close out the short position by buying the security in the market to make delivery. In such event, the Funds could incur a significant loss if the security sold short had increased in value.

*Extraordinary Corporate Transactions.* Nut Tree employs a strategy, among others, that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by the Funds for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than Nut Tree's anticipated profit, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the deal.

*Reorganization.* Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if Nut Tree's evaluation of the anticipated outcome of a reorganization or the timing of such outcome should prove incorrect, the Funds could experience losses. A wide variety of considerations make any evaluation of the outcome of an investment in such a company uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations that limit Nut Tree's access to reliable and timely information concerning material developments affecting a company or that cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for the Funds to achieve intended results or promptly effect transactions. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks.

*Restructuring: Litigation Risks.* As a result of the Funds' investments and the possibility that Nut Tree may participate in restructuring activities, it is possible that the Funds may become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Funds and Nut Tree, and ultimately judgments may be rendered against the Funds for which the Funds do not carry insurance.

*Small and Medium Capitalization Issuers.* The Funds invest in small, medium and large capitalization issuers, which is often perceived to involve greater risk of market illiquidity and price "surprises" than investing in large capitalization companies. Taking short positions in small and medium capitalization issuers can be significantly more difficult than in large capitalization stocks due to the significantly smaller "float" of stock available to borrow in order to execute a short sale.

*Interest Rate Risk.* The Funds are subject to interest rate risk. This risk will be greater for long-term securities than for short-term securities. Nut Tree may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that Nut Tree will be successful in fully mitigating the impact of interest rate changes on the portfolios. Frequently, Nut Tree will not be attempting to mitigate this risk but may instead be attempting to exploit the direction of interest rate movements.

*Participation on Creditors' Committees.* The Funds may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Funds may also seek to negotiate directly with debtors with respect to restructuring issues. When the Funds choose to join a creditors' committee, the Funds would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interests. There can be no assurance that the Funds would be successful in obtaining results most favorable to it in such proceedings, although the Funds may incur significant legal fees and other expenses in attempting to do so. As a result of participation by

the Funds on such committees, the Funds may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Funds to liability to such other creditors who disagree with the Funds' actions.

*Leverage.* The Funds' portfolio may be significantly leveraged to enhance returns. While leverage presents opportunities for increasing the total return of the Funds, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds, which would be greater than if leverage were not employed. Interest on borrowings is a portfolio expense of the Funds and affects their operating results. Also, the Funds may create leverage via the use of instruments such as options, repurchase and reverse repurchase agreements and other derivative instruments.

*Risks Associated with Lender Liability; Equitable Subordination.* Generally, "lender liability" is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Although Nut Tree will generally not take "control" positions in the reorganizations in which it is involved, there can be no assurance that these claims will not arise or that it will not be subject to significant liability if a claim of this type did arise.

*Distressed Securities: Generally.* The fact that certain of the companies in whose securities the Funds may invest are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investment in any instrument, and a significant portion of the obligations and preferred stock in which the Funds invest may be less than investment grade.

*Distressed Securities: Credit and Market Risk.* Investment in the securities of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. Although the Funds invest in select companies that, in Nut Tree's view, have the potential over the long-term for capital growth, there can be no assurance that such financially troubled issuers or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Funds may incur substantial or total losses on their investments. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially troubled issuers and operationally troubled issuers.

*Distressed Securities: Volatility.* Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing

financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Funds' portfolio investments may not be widely traded and that the Funds' investment in such securities may be substantial relative to the market for such securities. As a result, the Funds may experience delays and incur losses and other costs in connection with the sale of their portfolio securities.

*Special Situations.* The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers as well as companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any such "special situation," there exists the risk that the contemplated transaction will not be consummated, will take considerably longer than anticipated and/or will result in a distribution of cash or a new security the value of which is less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell their investment at a substantial loss. There is typically substantial uncertainty concerning whether a special situation event will be consummated as well as to the outcome of such consummation.

"Special situations" investing is often described as being subject to "asymmetric risk" — *i.e.*, the profits earned on consummated transactions are materially smaller than the losses incurred in the event of non-consummation. Only a small number of unsuccessful transactions can result in long-term losses for this strategy.

*High-Yield Instruments.* The Funds may invest in high-yield debt instruments. Such instruments are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, the Funds may invest in bonds or loans of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield instruments that are below investment grade, or unrated, face ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt instruments tend to reflect individual corporate developments to a greater extent than do higher-rated securities and tend to be more sensitive to economic conditions. Companies that issue such instruments are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such instruments and have an adverse impact on their value. Any such economic downturn also could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default.

*Bank Loans.* The Funds may invest in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce their rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Funds. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity.

There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue.

*Derivatives.* Derivative instruments include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk.

*Non-U.S. Securities.* Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters; (ii) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Credit Default Swaps.* The Funds may purchase and sell credit derivatives contracts — primarily CDS — both for hedging and speculative purposes. In certain situations, trading in CDS may be more economically efficient than trading in equities as a means for Nut Tree to express its fundamental view of an issuer and to hedge its positions. The market for credit default swaps has been materially restricted by Dodd-Frank.

## **Item 9. Disciplinary Information**

Nut Tree has no legal or disciplinary events to report that would be material to a client’s or prospective client’s evaluation of Nut Tree’s advisory business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

As noted above, Nut Tree Partners GP, LLC (previously defined as the General Partner), an affiliate of Nut Tree, serves as the general partner of the Domestic Feeder Fund and the general partner of the Master Fund. Any persons acting on behalf of the General Partner are subject to the supervision and control of Nut Tree in connection with any investment advisory activities. In accordance with SEC guidance, the General Partner is registered as an investment adviser in reliance on the Form ADV filed by Nut Tree.

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

### *Code of Ethics*

As a fiduciary, Nut Tree owes an undivided duty of loyalty to its clients and thus demands the highest standards of ethical conduct and care by all of its principals and employees (referred to herein as “supervised persons”). It is Nut Tree’s policy that all supervised persons conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Nut Tree by its clients. Nut Tree’s policies and procedures have been designed to identify and properly disclose, mitigate and/or eliminate applicable conflicts of interest.

Nut Tree has adopted a Code of Ethics that sets forth standards of ethical and business conduct expected of Nut Tree’s supervised persons and addresses conflicts that may arise from personal trading by Nut Tree’s supervised persons. The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects Nut Tree’s fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions and requires Nut Tree’s supervised persons to periodically report and/or preclear certain personal securities transactions.

The Code of Ethics will be provided to any client or potential client upon request.

### *Personal Trading*

Nut Tree’s supervised persons are permitted to invest in their personal trading accounts, subject to certain restrictions, and may in certain circumstances invest in the same or related securities as Nut Tree recommends to the Funds, including doing so at or about the same time as the Fund transaction is effected. In order to reduce certain conflicts of interest that may arise between client accounts and the personal trading activities of Nut Tree’s supervised persons, Nut Tree has adopted a personal trading policy (contained in the Code of Ethics). The personal trading policy, among other things, requires preclearance of certain transactions and reporting of all transactions in and holdings of “reportable securities.”

### *Co-Investments*

Nut Tree’s principal and employees may co-invest with the Funds in certain investment opportunities. This co-investment trading will be performed indirectly through the Co-Investment Vehicle which does not itself implement any particular investment strategy, but rather, invests in opportunities which have excess investment capacity as identified by Nut Tree in the course of implementing investment strategies for the Funds. Co-investment opportunities generally will be allocated to the Co-Investment Vehicle pursuant to the investment allocation procedures set forth in “Item 12—Brokerage Practices—Allocation of Investment Opportunities” below, and any allocations made to the Co-Investment Vehicle will only be made to the extent that Nut Tree has determined that it is not in the interest of the Funds to further increase their position in such investment. The Co-Investment Vehicle bears its own operating and other expenses and its *pro rata* share of the legal and transactional costs related to the investments in



which the Co-Investment Vehicle invests together with the Funds. Any expenses relating to potential but unconsummated investments, however, will be borne entirely by the Funds rather than by the Co-Investment Vehicle or any other prospective co-investor.

In addition to the allocation and expense policies discussed above, Fund investors should note that co-investment trading creates conflicts between the interests of the Funds and those of its principal and employees. Nut Tree will be subject to a conflict of interest in making investment allocation decisions and determining that the size of a particular investment opportunity exceeds the aggregate desired allocation for the Funds, particularly in light of potential allocations to the Co-Investment Vehicle and other proprietary accounts held by Nut Tree, its principal and its employees. Investors in the Co-Investment Vehicle also may have greater transparency or otherwise receive additional information with respect to co-investment opportunities than Fund investors even though the Funds may have invested in the same opportunity.

#### *Principal Transactions and Cross Trades*

It is not generally anticipated that the Master Fund will enter into transactions in which Nut Tree and/or an affiliate participates or has a significant economic interest. Moreover, Nut Tree does not generally anticipate effecting client cross-transactions where Nut Tree causes a transaction to be effected between (i) the Master Fund and (ii) another account advised by it or any of its affiliates. However, if Nut Tree determines it is in the best interests of the Master Fund to enter into any such related party transaction, such transaction will be conducted in compliance with the disclosure and consent requirements of Section 206(3) of the Investment Advisers Act of 1940. Nut Tree must determine that any principal transaction is in the best interest of the participating client. Cross trades must be in the best interest of each participating client and must be consistent with Nut Tree's duty to seek best execution.

### **Item 12. Brokerage Practices**

#### *Best Execution*

Nut Tree is authorized to select the broker-dealers to be used for portfolio transactions for the Master Fund. In placing portfolio transactions, Nut Tree will seek to obtain the best execution, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning block positions; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Nut Tree's other selection criteria. In addition, subject to Nut Tree's obligation to seek best execution, Nut Tree may consider referrals of Fund investors in selecting brokers.

#### *Soft Dollar Benefits*

Nut Tree is authorized to use "soft dollars" generated by the Master Fund to pay for certain research and research-related services within the "safe harbor" provided by Section 28(e) of the

Securities Exchange Act of 1934. However, Nut Tree currently has no soft dollar arrangements and does not expect to use soft dollars in the near future.

### *Allocation of Investment Opportunities*

Nut Tree currently advises the Funds and the Co-Investment Vehicle. See “Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading— Co-Investments.” In addition to the Co-Investment Vehicle, Nut Tree in the future may act as the investment adviser to other clients with the same or different investment objectives, philosophies and strategies as those used for the Funds. Accounts of such other clients may have different terms of investment than the Funds, including different fees and liquidity terms. As discussed with respect to the Co-Investment Vehicle, Nut Tree also conducts trading for the General Partner’s and/or Nut Tree’s own account.

Nut Tree generally intends to allocate all investment opportunities that may be appropriate for the Funds and any other clients in a manner that is fair and equitable to all clients over time, taking into account the different investment mandates and investment strategies applicable to such clients, current investment positions of a client, the relative capitalization and cash availability of a client, investment time horizon, leverage ratios, tax, regulatory and other considerations.

In cases where a limited amount of an instrument is available for purchase, the allocation of such instrument, as between the Funds, any other clients and/or the accounts of Nut Tree and its affiliates, may necessarily reduce the amount available for purchase by the Funds. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, Nut Tree will seek to resolve such conflicts fairly. Circumstances could occur, however, in which an allocation could have adverse effects on the Funds or another client with respect to the price or size of securities positions obtainable or saleable.

If and when pertinent in the future, if Nut Tree determines that it would be appropriate for more than one investment account to participate in an investment opportunity, Nut Tree will seek to execute orders for all of the participating investment accounts on an equitable basis. If Nut Tree has determined to invest at the same time for more than one investment account, Nut Tree will generally place combined orders for all such accounts simultaneously; and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Nut Tree will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Funds could be disadvantaged because of the investment activities conducted by Nut Tree for other investment accounts.

### *Trade Errors*

Nut Tree may from time to time make trade errors, defined as errors in implementing specific trades that Nut Tree had determined to make. Trade errors can result from clerical mistakes, miscommunications between Nut Tree personnel and other reasons. Nut Tree determines whether the costs arising from trade errors will be borne by the Funds or Nut Tree by applying

the pertinent contract's standard of liability for Nut Tree's management of the Funds' capital. Nut Tree, accordingly, will be obligated to reimburse the Funds for any trade error resulting from Nut Tree's willful misconduct, gross negligence, bad faith or fraud, and not otherwise.

Nut Tree will itself determine in good faith whether or not a given trade error is required to be reimbursed under the general liability and exculpation standards applicable to the Funds. Nut Tree will have a conflict of interest in determining both whether a trade error has occurred and whether a trade error should be for the account of the Funds or Nut Tree. Nut Tree will attempt to resolve such conflict by an objective determination of the status of the trade error under the applicable liability standard. Any gains recognized on trade errors will be for the benefit of the Funds; none will be retained by Nut Tree.

### **Item 13. Review of Accounts**

#### *Review of Accounts*

Nut Tree will review, as pertinent, the Funds' portfolio holdings to determine that the investments held by the Funds remain consistent with the pertinent offering documents and will generally review the Funds' performance on an ongoing basis.

#### *Reports to Clients*

Fund investors receive unaudited monthly reports reviewing the Funds' performance for the month, quarterly letters and audited financial statements on an annual basis.

### **Item 14. Client Referrals and Other Compensation**

One or more affiliates of the Strategic Investor will act as placement agent for the Funds (the "Placement Agent"). Although Fund investors will not pay additional selling compensation if the Placement Agent recommends an investment to the pertinent Feeder Fund, the Strategic Investor receives a portion of the Management Fees and Performance Allocations. Accordingly, the Placement Agent will have a conflict of interest in recommending an investment in the Feeder Fund or advising whether to withdraw from the Feeder Fund.

### **Item 15. Custody**

Although Nut Tree does not physically hold the securities and other assets of the Funds, Nut Tree is deemed to have custody of the Funds' assets, since a Nut Tree affiliate serves as managing member of, or in a similar capacity for, certain of the Funds. Fund investors do not receive account statements from any custodians; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor.

### **Item 16. Investment Discretion**

Nut Tree has full discretion in all investment decisions made on behalf of the Funds, subject to the investment objectives, strategies and policies applicable to each Fund. Nut Tree may make investment decisions, without consultation with the Funds or the Fund investors, regarding which securities are bought and sold for the Funds, the total amount of the securities to be bought and

sold, the broker-dealers with which orders are placed for execution and the commission rates at which securities transactions are effected. Such discretionary authority is granted to Nut Tree in the applicable limited partnership agreement, investment management agreement or other pertinent Fund documentation.

#### **Item 17. Voting Client Securities**

Although Nut Tree as a general practice does not intend to vote securities held by the Funds, such as when Nut Tree determines that not voting is in the best interests of a client (for example, where Nut Tree determines that the cost of voting exceeds the expected benefit to the client), Nut Tree has voting authority with respect to such client securities. In addition to solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. In the event that Nut Tree votes client securities, Nut Tree will be guided by general fiduciary principles and will vote in the manner it believes is consistent with efforts to achieve a client's stated investment objectives.

Nut Tree follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, Nut Tree may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, one or more methods may be used to resolve the conflict, including (i) engaging a third party to recommend a vote with respect to the proxy, (ii) disclosing the conflict to the client and obtaining its consent before voting or (iii) convening a proxy voting committee to review the conflict.

Nut Tree will maintain a written record of each of its proxy votes. Clients may request a copy of Nut Tree's proxy voting policy, as well as applicable proxy voting records, by contacting Nut Tree.

#### **Item 18. Financial Information**

Nut Tree is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients, and Nut Tree has not been the subject of a bankruptcy petition.