

FORM ADV, PART 2A

FIRM BROCHURE

SENECA CAPITAL INVESTMENTS, L.P.

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This brochure provides information about the qualifications and business practices of Seneca Capital Investments, L.P. If you have any questions about the contents of this brochure, please contact us at 212-371-1300. 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.

Additional information about Seneca Capital Investments, L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

Seneca Capital Investments, L.P. is registered with the SEC as an investment adviser. Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

Item 2. Material Changes

This section describes the material changes to Seneca Capital Investments, L.P.'s (the "Adviser") Brochure since we filed our last Form ADV Part 2A on March 31, 2015.

On December 21, 2015, the Adviser sent a letter to investors in the Onshore and Offshore Fund informing investors that the Adviser decided to return outside capital (capital held by those investors not affiliated with the Adviser) at year-end 2015.

It is anticipated that the Adviser will operate as a family office once final payments have been made to investors following the issuance of the December 31, 2015 audited financial statements for the Onshore, Offshore and Master Fund. As a family office, the Adviser anticipates continuing operation of the Onshore Fund but under Rule 202(a)(11)(G)-1 of the Investment Advisers Act of 1940 would be excluded from the definition of an investment adviser. Accordingly, the Onshore Fund required the withdrawal of limited partners not affiliated with the Adviser on December 31, 2015 but does not anticipate dissolving.

It is anticipated that the Offshore Fund and Master Fund will be dissolved once final payments have been made to all investors following the issuance of the December 31, 2015 audited financial statements.

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Item 4. Advisory Business

Seneca Capital Investments, L.P., a Delaware limited partnership, (the “Adviser”, “we”, “Seneca” or “us”) provides investment management services to several privately offered pooled investment vehicles (as each are further described in Item 7, and collectively referred to herein as, the “Clients”), each of which is exempt from registration with the SEC as an investment company. The primary focus of Seneca is to invest the assets of its Clients pursuant to an event driven strategy focusing on special situation investing, by investing in securities whose market value is expected to be meaningfully affected by an anticipated event. For a further description of the Clients and their applicable investment strategies, please see Items 7 and 8 below.

The Adviser was established in 2005, and the Adviser’s general partner, Seneca Capital Investments, L.L.C. (“Seneca LLC”), was founded by Douglas Hirsch in 1996, of which Mr. Hirsch also serves as the managing member. Seneca LLC originally served as the investment manager to certain of the Clients currently managed by the Adviser. Mr. Hirsch is the founder and the managing member (the “Managing Member”) of the General Partner (as defined below) and Jonathan Schwartz, who joined the Adviser in 2003, is a member of the General Partner and the Director of Research of the Adviser, of which he is also a limited partner. Mr. Hirsch and Mr. Schwartz are primarily responsible for the day-to-day management of the Clients’ investments. The Adviser’s only clients are the Clients listed in Item 7. The Adviser provides investment advice to each Client in a manner that is consistent with the investment objectives and strategies of each Client, which are set forth in the applicable offering documents or other governing agreements of each Client. The Clients generally do not impose restrictions on Seneca with respect to investing in certain securities or types of securities.

As of December 31, 2015, the aggregate net asset value of the Clients managed by the Adviser was approximately \$174,079,715. The Adviser manages all of such assets on a discretionary basis.

Item 5. Fees and Compensation

The Adviser receives compensation from its Clients (referenced below as the Onshore Fund, the Offshore Fund, and the Master Fund, each as defined in Item 7). The Adviser receives compensation in the form of management fees (“Management Fees”) from each of the Onshore Fund and the Offshore Fund. The Adviser’s affiliates (Seneca Capital Advisors, L.L.C. and Seneca Capital International GP, LLC (each, a “General Partner”)), each receives compensation in the form of a performance allocation (each, a “Performance-Based Allocation”) from the Onshore Fund and the Master Fund, respectively.

Management Fees:

The Adviser receives from the Onshore Fund a Management Fee, payable quarterly in advance, in an amount equal to 0.50%, of the balance in each capital account of each limited partner (each, a “Limited Partner”) (calculated without reduction for any accrued

Performance-Based Allocation) in the Onshore Fund at the beginning of each calendar quarter (2.0% annually). The capital account of a Limited Partner admitted to the Onshore Fund other than on the first day of a calendar quarter (and capital accounts of Limited Partners that make additional capital contributions on a day other than the first day of a calendar quarter) will be subject to a pro rata portion of the Management Fee based upon the portion of the calendar quarter for which it is a Limited Partner.

