
Hatteras Capital Investment Management, LLC

Form ADV Part 2A – Disclosure Brochure

MARCH 28, 2014

This brochure provides information about the qualifications and business practices of Hatteras Capital Investment Management, 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 Capital Investment Management, LLC or any person associated with it has achieved a certain level of skill or training.

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

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Defining Alternatives



ITEM 2: MATERIAL CHANGES

Hatteras Capital Investment Management, LLC's ("HCIM") most recent update to Part 2 of Form ADV was made March 28, 2013. Below is an overview of material changes since the last update on March 28, 2013.

In September 2013, HCIM entered into an investment management agreement with HCIM Trust whereas HCIM renders investment management services to each series of the Trust, Hatteras PE Intelligence Fund and Hatteras Disciplined Opportunity Fund. HCIM Trust is an open-end, management investment company registered under the Investment Company Act of 1940, as amended.

On October 1, 2013, Hatteras Funds Group, including HCIM, entered into an asset purchase agreement with RCS Capital Corporation and Scotland Acquisition, LLC.

We will 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 Capital Investment Management, LLC (“Hatteras” or “HCIM”), founded in 2007 by David B. Perkins, is an independent alternative investment management firm headquartered in Raleigh, North Carolina. Hatteras has been registered with the Securities and Exchange Commission (“SEC”) since October 17, 2007. David B. Perkins is the Founder and Managing Member of Hatteras Capital Investment Management, LLC. Mr. Perkins is also the majority interest owner. Several other Hatteras employees own minority interests in the company.

Hatteras provides 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 help financial advisors allocate to alternative investments.

Hatteras provides investment management services to registered open-end management investment companies (“mutual funds”), registered closed-end management investment companies and private funds. Depending upon each fund’s specific registration status and type, the funds may either be publicly offered or privately placed. The funds 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 funds. Hatteras does not provide individualized investment advice to investors; therefore, investors should consider whether a particular fund meets their investment objectives, risk tolerance and financial situation.

Hatteras’ investment management services include determining the investment objectives of the funds, determining appropriate asset allocations across the funds investment strategies and monitoring existing and prospective investments in light of each fund’s objectives and risk parameters.

Hatteras has entered into Investment Management Agreements with each fund, as applicable and/or required. The Investment Management Agreements describe the terms of the agreements, but in general, each agreement may be terminated at any time in writing by HCIM or by the applicable fund upon 60 days prior written notice to HCIM or the applicable fund, respectively.

As of December 31, 2013, assets under management of Hatteras were approximately \$81 million, all of which were discretionary assets.

The funds managed by Hatteras are as follows:

Hatteras Global Private Equity Partners Institutional, LLC (the "GPEP Institutional Fund") is a limited liability company registered under the 1940 Act, as a non-diversified, closed-end management investment company. Capvent US Advisors, LLC ("Capvent") serves as sub-adviser to the GPEP Institutional Fund. The GPEP Institutional Fund is closed to new investors.

Hatteras GPEP Fund, L.P. (the "GPEP Fund") is a Delaware series Limited Partnership that is not registered under the 1940 Act in reliance on Section 3(c)(1) of the 1940 Act. Capvent serves as sub-adviser to the GPEP Fund (the "Sub-Adviser"). The GPEP Fund is closed to new investors.

Hatteras GPEP Fund II, LLC (the "GPEP Fund II" and collectively with the GPEP Institutional Fund and GPEP Fund the "GPEP Funds") is a recently formed limited liability company registered under the 1940 Act, as a non-diversified, closed-end management investment company. Capvent serves as sub-adviser to the GPEP Fund II. The GPEP Fund II is closed to new investors.

Hatteras VC Co-Investment Fund II, LLC (the "VCCI Fund II") is a limited liability company registered under the 1940 Act, as a non-diversified, closed-end management investment company. The VCCI Fund II is closed to new investors.

Hatteras Late Stage VC Fund I, L.P. (the "LSVC Fund" and collectively with the GPEP Funds and VCCI Fund II the "Funds") is not registered under the Investment Act of 1940, as amended in reliance on Section 3(c)(7) of the Investment Company Act. The LSVC Fund is closed to new investors.

Hatteras PE Intelligence Fund ("PEI") is a series of HCIM Trust, an open-end management investment company. PEI is classified as non-diversified and registered under the Investment Company Act of 1940 as amended and the Securities Act of 1933 as amended.

Hatteras Disciplined Opportunity Fund ("DOF") is a series of HCIM Trust, an open-end management investment company. DOF is classified as non-diversified and registered under the Investment Company Act of 1940 as amended and the Securities Act of 1933 as amended. Hatteras' funds are offered through an affiliated limited-use broker/dealer, Hatteras Capital Distributors, LLC ("HCD" or the "Distributor"). HCD offers Hatteras' funds through a diverse network of registered investment advisors and broker dealers. As a result, Hatteras' funds 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

A description of how HCIM is compensated for its advisory services is summarized below. Fees and other expenses not disclosed here may be incurred by the 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 document.

GPEP Institutional Fund

GPEP Institutional Fund will pay HCIM a management fee at an annual rate of 1.25% based on the net assets of the fund. HCIM will pay Capvent (the "Sub-Adviser") a portion of the management fee it receives from the Fund. In addition to the management fee, at the end of each calendar year (and at certain other times), HCIM and the Sub-Adviser will be entitled to receive an Incentive Allocation (as described below in Item 6: Performance-Based Fees and Side-By-Side Management) equal to 5% (10% in the aggregate) of the excess, if any, of the net profits of GPEP Institutional Fund that have been credited to the capital account of each person who is admitted as a member of the Fund ("Member") over the then balance of the Member's Loss Recovery Account; provided that the Member's capital account has been allocated at least a 6% annualized return (prior to the deduction of the Incentive Allocation) for the period.

A Service fee of 0.50% is charged by the Fund Servicing Agent, HCIM, on all assets in GPEP Institutional Fund. GPEP Institutional Fund may pay a placement fee to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of HCIM. The Placement Agent has entered into an expense reduction agreement pursuant to which it will rebate to the Fund, in order to offset operating expenses, any amount it receives as a placement fee.

Hatteras GPEP Fund

GPEP Fund will pay HCIM a management fee that shall equal (i) until the last day of the Investment Period, 1.00% per year of aggregate commitments at the time such payment is payable; and (ii) in respect of the remainder of the term of the Fund and during any suspension period, 1.00% per year of the cost basis of the Fund's remaining fund investments less any unrealized losses related to such fund investments. HCIM will pay the Sub-Adviser a portion of the Management Fee it receives from GPEP Fund.

Hatteras GPEP Fund II

GPEP Fund II will pay HCIM a management fee that shall equal 1.25% on an annualized basis of the net assets of the Fund as of each quarter-end. HCIM will pay the Sub-Adviser, a portion of the Management Fee it receives from GPEP Fund II. In addition to the management fee, at the end of each calendar year (and at certain other times), HCIM and

the Sub-Adviser will be entitled to receive an Incentive Allocation (as described below in Item 6: Performance-Based Fees and Side-By-Side Management) equal to 5% (10% in the aggregate) after a Member has received distributions and/or repurchase proceeds equal to 125% of its Capital Contributions.

A Service fee of 0.50% is charged by the Fund Servicing Agent, HCIM, on all assets in GPEP Fund II. GPEP Fund II may pay a placement fee to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of HCIM. The Placement Agent has entered into an expense reduction agreement pursuant to which it will rebate to the Fund, in order to offset operating expenses, any amount it receives as a placement fee.

VCCI Fund II

VCCI Fund II will pay HCIM a quarterly investment management fee equal to 2.00% on an annualized basis of the net assets of VCCI Fund II as of each quarter-end. Effective March 19, 2010 the Adviser committed to waive permanently a portion of its contractual fee rate under the Investment Management Agreement. Under this fee waiver, the management fee will be 2.00% on an annualized basis of the lesser of (a) the cost basis of VCCI Fund II's portfolio companies plus cash and cash equivalents, including short-term investments, or (b) VCCI Fund II's net asset value.

VCCI Fund II may pay a placement fee of up to 8% to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of HCIM.

LSVC Fund

LSVC Fund will pay HCIM a management fee at an annual rate of 0.75% of the committed capital during the Investment Period, and 0.75% of the original committed capital minus the cost basis of the portfolio securities sold, distributed or written off after the Investment Period until the final day of LSVC Fund.

A Service fee of 0.75% is charged by the Fund Servicing Agent, Hatteras Capital Distributors, LLC. A partnership management fee of 1.00% may be charged by Hatteras Capital Investment Partners, LLC, the general partner of LSVC Fund.

PEI

PEI will pay HCIM a management fee at an annual rate of 1.50% based on the average daily net assets of the fund.

DOF

DOF will pay HCIM a management fee at an annual rate of 1.25% based on the average daily net assets of the fund. HCIM will pay the sub-adviser a portion of the management fee it receives from the fund.

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.

GPEP Institutional Fund

GPEP Institutional Fund will pay an incentive allocation at the end of each calendar year (and at certain other times, including upon the effective date of any repurchase), to HCIM and the Sub-Adviser in an amount equal to 5% (10% in the aggregate) of the excess, if any, of the net profits of GPEP Institutional Fund above the then balance of GPEP Institutional Fund's loss recovery account; provided that GPEP Institutional Fund has earned at least a 6% annualized return (prior to the deduction of the Incentive Allocation) for the period. Any incentive allocation will be deducted pro-rata from each Member's Units.

GPEP Fund

Cash and securities received by the GPEP Fund from a Portfolio Fund ("Distribution Proceeds") will be distributed to each Limited Partner in proportion to its pro rata capital contribution made in respect to such Portfolio Fund, in the following order of priority:

- (a) First, 100% to such Limited Partner until the cumulative distributions to such Limited Partner equal the aggregate of such Limited Partner's Capital Contributions to the Fund made in respect to the Portfolio Fund from which proceeds are received (such Fund Investment, the "Distribution Source") plus such Limited Partner's Capital Contributions to the Fund used to fund the Fund's expenses including the Management Fee in respect to the Distribution Source, as of that time;
- (b) Second, to such Limited Partner until such Limited Partner's internal rate of return (calculated in accordance with the Partnership Agreement) on the Capital Contributions made in respect to such Distribution Source equals 7% (the "Preferred Return");
- (c) Third, to the General Partner and the Sub-Adviser until each has received 5% of the sum of all distributions made pursuant to clause (b) above and this (c); and
- (d) Thereafter, 90% to such Limited Partner, 5% to the General Partner and 5% to the Sub-Adviser (the 5% payable to each of the General Partner and Sub-Adviser pursuant to clause (c) above and this (d), the "Carried Interest").

GPEP Fund II

After a Member has received distributions and/or repurchase proceeds equal to 125% of its Capital Contributions, GPEP Fund II will make distributions and repurchase proceeds on a 90%/ 5%/ 5% split among the Member, the Adviser and the Sub-Adviser, respectively.

PE Intelligence Fund

The PE Intelligence Fund (“PEI”) which is an open-end management investment company registered under the Investment Company Act of 1940, does not charge performance-based fees.

Disciplined Opportunity Fund

The Disciplined Opportunity Fund (“PEI”) which is an open-end management investment company registered under the Investment Company Act of 1940, does not charge performance-based fees.

It is important to note that such performance fees may create an incentive for Hatteras 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”).

As is typical for many money managers including Hatteras, a potential conflict of interest may arise related to the side-by-side management of one or more funds with a performance-based fee along with one of more funds with non-performance based fees. The management of both types of funds at the same time may create an incentive to favor the fund that produces a higher fee. Hatteras has adopted trading and allocation policies designed to ensure that its side-by-side management of funds with different types of fees is at all times consistent with its fiduciary responsibilities, and that no fund is favored over another. These policies include requirements that all funds in the same strategy generally be managed the same way, that is, the funds must have the same portfolio holdings and must be traded at the same time, regardless of the type of fee arrangement. The Funds are regularly reviewed by Hatteras to ensure that these policies are closely followed, that buy and sell opportunities are allocated fairly among funds regardless of fees charged, and that all funds are treated equitably.

ITEM 7: TYPES OF CLIENTS

HCIM provides investment management services to the Funds, registered investment companies and private funds that may invest in hedge funds, other private limited partnerships, direct company investments, and other types of investments as outlined in each Fund’s respective offering memorandum, prospectus or registration statement. Please see the response to Item 4 for a description of the Funds. The minimum initial investment varies by Fund, and each 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 Funds, HCIM may utilize third party research and software, on-site visits, interviews, and fundamental analysis.

The Funds should be considered speculative investments, and you should invest in the Funds only if you can sustain a complete loss of your investment. Please see each Funds offering memorandum, prospectus or registration statement for a detailed discussion of the specific risks disclosed here and other important risks and considerations.

The GPEP Funds

The GPEP Funds' investment objective is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of private equity investments. The GPEP Funds' investments are expected to include: (i) primary and secondary investments in private equity funds managed by third-party managers; (ii) direct investments in the equity and/or debt of operating companies, frequently alongside professional lead investors; and (iii) listed private equity investments, such as business development companies.

The principal elements of the GPEP Fund's investment strategy includes (i) strategically allocating the assets of the Fund across the global private equity market; (ii) identifying investments that appear most attractive in sectors of the private equity market place that are believed to offer superior relative value; (iii) performing detailed due diligence of targeted investment opportunities using an established proprietary process that assesses both qualitative and quantitative aspects; and (iv) seeking to manage risk through ongoing monitoring of the portfolio.

The first phase of the investment process involves strategic asset allocation, which is designed to provide a framework for the GPEP Funds' long-term diversification. The strategic asset allocation addresses various dimensions of the global private equity market, such as: (i) primary, secondary, direct and listed private equity investments; (ii) buyout, venture capital / growth capital, mezzanine debt, distressed debt, and other special situations; and (iii) investments focused in North America, Europe, Asia and Emerging Markets. Asset allocations stems from top-down, macroeconomic analysis that incorporates HCIM's and Capvent's beliefs about the distinct risk, return and correlation characteristics of different private equity investments.

As a result of the review of strategic asset allocation, HCIM and Capvent will attempt to seek sectors of the private equity marketplace that exhibit a reasonable relationship between demand for and supply of investment capital, anticipate trends in the private

equity marketplace, and avoid overweighting highly competitive sectors or geographies that might not offer the best risk reward potential.

The second step of the investment process is to proactively identify and source a large number of private equity investments across different investment types, sub-strategies, and geographic regions. HCIM and Capvent use a number of standardized proprietary tools to compare investments and evaluate the investments' relative positioning in the market place. Standardized screening is a pre due diligence phase of the investment process and allows for comparative analysis across investments. The key comparison parameters include management and incentives, investment strategy or business model, track record analysis, moral hazard, adverse selection, potential conflicts of interest, specific terms related to the investment, and the supply and demand of capital related to the specific strategy. HCIM and Capvent will attempt to use this analysis to identify the investments with the most attractive risk and reward characteristics in each segment of the private equity market.

Investments that appear to meet the initial due diligence requirements are documented in a formalized report to the Investment Committee, which will determine whether to perform detailed due diligence on the opportunity. The Investment Committee could instruct HCIM and Capvent to discontinue the analysis of the investment, or provide specific information and guidelines for HCIM and Capvent to seek upon the initiation of the second, more detailed phase of due diligence.

The final step in the investment process is the selection of investments. The investment decision making process is guided by a rigorous due diligence process that involves a detailed analysis of various aspects of each opportunity, including both qualitative and quantitative assessments, as well as initial feedback from the Investment Committee. Various proprietary tools are used to better understand market trends, potential return scenarios and/or the historical or anticipated sources of value creation for an investment. The due diligence verification process is generally based upon information such as interviews with key personnel, reference checks targeting key personnel, on-site visits, track record analysis. During this process, HCIM and Capvent will seek a deeper understanding of aspects such as the investment strategy of the fund (or business model of the company), the management team involved with the investment, the operational effectiveness of the fund, the competitive advantage of the investment, the fund's historical track record and valuation procedures. In conjunction with the commercial due diligence process, the tax treatment and legal terms of the investment are considered. After resolving all open issues and negotiating terms, a final Investment Proposal is prepared and presented to the Investment Committee, which finally approves or declines the investment.

Post investment, the Investment Committee seeks to monitor the portfolio through ongoing interaction with the managers represented in the GPEP Funds' portfolio. This interaction facilitates ongoing portfolio analysis and resolution of issues such as strategy drift, loss of key team members or proposed changes in constituent documents. It also provides ongoing due diligence feedback, which can be extremely valuable as additional investments with a particular manager are considered.

Investments in the GPEP Funds involve a high degree of risk, including the complete loss of capital. General Risks, Special Risks and Investment-Related Risks of the GPEP Funds include, but are not limited to, Limited Operating History of the Fund, Limited Liquidity, Reporting Requirements, Non-Listed Status of Units, Non-Diversified Status, Legal, