



HATTERAS
Funds

HATTERAS INVESTMENT PARTNERS, LLC
Form ADV Part 2A – Disclosure Brochure
March 31, 2011

This brochure provides information about the qualifications and business practices of Hatteras Investment Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 919.846.2324. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered” does not imply that Hatteras Investment Partners, LLC or any person associated with it has achieved a certain level of skill or training.

Additional information about Hatteras Investment Partners, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting 919-846-2324. Our Brochure is also available on the SEC’s website, www.adviserinfo.sec.gov free of charge.

Additional information about Hatteras is also available via the SEC’s website www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Hatteras who are registered, or are required to be registered, as investment adviser representatives of Hatteras.

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Item 4. Advisory Business

Hatteras Investment Partners, LLC (“Hatteras” or “HIP”), founded in 2003 by David B. Perkins, is an independent alternative investment management firm headquartered in Raleigh, North Carolina, with offices in Raleigh and New York. Hatteras has been registered with the U.S. Securities and Exchange Commission (the “SEC”) since December 17, 2003. The principal owners of Hatteras are David B. Perkins and Morgan Creek Capital Management. Mark W. Yusko is the principal owner of Morgan Creek Capital Management (“MCCM”).

Hatteras’ mission is to provide unique alternative investment solutions for financial advisors and their clients. We believe that all investors should have access to the same sophisticated investment approach and superior portfolio management talent as the largest institutions. A boutique alternative investment specialist, Hatteras offers a suite of innovative products designed to solve specific portfolio needs.

Hatteras provides investment management services to the Hatteras Master Fund, L.P. (the “Master Fund”), an investment company registered under the Investment Company Act of 1940. The Master Fund is the master fund in a master/feeder structure comprised of the Master Fund and the Hatteras Multi-Strategy Funds (“Feeder Funds”) described below. The Master Fund invests in other investment funds (the “Portfolio Funds”) and managed accounts. The investments of the Master Fund are managed in accordance with the investment objectives, strategies and guidelines as outlined in the current registration statement and are not tailored to any particular investor in the Feeder Funds. Hatteras does not provide individualized investment advice to investors; therefore, investors should consider whether a particular Feeder Fund meets their investment objectives, risk tolerance and financial situation.

Hatteras’ investment management services include determining the investment objectives of the Feeder Funds, determining appropriate asset allocations across the Feeder Funds’ investment strategies and monitoring existing and prospective investments in light of each Feeder Funds’ objectives and risk parameters. The Feeder Funds are funds of alternative investments. As such, indirectly through their investment in the Master Fund, the Feeder Funds invest in private hedge funds and other private investments.

The Master Fund has the same investment objective as the Feeder Funds, which is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments through investments in the six asset classes of Opportunistic Equity, Enhanced Fixed Income, Absolute Return, Real Estate, Private Equity, and Energy and Natural Resources. The Funds' secondary objective is to provide capital appreciation with less volatility than that of the equity markets. Hatteras has entered into investment management agreements with the Master Fund, L.P., the Hatteras Multi-Strategy 3c1 Fund, L.P., and the Hatteras Multi-Strategy Offshore Fund, Ltd. as appropriate and/or required. The Investment Management Agreements describe the terms of the termination clauses within the agreement, but in general, the agreement may be terminated at any time in writing by HIP or by the fund upon 60 days prior written notice.

As of February 28, 2011, assets under management of Hatteras were approximately \$1.6 billion, all of which were discretionary assets.

Hatteras Multi-Strategy 3c1 Fund, L.P. (the "Multi-Strategy 3c1 Fund") is a Delaware Limited Partnership that is NOT registered under the Investment Company Act of 1940, pursuant to certain exemptions in the Act.

Hatteras Multi-Strategy Offshore Fund, Ltd. (the "Multi-Strategy Offshore Fund" and collectively with the Multi-Strategy 3c1 Fund, herein referred to as the "Private Funds") is a Cayman Islands Exempted Company Limited by Shares. The units of the Multi-Strategy Offshore Fund are NOT currently and will not be registered under the United States Securities Act of 1933, the securities laws of any state of the United States or the securities laws of any other jurisdiction, and the Fund has not been registered as an investment company under the Investment Company Act of 1940.

The Hatteras Multi-Strategy Fund, L.P.; the Hatteras Multi-Strategy TEI Fund, L.P.; the Hatteras Multi-Strategy Institutional Fund, L.P.; and the Hatteras Multi-Strategy TEI Institutional Fund, L.P. (collectively referred to as the "Registered Funds") are Delaware limited partnerships that are registered under the Investment Company Act of 1940 (the "1940 Act"), as non-diversified, closed-end management investment companies whose units are registered under the Securities Act of 1933.

The Feeder Funds will invest substantially all of their assets in the Master Fund. The Master Fund uses a number of independent trading advisors selected by HIP, the

investment manager of the Master Fund, that are typically available on a collective basis to larger institutions. HIP primarily pursues the Feeder Funds' objective by investing the Master Fund's assets with each Portfolio Fund either by becoming a participant in an investment vehicle operated by the Advisor (each, an "Advisor Fund," which includes exchange-traded funds ("ETFs") and hedge funds) or by placing assets in an account directly managed by the Advisor (each, an "Advisor Account").

Hatteras uses disciplined, systematic investment processes for each of its investment strategies. With regard to the Hatteras Multi-Strategy Funds managed by Hatteras, we believe investors should benefit from access to the same investment approach and investment talent utilized by the largest university endowment programs. Three basic tenets of our philosophy include:

1. Diversification of the portfolio, by asset class and within each asset class, can increase return and reduce risk through the reduction of portfolio volatility. We allocate to hedge fund strategies for risk mitigation and to private investment strategies for return enhancement.
2. The integration of Alternative Investments into a traditional portfolio can reduce downside risk.
3. Although generally efficient, markets contain pockets of inefficiency that can be exploited through active management and tactical asset allocation.

Hatteras' products are offered through an affiliated limited-use broker/dealer, Hatteras Capital Distributors, LLC ("HCD" or the "Distributor"). HCD offers Hatteras products through a diverse network of registered investment advisors and broker dealers. As a result, Hatteras products target the client base of registered investment advisors and broker dealers who are primarily institutional investors, wealthy families, and sophisticated investors with long term investment objectives.

Item 5. Fees and Compensation

The Master Fund will pay HIP a management fee at an annual rate of 1.00%, payable monthly in arrears, based upon the Master Fund's net assets as of month-end. Although the Feeder Funds will not pay any direct investment management or advisory

fees, the Feeder Funds will bear, as a result of their investment in the Master Fund, their allocable portion of the management fees charged to the Master Fund. HIP may make adjustments in the fee calculation for significant withdrawals or deposits made during a calculation period.

A Service fee of 0.85% is charged by the Fund Servicing Agent, HIP, on all assets in the Hatteras Multi-Strategy Fund, L.P. and the Hatteras Multi-Strategy TEI Fund, L.P. A Service fee of 0.10% is charged by HIP on the assets in the Hatteras Multi-Strategy Institutional Fund, L.P. and the Hatteras Multi-Strategy TEI Institutional Fund, L.P. A Service fee of up to 0.85% may be charged by HIP on the assets in the Hatteras Multi-Strategy 3c1 Fund, L.P. and the Hatteras Multi-Strategy Offshore Fund, Ltd. Fees and other expenses not disclosed here may be incurred by the Feeder Funds, such as but not limited to, fund administration fees, fund accounting fees, custodian fees, audit fees and transfer agency fees and expenses, as applicable and further detailed in each fund's prospectus or offering documents.

Item 6. Performance Based Fees and Side by Side Management

Hatteras may negotiate a performance based management fee. In all instances, performance fee arrangements may only be entered into in accordance with applicable law and regulation.

Hatteras Investment Management, LLC, the General Partner of the Master Fund, is allocated a performance allocation equal to 10% of the amount by which net new profits of the limited partner interests of the Master Fund exceed the non-cumulative "hurdle amount," which is calculated as of the last day of the preceding calendar year of the Master Fund at a rate equal to the yield-to-maturity of the 90 day U.S. Treasury Bill as reported by the Wall Street Journal for the last business day of the preceding calendar year (the "Performance Allocation"). The Performance Allocation is made on a "peak to peak," or "high watermark" basis, which means that the Performance Allocation is made only with respect to new net profits. If the Master Fund has a net loss in any period followed by a net profit, no Performance Allocation will be made with respect to such subsequent appreciation until such net loss has been recovered.

It is important to note that such performance fees may create an incentive for the Adviser to make riskier, more speculative investments than would be the case under a

solely asset-based fee arrangement. Any performance-based fee arrangements will be consistent with the requirements of applicable laws and regulations, including the Advisers Act and if applicable, the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Item 7. Types of Clients

HIP provides investment management services to the Master Fund, an investment company that may invest in hedge funds, other private limited partnerships, and other types of investments as outlined in each respective Feeder Fund's offering memorandum, prospectus or registration statement. Please see the response to Item 4 for a description of the Master Fund and the respective Feeder Funds. The minimum initial investment varies by Feeder Fund, and each Feeder Fund, in its sole discretion, may accept investments below the stated minimums.

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

In making investment decisions on behalf of the Master Fund, HIP utilizes third party research and software, on-site visits, interviews, and fundamental analysis. Our approach reflects the endowment style approach to alternative investing. The Feeder Funds were created to complement traditional portfolios by offering an allocation to an array of alternative investments through a diversified, professionally managed fund-of-funds vehicle. After identifying the alternative strategies that would be utilized in the Master Fund - Opportunistic Equity, Enhanced Fixed Income, Absolute Return, Real Estate, Private Equity, and Energy & Natural Resources – we created an asset allocation model with strategic ranges for those strategies.

Opportunistic Equity is allocated between 15-35%, Enhanced Fixed Income 15-35%, Absolute Return 10-30%, Real Estate 5-15%, Private Equity 5-15% and Energy & Natural Resources 5-15%. The Hatteras and MCCM investment teams meet formally on a weekly basis in an effort to position the Master Fund to have the best possible opportunity to accomplish its stated long-term investment goals. Using the strategic asset allocation targets as a guide, the first decision each month focuses on tactical asset allocation decisions. A written recommendation to underweight, neutral weight, or

overweight the six different sub-strategies is offered, discussed, and approved. This documented step of our process reflects our capital markets analysis, deep historical understanding of alternative strategies, and forward looking risk/return expectations.

Hatteras' manager selection stems from our overall investment process, which focuses on identifying investment themes and strategies. Our joint venture partner, MCCM, then seeks managers who are highly skilled at implementing these strategies and investment themes. The MCCM team continually seeks to identify best-of-breed managers to complement the existing portfolio. Our long track record of investing in alternative assets and large professional network allow us to effectively source and screen for high quality managers. Managers under consideration are subject to a rigorous and dynamic due diligence review, with defined steps and documented metrics required for approval.

Our manager ideas flow from our asset allocation process and our key themes; actively sourcing ideas from peers, current managers, and other service providers; and a continual vetting process across multiple asset classes. The investment team does not perform discrete searches; rather, the team is continually in search mode to discover managers and then cultivate and establish relationships with those they believe are the most talented investment managers in each area of interest.

Within each strategy there is also an emphasis on maintaining a fully diversified approach by sub-strategy, theme, and current outlook. The Real Estate, Private Equity, and Energy and Natural Resources portions of the portfolio are constructed using a balanced approach, with investments in both marketable and non-marketable securities. We take a macro perspective and carefully consider liquidity needs over several years in order to make appropriate commitment levels to these private investments. The investment team utilizes risk management tools to optimize portfolio construction across the six strategies. These tools include detailed cash flow models to guide decision-making and forecast future capital activity within the private investment strategies. The final portfolio is shaped by a number of factors, including our macro outlook, liquidity considerations, and the skill sets of approved managers.

Risk management is imbedded throughout our diversified approach across our six different investment strategies. Our core belief is that risk can be mitigated by investing across a truly diverse portfolio of public and private investments, with defined allocation limits and through position sizing.

First, we focus on areas like liquidity, volatility and on meeting our investment objectives without taking unwanted risks. Second, the separate strategies each have unique characteristics that are analyzed by experienced investment staff. We utilize strategy risk tools to optimize how we build the portfolio across the six different strategies. We define and locate risks and then decide whether the potential return is appropriate and allocate accordingly. Third, funds eligible for inclusion in the fund are analyzed from a quantitative and non-investment perspective. Quantitative risk measurement during manager selection is driven by correlations, returns, and exposures. We then apply our risk management process to understand not just the fund strategy, but how the fund's characteristics impact the portfolio. The last step of risk management is the operational due diligence process, which helps us to understand organizations and how they could impact the context of the broader fund.

Quantitatively, we manage risk in every step of our investment process. At the asset allocation level we run scenario and liquidity analysis during extreme events to incorporate a risk budget. From the construction aspect, we have strategy risk tools to optimize how we build a portfolio across six different areas. Here, we are looking to define and highlight where our risks are and then decide whether the potential return is appropriate and how to allocate accordingly. Third, quantitative manager selection is driven by correlations, returns and exposures, as we use quantitative risk measurement to understand not just the fund, but also how the underlying fund impacts the overall context of the portfolio.

An investment in a Feeder Fund involves substantial risks, including the risk that the entire amount invested may be lost. The Feeder Funds, through their investment in the Master Fund, allocate their assets to Portfolio Funds that invest in and actively trade securities, commodities and other financial instruments using a variety of strategies and investment techniques that may involve significant risks. Various other types of risks are also associated with an investment in the Feeder Funds, including risks relating to the fund of funds structure of the Master Fund, risks relating to the master-feeder structure, risks relating to compensation arrangements and risks relating to the limited liquidity of the Units. Additional risks include industry concentration risk, non-diversification risk, leverage, turnover, valuation of Portfolio Funds, highly volatile markets, counter-party credit risk, and dilution. Please see each Feeder Fund's respective offering memorandum, prospectus or registration statement for a detailed

discussion of the specific risks disclosed here and other important risks and considerations.

Item 9. Disciplinary Information

There are no material legal or disciplinary events to disclose related to Hatteras' business or its management.

Item 10. Other Financial Industry Activities and Affiliations

HIP is affiliated through common ownership with Hatteras Capital Distributors, LLC, a FINRA member broker-dealer. Hatteras Capital Distributors, LLC may act as a distributing agent for the Feeder Funds and may earn fees by servicing investors in those funds. It should be specially noted that certain directors, officer and employees of HIP, Hatteras Capital Investment Management, LLC ("HCIM") and Hatteras Alternative Mutual Funds, LLC ("HAMF") are also registered representatives of Hatteras Capital Distributors, LLC.

HIP is affiliated through common ownership with HCIM and HAMF, each an investment advisor registered with the SEC. Despite these affiliations, HIP exercises completely independent judgment in the management of the Master Fund's investments, and has mitigated potential conflicts of interest arising from its affiliations. HIP manages the Master Fund, which is a master fund in a master/feeder structure with four SEC registered investment partnerships and two non-registered investment partnerships. The four feeder funds that are SEC registered Investment Partnerships are: Hatteras Multi-Strategy Fund, L.P., Hatteras Multi-Strategy TEI Fund, L.P., Hatteras Multi-Strategy Institutional Fund, L.P., and Hatteras Multi-Strategy TEI Institutional Fund, L.P. The two feeder funds that are non-registered private investment partnerships are: Hatteras Multi-Strategy Offshore Fund, Ltd. And Hatteras Multi-Strategy 3c1 Fund, L.P.

HIP is affiliated through common ownership with Morgan Creek Capital Management, LLC of which Mark W. Yusko is the Managing Member. Mr. Yusko serves on the investment committee of HIP. Morgan Creek has an ownership interest in HIP. It

should be specifically noted that there are a number of conflicts of interests related to Mr. Yusko and Morgan Creek. In particular, Mr. Yusko and Morgan Creek also provide advisory services to other unrelated funds of funds and managed accounts that may invest in the same portfolio funds that may be invested in by the Master Fund. Occasionally, Mr. Yusko may recommend portfolio funds that have limited capacity. On a case by case basis, the process for allocation considers the investment policy statement, weighting of the particular asset class and other factors that are subjective and therefore present a conflict of interest to investors in the Feeder Funds. HIP is affiliated through common ownership with Hatteras Investment Management, LLC ("HIM"). HIM is the general partner of the limited partnerships managed by HIP. HIP is affiliated by common ownership with Hatteras Capital Investment Partners, LLC ("HCIP"). HCIP is the general partner of the limited partnerships managed by HCIM.

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

Hatteras has adopted a code of ethics that complies with SEC Rule 204A-1 under the Investment Advisers Act, including a personal securities trading policy as well as standards of employee conduct. The Code of Ethics governs personal securities transactions of Access Persons of Hatteras that may pose a conflict of interest with the funds managed by Hatteras. Under the Code of Ethics, Hatteras personnel deemed to be Access Persons are required to report quarterly all their personal securities transactions and to request pre-clearance for certain types of transactions including private placements or IPOs. Hatteras will provide a copy of its Code of Ethics upon request. For a complete copy of the Hatteras Code of Ethics, please call (919) 846-2324 or (888) 363-2324 and ask for the Compliance Department.

Hatteras' directors, officers and employees may from time to time purchase or sell securities that Hatteras recommends to the funds it manages. These purchases or sales must be affected in accordance with Hatteras' Insider Trading policies and Code of Ethics, which includes a personal trading policy. Hatteras' personal trading policy generally prohibits employees from purchasing securities for their individual accounts where Hatteras (or its affiliates) holds a position in the same security on behalf of a fund, and mandates written pre-clearance of all employee security trades (excluding mutual fund shares and a limited number of other holdings). Personal securities

transactions will generally not be allowed if the investment would be made at the same time as or near the same time as a trade in the same security on behalf of a fund managed by Hatteras.

All securities transactions, including transactions in mutual funds where Hatteras (or an affiliate) serves as adviser, must be reported to Hatteras' Compliance Department on a quarterly basis. Employee personal account brokerage statements must be provided to the Compliance Department and are regularly reviewed for compliance with Investment Company Act Rule 17j-1 and Advisers Act Rule 204A-1 requirements. All Hatteras Access Persons must submit on an annual basis a complete listing of all personal securities holdings and must certify annually that they have read, understand and have complied with the Hatteras code of ethics.

Hatteras' Insider Trading policy prohibits any director, officer or employee from personally trading on non-public information, including confidential fund information. Hatteras' code of ethics sets forth conduct standards, requires all employees to comply with the federal securities laws, protect material non-public information, and report to Hatteras' Chief Compliance Officer any code of ethics violations. Violations of its code of ethics can result in serious sanctions, up to and including dismissal from employment.

In addition, Hatteras has strict policies with respect to the receipt of gifts by, or entertainment of, firm employees. Hatteras employees are prohibited from accepting gifts of greater than \$100. All gifts, regardless of their value, must be reported promptly to Hatteras' Compliance Department. Reasonable entertainment of Hatteras' employees is permitted if not conditioned on sales of shares of Hatteras products or services, and if it is neither so frequent nor so extensive as to raise any question of appropriateness. Hatteras' Compliance Department and senior management actively monitor compliance with these policies.

Certain of Hatteras' business relationships may give rise to conflicts of interest or perceived conflicts of interest with the firm. Hatteras employees and principals incur meal and entertainment expenses, such as lunches, dinners, banquets, cocktail receptions, golf events, and tickets for concerts and sporting events, involving or relating to consultants and fiduciaries that are reimbursed by the firm. Hatteras employees and principals may individually make charitable and political contributions to these consultants and fiduciaries or related organizations.

These arrangements may create a conflict of interest in connection with the consultant's or fiduciary's recommendation of Hatteras' products to a client or prospect. It is Hatteras' policy to limit these activities to generally accepted business practices consistent with its fiduciary responsibilities. In no instance, however, are Hatteras employees and principals permitted to seek to improperly influence these consultants and fiduciaries as a result of these expenditures, or attempt to interfere with the consultants and fiduciaries independent decision making.

Hatteras recognizes the importance of protecting the non-public personal information when providing advisory and other services. Please contact Hatteras or visit its website at www.hatterasfunds.com for more information on, or for a copy of, its privacy policies. Hatteras does not sell or provide non-public personal information for marketing purposes to others.

Item 12. Brokerage Practices

Hatteras has a fiduciary obligation to seek to obtain best execution on behalf of each client, and brokers are selected with a view to obtaining best execution of transactions. This obligation applies to all circumstances where Hatteras has discretion to trade on behalf of a client account.

In accordance with the terms of its investment management agreement with the funds managed by Hatteras, Hatteras places and executes orders for the purchase and sale of Portfolio Funds and investment securities. In general, investment decisions for each fund are made independently and are made with specific reference to the individual needs and objectives of each fund.

It is the policy of the Master Fund to obtain the best results in connection with affecting its portfolio transactions taking into account factors similar to those expected to be considered by Hatteras. In most instances, the Master Fund will purchase interests in a Portfolio Fund directly from the Portfolio Fund, and such purchases by the Master Fund may be, but is generally not, subject to transaction expenses. Nevertheless, the Master Fund contemplates that, consistent with the policy of obtaining the best net result, any brokerage transactions of the Master Fund may be conducted through affiliates of Hatteras.

Hatteras must seek to obtain best execution, which the SEC generally describes as a duty to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. Accordingly, Hatteras will consider the full range and quality of a broker's services, including execution capability, commission rate, financial responsibility, and responsiveness to the Adviser. Hatteras may also periodically and systematically evaluate the performance of broker-dealers executing their transactions. Hatteras will seek to obtain best execution for brokerage transactions for the Master Fund.

Additionally, Hatteras may utilize a broker/dealer to act as an agent in a private transaction, at which time Hatteras will determine the broker/dealer to be used and may negotiate the commission to be paid. Hatteras may utilize the investment banking services of nonaffiliated broker/dealer to introduce investment opportunities to the funds managed by Hatteras. In this scenario, the investment bank is typically compensated on a contingency basis by the entity that is raising capital. Hatteras has not, but may, negotiate on the compensation earned by the investment bank in this type of transaction. Additionally, Hatteras has in place guidelines (17d-1 procedures) that must be followed to provide assurance that a fund and its affiliated persons do not engage in prohibited joint transactions in connection with the fund's investment activities, e.g., primary and secondary investments, direct debt/equity investments and investments in listed private equity vehicles.

Hatteras does not utilize soft dollars or generate soft dollar credits via trades with brokers. In addition, it is currently the policy of Hatteras to prohibit directed brokerage arrangements.

When Hatteras determines that it would be appropriate for one or more funds managed by Hatteras to participate in an investment transaction in the same investment at the same time, it will attempt to aggregate, place and allocate orders on a basis that Hatteras believes to be fair and equitable, consistent with its responsibilities under applicable law. Decisions in this regard are necessarily subjective and there is no requirement that all funds participate, or participate to the same extent as other accounts, in all investments or trades. However, no participating entity or account will receive preferential treatment over any other and Hatteras will take steps to ensure that

no participating entity or account will be systematically disadvantaged by the aggregation, placement and allocation of orders and investments.

Situations may occur, however, where a fund managed by Hatteras could be disadvantaged because of the investment activities conducted by Hatteras for other funds. Such situations may be based on, among other things, the following: (1) legal restrictions or other limitations on the combined size of positions that may be taken for the Hatteras Funds, thereby limiting the size of the Hatteras Funds' positions or the availability of the investment opportunity; (2) the difficulty of liquidating an investment for the Hatteras Funds where the market cannot absorb the sale of the combined positions; and (3) the determination that a particular investment is warranted only if hedged with an option or other instrument and there is a limited availability of such options or other instruments. In particular, the Hatteras Funds may be legally restricted from entering into "joint transactions" (as defined in the 1940 Act) with respect to the securities of an issuer without first obtaining exemptive relief from the SEC. Please see the 17d-1 procedures in the Hatteras compliance manual for more information regarding affiliation issues as they relate to aggregation and allocation policies.

Item 13. Review of Accounts

The Master Fund is reviewed on a periodic basis by the investment committee members responsible for its management. The investment committee members that conduct reviews are: David B. Perkins, Managing Member; Mark W. Yusko, Principal; and Joshua E. Parrott, Director, Risk Management. The focus of these reviews is to confirm performance consistency with objectives and guidelines associated with the applicable registration statement. Reviews are also conducted as needed to update and confirm compliance with any new regulations, guidelines, or restrictions as outlined in the registration statement.

Limited Partners of the Feeder Funds will receive unaudited capital balance reports and/or account statements regarding their investment in the Feeder Funds at least monthly from the respective funds' transfer agent. In addition, Limited Partners will receive annual audited financial statements and be able to access a quarterly performance letter and other information at www.hatterasfunds.com.

Item 14. Client Referrals and Other Compensation

Hatteras may enter into compensation arrangements with solicitors for new business, including arrangements with its affiliates. Any solicitation arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940 pursuant to which persons introducing new client accounts may receive a portion of the advisory fee generated by the account for a period of time that varies on a case-by case basis.

Hatteras may assist some solicitors in defraying costs of attending its due diligence and educational meetings. Hatteras may sponsor due diligence trips where solicitors may conduct due diligence and attend presentations by Hatteras' associates and managers. Hatteras may sponsor lunches and/or dinners during due diligence trips. Hatteras will seek to ensure that the location of the meetings are appropriate to their purpose due to the high concentration of hedge fund, private equity and/or venture capital firms in the region and the increased accessibility to and from the meeting location. Attendance at the meetings is not conditioned on the achievement of any previously specified sales target. Practical and reasonable expense reimbursements may be applied to the travel and lodging expenses of those conducting due diligence, however, there will be no cash compensation paid to any financial advisors in connection with their attendance at the meetings (e.g., appearance fees or attendance fees). Financial advisors will not receive any non-cash compensation in connection with their attendance at any meeting, nor will Hatteras gift any leisure activities such as golf, theater tickets, etc.

Item 15. Custody

Hatteras does not have actual custody of any client account or any client funds or securities.

Hatteras may be deemed to have custody under Investment Advisers Act Rule 206(4)-2, as amended, in relation to the limited partnerships and Cayman Island exempt companies Hatteras manages, by virtue of its affiliation with Hatteras Investment Management, LLC, the funds' general partner. Actual custody of all limited partnership/exempt company assets is provided by a qualified custodian independent

of Hatteras and its affiliates. Hatteras complies with Rule 206(4)-2 in these instances by ensuring that an independent public account audits the pooled investment vehicles annually and the audited financial statements are distributed to the investors in the pools, within 120 days of the fiscal year end of each fund.

Item 16. Investment Discretion

The accounts Hatteras manages are discretionary accounts. Hatteras provides investment management services to the Hatteras Master Fund, L.P. The investments of the Master Fund are managed in accordance with the investment objectives, strategies and guidelines as outlined in the current registration statement and are not tailored to any particular investor in the fund. Hatteras does not provide individualized investment advice to investors.

Item 17. Voting Client Securities

A copy of Hatteras' complete proxy voting policies and procedures may be obtained upon request by calling, toll-free, (888) 363-2324. Hatteras' Policies and Procedures pursuant to Rule 206(4)-6 under the Advisors Act relating to Proxy Voting are summarized below.

The Feeder Funds invest substantially all of their investable assets in the Master Fund. The Master Fund invests substantially all of its assets in Portfolio Funds and other investment securities, which include, but are not limited to, private partnerships, limited liability companies or similar entities (commonly referred to as "hedge funds," "private equity funds" or "private funds"). Investments in Portfolio Funds do not typically convey traditional voting rights to the holder and the occurrence of corporate governance or other notices for this type of investment is substantially less than that encountered in connection with registered equity securities.

On occasion, however, Hatteras and/or the Master Fund may receive notices from such Portfolio Funds seeking the consent of holders in order to materially change certain rights within the structure of the security itself or change material terms of the Portfolio Funds' limited partnership agreement, limited liability company operating agreement

or similar agreement with investors. To the extent that the Master Fund receives notices or proxies from Portfolio Funds (or receives proxy statements or similar notices in connection with any other portfolio securities), the Master Fund has delegated proxy voting responsibilities with respect to the Master Fund's portfolio securities to Hatteras, with the direction that proxies should be voted consistent with the Master Fund's best economic interests. In general, Hatteras believes that voting proxies in accordance with the policies below will be in the best interests of the Master Fund and the Feeder Funds.

If an analyst, trader or partner of Hatteras believes that voting in accordance with stated proxy-voting guidelines would not be in the best interests of a fund, the proxy will be referred to Hatteras' Chief Compliance Officer for a determination of how such proxy should be voted.

If a proxy includes a matter to which none of the specific policies described above or in Hatteras' stated proxy-voting guidelines is applicable or a matter involving an actual or potential conflict of interest as described below, the proxy will be referred to Hatteras' Chief Compliance Officer for a determination of how such proxy should be voted.

In exercising its voting discretion, Hatteras and its employees will seek to avoid any direct or indirect conflict of interest presented by the voting decision. If any substantive aspect or foreseeable result of the matter to be voted on presents an actual or potential conflict of interest involving Hatteras (or an affiliate of Hatteras), any issuer of a security for which Hatteras (or an affiliate of Hatteras) acts as sponsor, advisor, manager, custodian, distributor, underwriter, broker or other similar capacity or any person with whom Hatteras (or an affiliate of Hatteras) has an existing material contract or business relationship not entered into in the ordinary course of business (Hatteras and such other persons having an interest in the matter being called "Interested Persons"), Hatteras will make written disclosure of the conflict to the Independent Directors of the Master Fund indicating how Hatteras proposes to vote on the matter and its reasons for doing so. If Hatteras does not receive timely written instructions as to voting or non-voting on the matter from the Master Fund's Independent Directors, Hatteras may take any of the following actions which it deems to be in the best interests of the Feeder Funds: (i) engage an independent third party to determine whether and how the proxy should be voted and vote or refrain from voting on the matter as determined by the third party; (ii) vote on the matter in the manner proposed to the Independent Directors if the vote is against the interests of all Interested Persons; or (iii) refrain from voting on the matter.

The Master Fund and the Feeder Funds (that are registered under the 1940 Act) are required to file Form N-PX, with their complete proxy voting record for the twelve months ended June 30th, no later than August 31st of each year. Each of the Feeder Funds' and the Master Fund's Form N-PX filings are available: (i) without charge, upon request, by calling 1-800-390-1560, or (ii) by visiting the SEC's website at www.sec.gov.

Item 18. Financial Information

Hatteras does not require or solicit prepayment of more than \$1,200 in fees per fund, six months or more in advance and therefore is not required to include a balance sheet with this brochure. Hatteras has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the funds managed by Hatteras, and has not been the subject of a bankruptcy proceeding.

Summary of Business Continuity Plans

Hatteras has a disaster recovery and business continuation plan in place to help the firm address potential emergencies. The program is designed to provide Hatteras' most critical portfolio management, operations and computer system functions with a measure of protection against potential disasters. The goal of the program is to safeguard the assets of the funds managed by Hatteras, against major or minor external threats. Hatteras' disaster recovery program targets recoverability -- the ability of information systems to overcome any short- or long-term disruption; redundancy-- the duplication of key information systems processes to prevent loss of data; and reliability - the assurance that Hatteras staff members will be able to function immediately following most external problems and within 24 hours even after the most extreme problems. Hatteras engages in an ongoing process of upgrading and testing this program in an effort to ensure that it is capable of meeting its goals. Additional details on the specific elements of the program are available upon request.