The Adviser receives from the Offshore Fund a Management Fee, payable quarterly in advance, in an amount equal to 0.50%, of the net asset value (calculated without reduction for any accrued Performance-Based Allocation) of each series of each class of shares in the Offshore Fund at the beginning of each quarter, chargeable to each series quarterly in advance (2.0% annually). A pro rata Management Fee also will be assessed on any investment accepted as of any date other than the first day of a fiscal quarter.

No portion of any Management Fee paid to the Adviser will be refunded if a Limited Partner or any shareholder in the Offshore Fund (each, a "Shareholder") is permitted or required to withdraw from the Onshore Fund or to redeem from the Offshore Fund, respectively, on a date other than the end of a calendar quarter.

Performance-Based Allocations:

The applicable General Partner of the Onshore Fund and the Master Fund will receive a Performance-Based Allocation equal to 20% of the Onshore Fund's or the Master Fund's, as applicable, aggregate net realized and unrealized profits attributable to its Limited Partners for each fiscal year, subject to a high watermark provision described below.

For the Onshore Fund, the Performance-Based Allocation shall generally be determined at the end of each fiscal year and shall be equal to 20% of the aggregate net realized and unrealized profits which are allocated to each Limited Partner's capital account for a fiscal year, subject to the high watermark provision described below. If a Limited Partner withdraws capital prior to the end of a fiscal year, a Performance-Based Allocation shall be made at such time on such withdrawn capital.

If aggregate net realized and unrealized losses ("Net Losses") are allocated to a Limited Partner's capital account for a fiscal year or other applicable calculation period, the General Partner shall receive a reduced Performance-Based Allocation equal to 10% (the "Reduced Performance-Based Allocation") of the aggregate net profits that are thereafter allocated to such Limited Partner's capital account (without reduction for such Reduced Performance-Based Allocation) until the Recovery Amount is fully recovered. Thereafter, the Performance-Based Allocation percentage shall be returned to 20%. The "Recovery Amount" shall equal the aggregate of 100% of such Net Losses plus an additional 125% of such Net Losses. Thus, notwithstanding the fact that past losses of the Onshore Fund, have not been fully recovered, the General Partner may earn a Reduced Performance-Based Allocation. However, such Reduced Performance-Based Allocation will continue to apply even after past losses have been fully recovered to the extent of 125% of such losses. Notwithstanding the foregoing, if a Limited Partner's capital account is allocated further net losses during any fiscal year or other applicable

calculation period during which such capital account has an unrecovered Recovery Amount (such further net losses being referred to as the “Subsequent Net Losses Amount”), then no Reduced Performance-Based Allocation shall be made to the General Partner with respect to such capital account until 100% of the Subsequent Net Losses Amount has been recovered by such capital account (which will be calculated before taking into account any Performance Allocation). Once such Subsequent Net Losses Amount has been recovered, such capital account will resume being subject to the Reduced Performance-Based Allocation, as discussed above, until 225% of the prior Net Losses have been fully recovered. If a Limited Partner withdraws a portion of its capital account while such capital account has both an unrecovered Recovery Amount and Subsequent Net Losses, the proportionate reduction will first offset the Net Losses associated with the unrecovered Recovery Amount and then, if applicable, the unrecovered Subsequent Net Losses.

The Performance-Based Allocation for the Master Fund is determined in the same manner as described above for the Onshore Fund. Such Performance-Based Allocation is charged on a proportionate basis to the shareholders in the Offshore Fund, which Fund invests substantially all of its assets in the Master Fund.

The Adviser (or its affiliated General Partners) may reduce, waive or otherwise modify or calculate differently the Management Fee and/or Performance-Based Allocation with respect to investors in the Onshore Fund or the Offshore Fund, including investors that are affiliates of the Adviser. The Adviser does not bill the investors in the Onshore Fund and the Offshore Fund for Management Fees or Performance-Based Allocations. Rather, Management Fees are deducted from the assets of such Clients directly and charged to the capital accounts or shares, as applicable, of each investor in such Clients accordingly. Similarly, the Performance-Based Allocations are made within the Onshore Fund or the Master Fund, as applicable.

In addition to the Management Fees and Performance-Based Allocations described above, each of the Onshore Fund and the Offshore Fund (and, indirectly, the investors therein) will pay various expenses related to its investments and its operations, including without limitation, brokerage and other transaction costs, clearing and settlement charges, interest and commitment fees on debit balances or borrowings, borrowing charges on securities sold short, costs of any liability insurance obtained on its behalf, costs of any litigation or investigation involving its activities, consulting services and research and trading related expenses, legal and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, the fees and expenses of professionals providing services to it, including legal, audit, accounting, tax and administration, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees payable to governments or agencies, and the costs of reporting and providing information to its Limited Partners or Shareholders, as applicable. It is anticipated that most investment related expenses and certain other expenses of the Offshore Fund will be incurred at the Master Fund level. The expenses of each of the Onshore Fund, the Offshore Fund and the Master Fund may be shared on an equitable basis amongst the Clients.

The Onshore Fund and the Master Fund will incur brokerage and other transaction costs as described above. See Item 12 for further information regarding brokerage.

The Adviser and its supervised persons do not accept any compensation for the sale of securities or other investment products, including any interests in the Clients.

Item 6. Performance-Based Fees and Side-By-Side Management

Affiliates of the Adviser are entitled to receive Performance-Based Allocations from each of the Onshore Fund and the Master Fund, as disclosed in further detail in Item 5 above. The Performance-Based Allocation charged at the level of the Master Fund is applicable to all of the assets invested therein by the Offshore Fund.

Item 7. Types of Clients

The Adviser currently provides investment advice to each of the Clients set forth below:

- 1) Seneca Capital, L.P., a Delaware limited partnership (the “Onshore Fund”);
- 2) Seneca Capital International, Ltd., a Cayman Islands exempted company (the “Offshore Fund”); and
- 3) Seneca Capital International Master Fund, L.P., a Cayman Islands limited partnership (the “Master Fund”), which serves as an offshore master fund through which the Offshore Fund invests substantially all of its assets.

The investors in the Clients include fund of funds, high net worth individuals, corporations, institutional investors, pension and profit sharing plans, endowments and foundations.

Investors in the Onshore Fund must each be (i) an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (ii) a “qualified purchaser” as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “1940 Act”). U.S. investors in the Offshore Fund must each be an “accredited investor” as defined in Regulation D under the Securities Act, and the number of beneficial owners of Shares that are U.S. persons (as defined under applicable securities laws) may not exceed 100.

The required minimum initial investment in each of the Onshore Fund and Offshore Fund is \$5,000,000, and the minimum additional investment in each of the Clients is \$1,000,000. The required minimum initial investment in the Master Fund is \$100,000. Such minimum amounts can be waived for any prospective investor by the General

Partner of the Onshore Fund or the board of directors of the Offshore Fund, as applicable, except where statutorily required.

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

The disclosures in this Item 8 primarily relate to the methods of analysis, investment strategies and risks applicable to the Onshore Fund and the Offshore Fund. The Offshore Fund invests substantially all of its assets through the Master Fund, and therefore, where appropriate, references to the Clients in this Item 8 should also be construed to mean the Master Fund, as applicable. Each Client's objective is to attain consistently superior returns over time, largely independent of overall market movements, primarily by investing in securities whose market value is expected to be meaningfully affected by an anticipated event. Such event may include a change in the issuer's corporate or capital structure (such as a merger, spin-off or recapitalization), a debt repayment obligation or a management transition. Opportunities for gain also may result from business developments (both company-specific or industry-wide) or where an issuer is particularly affected by changes in the regulatory environment, economic cycle or capital markets. Examples of such business developments include changes in a company's management, the likelihood of industry consolidation or deconglomeration and perceived opportunities expected from financial restructuring (including in a bankruptcy proceeding), litigation and spin-offs. The Adviser expects to base its investment decisions on research and quantitative and qualitative analysis in evaluating the risk/reward potential of each situation.

The Adviser believes that the dynamics of such special situations may create market and trading inefficiencies. The Adviser will estimate a company's "intrinsic" value: the value of the issuer as a business enterprise. The issuer's public market value may vary from its intrinsic value as a result of stock and bond market dynamics, or investor fears or misjudgments. The Adviser will seek to profit from discrepancies in relative values through arbitrage, long-term investing or other strategies and techniques.

Each Client may invest in and trade all types of equity and debt securities. Each Client may invest in other types of U.S. and foreign issuers and may use a variety of investment techniques to generate profit and/or control risk, including, but not limited to, short positions, index options, derivatives and other hedging devices. Where appropriate, a Client will use leverage in making investments.

Material Risks

Each Client may be deemed to be a speculative investment and is not intended as a complete investment program. Each Client is designed only for sophisticated persons who are able to bear the risk of an investment therein. Investing in securities involves risk of loss that investors should be prepared to bear.

Nature of Securities Investments. The Clients invest substantially all of their assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Clients.

Event Equities or Special Situations. The Clients will invest in companies with pending or anticipated corporate events or other catalysts that are likely to trigger the market's revaluation of a company. The ability to determine the impact of such events or catalysts on the price of an issuer's securities is very difficult to determine and there is no assurance that such events or catalysts will occur, or if they occur, that they occur in the manner anticipated by the Adviser. Furthermore, the prices of securities of issuers with pending or anticipated corporate events or catalysts tend to be more volatile than that of other securities.

Investments in Bankrupt or Restructured Companies. The Clients may invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial, legal and business risks that can result in substantial, or at times even total, losses. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is especially high. There is no assurance that the Adviser will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. It may often be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by U.S. (local, state and federal) law and non-U.S. law relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court's power to disallow, reduce, recharacterize, subordinate or disenfranchise particular claims. There is also the risk in a distressed loan situation or bankruptcy of being primed by debtor-in-possession financing or similar new money debt. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate insolvency and reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash, assets or a new security the value of which will be less than the purchase price to the Clients of the security in respect to which such distribution was made and the terms of which may render such security illiquid. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. The Adviser, on behalf of one or both of the Clients, may elect to serve, directly or through an affiliate, on creditors' committees or other groups to seek to ensure preservation or enhancement of the Clients' position as a creditor. A member of any such committee or group may owe certain obligations generally (and in a

U.S. proceeding will have fiduciary obligations) to all parties that the committee was appointed to represent.

Undervalued Equity Securities. Each Client's investment strategy also focuses on investing in companies that the Adviser believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies, or because of a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Arbitrage. The Clients will engage in certain arbitrage trading including, but not limited to, risk arbitrage, balance sheet arbitrage and convertible arbitrage. In such trading, the Clients attempt to profit by exploiting price differences of identical or similar securities or financial instruments on different markets or in different forms. Often arbitrage opportunities disappear rapidly once the opportunity becomes well-known and many investors act on it. Arbitrage trading can involve large transaction costs because of the need to simultaneously buy and sell many different securities. There is no assurance that the arbitrage transaction will perform in the manner expected by the Adviser and the exposure of the Clients to a movement in the market or other factors could be significantly increased. In certain transactions, the Clients may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

Use of Leverage. The Adviser may leverage a Client's portfolio from time to time through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the investors in a Client if a Client earns a greater return on the incremental investments made with borrowed funds than it pays for such funds, the use of leverage decreases returns to the investors in a Client if a Client fails to earn as much on such incremental investments as it pays for such funds. In the event that a Client leverages its portfolio, fluctuations in the market value of such Client's portfolio will have a significant effect in relation to such Client's capital and the risk of loss and the possibility of gain will each be increased. In addition, when a Client utilizes leverage, the level of interest rates generally, and the rates at which the Client can borrow in particular, will be an expense of such Client and therefore affect the operating results of such Client. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Clients' portfolios. There is no assurance that leverage will be available to the Clients on acceptable terms, if at all.

The Clients may use short-term margin borrowing when purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Clients. For example, should the securities pledged to brokers to secure a Client's margin accounts

decline in value, such Client could be subject to a “margin call” pursuant to which the such Client would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Client’s assets, such Client might not be able to liquidate assets quickly enough to pay off its margin debt.

Short Sales. The Clients may engage in “short sales” when the Adviser believes a security is overvalued. Short sales are sales of securities that a Client borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and such Client will be able to make a profit by purchasing the securities at a later date at the lower prices. Such Client will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Clients’ ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted, often with little advance notice, in response to these adverse market events.

In addition, the Clients may not be able to effectively pursue a short selling strategy or may incur additional costs in doing so due to a limited supply of securities available for borrowing because temporary or new permanent rules or restrictions may adversely affect the Clients’ ability to borrow certain securities. Moreover, traditional lenders of securities may be less likely to lend in such market conditions. The ability to continue to borrow a security is not guaranteed and the Clients are subject to strict delivery requirements, the breach of which could subject the Clients to mandatory close out by the executing broker-dealer and thus force the Clients to incur unintended costs and losses. Certain action or inaction, such as a failure to deliver securities in a timely manner, by executing broker-dealers, clearing broker-dealers or other third-parties, may materially impact the Clients’ ability to effect short sale transactions.

Portfolio Liquidity and Transfer Restrictions. As a result of the Clients’ investment strategies, certain investments (especially those involving financially distressed companies or bank loans) may have to be held for a substantial period of time before they can be liquidated to the Clients’ greatest advantage or, in some cases, at all. The Clients’ investments may include private securities which may be subject to substantial restrictions on transferability and for which there may be no readily available market. In addition, securities purchased by the Clients with the expectation that they were relatively liquid, may become less liquid or illiquid as a result of events or factors involving the issuer of the securities, the issuer’s industry or the markets as a whole. Such illiquidity

could have a material adverse effect on the Clients, including in connection with withdrawals or redemptions by their investors.

General Economic and Market Conditions. The success of the Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Clients' investments and the availability of certain securities and leverage. Volatility or illiquidity could significantly impair the Clients' profitability or result in significant losses.

Changing market and economic conditions, and other factors such as changes in federal or state tax laws, federal or state securities laws or accounting standards, may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make arbitrage or trading activities engaged in by the Clients less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquirer to obtain high levels of financing to successfully complete the transaction. As a result of cycles of uncertainty in credit markets, such financing may become difficult to obtain and may adversely affect the Clients' opportunities and investments. In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Clients will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Clients' strategies.

Concentration of Investments. The Adviser will seek to maintain diversified portfolios for the Clients but is not limited in the amount of the Clients' capital which it may commit to any one investment or any one industry. Accordingly, although the Adviser expects to spread each Client's capital among a number of investments, it may depart from such policy from time to time and each Client may hold a few, relatively large positions. The result of such concentration of investments is that a loss in any such position could have a material adverse impact on each Client's capital.

Foreign Securities. The Clients may invest in securities of non-U.S. issuers. The Clients' investments in securities and instruments in foreign markets involve substantial risks not typically associated with investing in U.S. securities. Investments in foreign securities may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations.

Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Clients' assets denominated in that currency and thereby impact upon each Client's total return on such assets. The Clients may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also be subject to risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of the Clients' assets and the effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Clients to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. In addition, differences in clearance and settlement procedures on foreign markets may occasion delays in settlements of the Clients' trades affected in such markets. Furthermore, the inability of the Clients to make intended security purchases due to settlement problems could result in a failure of the Clients to make potentially advantageous investments.

Taxation of dividends, interest and capital gains received by non-residents varies among foreign countries and, in some cases, is comparatively high. In addition, foreign countries typically have less well-defined tax laws and procedures and such laws may permit retroactive taxation so that each Client could in the future become subject to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets.

Risks of Investments in Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options which the Clients may use in

their investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

Other Derivative Investments. Derivative instruments, or “derivatives,” 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. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. 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, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement cannot only result in the loss of the entire investment, but may also expose the Clients 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. Swaps and certain options and other custom instruments are subject to certain risks, including, without limitation non-performance by the counterparty and the markets generally are not regulated by any government authorities.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. The Adviser (or its General Partner affiliates) has claimed certain exemptions from registration with the Commodity Futures Trading Commission as a commodity pool operator with respect to each of the Clients under Rule 4.13 of the Commodity Exchange Act of 1936, as amended, because participation in the Clients is limited to certain classes of investors recognized under the federal securities and commodity laws.

Hedging. The Clients may utilize various financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Clients’ investment portfolios resulting from fluctuations in the securities markets and/or changes in interest rates, (ii) protect the Clients’ unrealized gains in the value of the Clients’ investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the Clients’ portfolio, (v) hedge the interest rate or currency exchange rate on any of the Clients’ liabilities or assets, (vi) protect against any increase in the price of any securities the Clients anticipates purchasing at a later date or (vii) for any other reason that the Adviser deems appropriate. There is no assurance that such risk

management and hedging strategies will be successful as such success will depend on, among other factors, the Adviser's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Clients' hedging strategies may also be subject to the Adviser's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. The Clients' portfolios are not expected to be hedged at all times and at various times the Adviser may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, each Client's assets may not be adequately protected from market volatility and other conditions.

Investments in Fixed-Income Securities. Each Client may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). Moreover, fixed income securities are susceptible to interest rate risk. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Swap Transactions. The Clients may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". Whether the Clients' use of

swap agreements will be successful will depend on the Adviser's ability to select appropriate transactions for the Clients. Swap transactions may be highly illiquid. Moreover, each Client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the each Client's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that the Clients may utilize in their investment programs. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to a Client's portfolio because, in addition, to its total net assets, a Client would be subject to investment exposure on the notional amount of the swap agreement.

Purchasing Securities of Initial Public Offering. From time to time the Clients may purchase securities which are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Clients to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Clients may invest in securities that are "new issues," as defined in Rule 5130 and Rule 5131. of the Financial Industry Regulatory Authority, Inc ("FINRA"). Rule 5130 and Rule 5131, restrict certain persons from receiving securities which are "new issues." The Clients each have the ability to purchase new issue securities while excluding participation in such investments by any investor that is deemed restricted.

Counterparty Risk. Some of the markets in which the Clients may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Clients have concentrated their transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Clients are not

restricted from concentrating any or all of their transactions with one counterparty. The ability of the Clients to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients.

Broker Risks. The Clients' assets may be held in one or more accounts maintained for the Clients by their prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions. The prime brokers, other brokers, custodian banks and clearing corporations are subject to various laws and regulations in the relevant jurisdictions, including with respect to treatment of their customers' assets in the event of insolvency. Such laws and regulations and their application to the Clients' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Clients' assets or not segregate customer assets. Furthermore, the prime brokers have certain rights to transfer and rehypothecate the Clients' collateral held by the prime broker in compliance with applicable law, which may result in the Clients being delayed in recovering such assets if at all. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker, a custodian bank or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Clients and their assets, provided, however, that any such insolvency may result in the loss of all or a substantial portion of the Clients' assets or in a significant delay in the Clients having access to those assets.

Item 9. Disciplinary Information

There are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

The Adviser currently provides investment advice to the Clients listed in Item 7 above. In addition, the following affiliates of the Adviser serve as General Partners to the corresponding entities listed below:

- Seneca Capital Advisors, L.L.C. serves as General Partner to the Onshore Fund.
- Seneca Capital International GP, LLC serves as General Partner to the Master Fund.

The Adviser and the General Partners will each devote such time and effort to the Clients, and their affairs as it deems necessary and appropriate. The Adviser, the General Partners and their respective affiliates and the members and employees thereof may

engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Clients and their affairs. Such accounts may pursue a substantially similar investment strategy as the strategy for the Clients. Allocation of investment opportunities among such accounts will be made in an equitable manner determined by the Adviser based upon the investment objectives and investment portfolios of the Clients and such other accounts. When the purchase and sale of securities is considered to be in the best interest of one or both of the Clients and other accounts, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of prices, as well as expenses incurred in the transaction, shall be made in a manner the Adviser considers to be equally as favorable to each applicable Client as to any other party.

The Adviser serves as the investment manager to the Onshore Fund and the Offshore Fund (and the Master Fund). The Onshore Fund and the Offshore Fund (investing through the Master Fund) have the same investment objectives and strategies. Accordingly, similar investments may be made for or both the Onshore Fund and the Offshore Fund. However, such investments are not required to be the same, particularly when tax, regulatory or other matters make such investments inadvisable as the Adviser may determine.

The Clients may engage in certain transactions with their affiliates provided the terms thereof are commercially reasonable, as determined by the Adviser. Certain representatives of the Adviser may serve on boards of directors of certain companies in which one or more of the Clients may invest. Accordingly, the Clients may be subject to certain restrictions in connection with trading in the securities of such companies.

The General Partners are responsible for valuing the securities of the Onshore Fund and the Master Fund (in which the Offshore Fund is invested). A conflict may arise with respect to this responsibility given that the Performance-Based Allocations to be earned by each General Partner is based on such valuations.

Each of the Adviser, the General Partners, and the Clients also may use the services of third party analysts, traders, consultants and other professionals to research market trends, perform comparative analysis, and perform other functions to identify and trade securities.

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

The Adviser has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. Copies of the Code of Ethics will be provided to any client or prospective client by the Adviser, upon request. All officers and employees of the Adviser are required to follow the Code of Ethics. The Code of Ethics is generally intended to prevent any officers or employees of the Adviser from profiting in his or her personal securities

transactions from the securities activities of the Clients in a manner that is harmful to the Clients or in a manner that serves his or her own personal interests ahead of the Clients. Persons subject to the Code of Ethics are subject to, among other things, various restrictions relating to their acquisition of securities. These restrictions include pre-clearance by either of the Mr. Hirsch, the CFO or the CCO of personal securities transactions, including both public securities and Limited Offerings, by officers and employees of the Adviser in securities (other than certain excluded securities and transactions) as well as prohibition on direct participation in initial public offerings. The Code of Ethics also includes policies and procedures designed to prevent our officers and employees and the Clients from trading on material non-public information, which includes maintaining a restricted list in the event that our officers or employees possess any material non-public information. Persons subject to the Code of Ethics are also required to send duplicate brokerage statements to the Adviser's Chief Compliance Officer via electronic feed to a third party software.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, political contributions, gift and corporate opportunity policies and restrictions on outside business activities.

The Adviser and its personnel may invest in the Clients, subject to the investor eligibility requirements applicable to each of the Clients. The Adviser and its personnel may also invest in securities or other assets in which the Clients may invest, subject to applicable law and the Code of Ethics (including the pre-clearance requirements therein).

If permitted under applicable law, the Adviser may, on behalf of any Client, for portfolio rebalancing, trade allocation or other reasons, purchase investments from, sell investments to or enter into agreements with other Clients managed by the Adviser (i.e., "cross transactions"). The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to any Client than those available in the market. The Adviser will receive no special fees or other compensation in connection with cross transactions. Expenses incurred in a cross transaction will be allocated equitably by the Adviser between the Clients that are parties to the cross transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably by the Adviser between the Clients that are parties to the cross transaction. If the Adviser determines that any such transactions will constitute a principal transaction, the Adviser will not undertake such transaction unless the applicable Client(s) take such actions as may be required under applicable law or regulation (which may include investor consent or approval by an independent third party).

Item 12. Brokerage Practices

The Adviser is responsible for selecting broker-dealers to execute trades for its Clients and the negotiation of any commissions paid on such transactions. The Adviser's primary consideration in placing transactions with particular broker-dealers is to obtain best execution. The Adviser also takes into account a variety of factors, including the following: commissions charged, the financial strength, integrity and stability of the

broker and the quality, comprehensiveness and frequency of available research and other products and services considered to be of value. These products and services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call, the availability of stocks to borrow for short trades and the payment of a portion of the Clients' or the Adviser's costs and expenses of operations. The Adviser is authorized to direct trades to brokerage firms that provide it with such research and brokerage products and services if the Adviser determines that the prices or commissions charged by such firms are reasonable in relation to the overall services provided. Accordingly, the Clients may be deemed to be paying for research and other products and services with "soft" or commission dollars. Although the Adviser believes that the Clients benefit from many of the products and services obtained with soft dollars generated by their trades, the Clients may not benefit exclusively. Such products and services used by the Clients may also be utilized by the Adviser or its affiliates in connection with their investment services for other accounts. Where a product or service obtained with soft dollars provides both research and non-research assistance, the Adviser will make a reasonable allocation of the cost which may be paid for with soft dollars.

A Client therefore may be deemed to be paying for certain research-related products and services that are provided to the Adviser, directly or through brokerage firms, with "soft" or commission dollars. These products and services would otherwise only be available to the Adviser for a cash payment. To the extent that the Adviser uses brokerage commissions (or markups or markdowns) to obtain research or other products or services that would otherwise be an expense of the Adviser, such use of commissions could be viewed as additional compensation to the Adviser, and the Adviser receives a benefit because it does not have to produce or pay for such research or other products or services. This may create a potential conflict of interest between the Adviser's fiduciary duty to operate the Clients in the best interest of the Clients, and the Adviser's desire to receive or direct these "soft-dollar" benefits. As a result of receiving such products or services, the Adviser has an incentive to select and recommend, and to use and continue to use, such brokers and dealers to effect transactions for the Clients so long as such brokers and dealers continue to provide such soft dollar credits to the Adviser, rather than based on the Clients' interests in receiving most favorable execution of their securities transactions. As a result, the Adviser may cause the Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers, or to accept lower prices for the sale of securities, in return for soft dollar benefits (known as paying-up), and the Adviser is authorized to do so if the Adviser determines that such commissions (or markups or markdowns) are reasonable in relation to the overall services provided. However, in selecting a broker for each specific Client's portfolio transaction, the Adviser will use its best judgment to choose the broker-dealers most capable of providing "best execution" on an overall basis. Each soft dollar arrangement must be approved by the Adviser's Brokerage Committee.

The Adviser generally uses soft dollar benefits to provide services to each of the Onshore Fund and the Master Fund.

During the Adviser's last fiscal year, the Adviser used "soft dollars" generated by the Clients to pay for certain products and services relating to various research, analysis and specialty consulting services relating to specific industries, proprietary research reports and periodical publications, industry reports, access to certain experts, newsletters, access to databases of news and research and similar hosted services, research and analysis, exchange fees, market quotation services and other market data, and other analytics and financial data related to specific industries. Certain providers of such services also make certain proprietary research tools available to their subscribers, including the Adviser, to facilitate research and analysis. The Adviser's use of commissions or "soft dollars" to pay for research-related products or services falls within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser does not consider any receipt of client referrals from a broker-dealer or third party when selecting or recommending broker-dealers. From time to time, however, representatives of the Adviser may speak at conferences and programs for investors interested in investing in hedge funds that are sponsored by prime brokers and other brokers. These conferences and programs may provide opportunities by which the Adviser is introduced to potential investors in the Clients and other investment vehicles it manages. Generally, the prime brokers are not compensated by the Adviser, the Clients, or potential investors for providing such "capital introduction" opportunities. In addition, prime brokers and other brokers may provide financing and other services to the Clients and the Adviser. Consequently, such additional services by a prime broker or other broker may influence the Adviser in deciding whether to use the services of such prime broker or other broker in connection with the activities of the Clients.

Item 13. Review of Accounts

The Adviser's portfolio manager, Douglas Hirsch (the "Portfolio Manager") and other senior investment personnel, including Jonathan Schwartz, Director of Research, review the assets in the Clients on a daily basis. Mr. Hirsch also serves as the Chief Risk Officer of the Adviser, and the Adviser also maintains a Risk Committee. Certain members of the Risk Committee will meet periodically to review the Clients' portfolios and to assess portfolio risks. On a daily basis, trades are reviewed by the Adviser's Chief Financial Officer and by its Controller, and such trades are reconciled with internal systems and the Clients' prime brokerage accounts.

Within 90 days after the end of each fiscal year of each of the Clients or as soon as thereafter as is reasonably practicable, audited financial statements will be prepared for each such entity, and sent to each of the investors in each such entity. In addition, each Client, will send to its investors, within 45 days after the end of each fiscal quarter, or as soon thereafter as is reasonably practicable, a quarterly letter which includes performance for the quarter. Investors in each Client also receive monthly account statements regarding their investments in the applicable entity.

Item 14. Client Referrals and Other Compensation

No persons that are not investors in the Clients provide the Adviser with an economic benefit for providing investment advice or other advisory services to the Clients. The Adviser does not, directly or indirectly, currently compensate any person for Client referrals. There are no sales charges payable to the Clients in connection with the sale of interests or shares therein.

Item 15. Custody

The Adviser may be deemed to have custody of its Clients' assets because of the authority the Adviser has over those assets. To satisfy the SEC's custody rule requirements, the Onshore Fund, the Offshore Fund, and the Master Fund will provide their respective investors with audited financial statements within 120 days of the end of each year.

Item 16. Investment Discretion

The Adviser has discretionary authority to manage the assets of each Client pursuant to an investment management agreement applicable to such Client, as applicable, and to which the Adviser is a party. These agreements include an explicit grant of discretionary authority to manage the applicable Client's assets. There are no specific limitations placed on this authority, provided that the Adviser will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents or other governing agreements of each Client.

Item 17. Voting Client Securities

The Adviser has adopted policies and procedures pursuant to Rule 206(4)-6 under the Advisers Act with respect to voting proxies on behalf of the Clients. The Adviser's policy is to act in the best interests of the Clients when exercising its proxy voting authority. For routine matters, we will generally vote securities of an issuer in accordance with the recommendation of the issuer's management. However, there are certain matters that we may vote in a manner that is different than management's recommendation if we believe that it is in the best interests of the applicable Client. For non-routine matters, we will vote such securities in the best interests of the Clients following a case-by-case review.

The Adviser's proxy voting policies and procedures require that if a potential conflict of interest arises with respect to a proxy voting matter, we will vote the proxy in a manner

that we believe is consistent with our objective of placing the interests of the Clients ahead of the Adviser's interests.

Any holder of an interest in a Client may request a copy of our proxy voting policies and procedures, as well as information regarding how we voted proxies on behalf of a particular Client in which such holder is invested, by calling Michael R. Anastasio, Jr at 212-371-1300, or by submitting a written request to his attention c/o Seneca Capital Investments, L.P. 900 Third Avenue, 22nd Floor, New York, NY 10022.

Item 18. Financial Information

The Adviser believes that it has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients, and the Adviser has not been the subject of any bankruptcy proceeding.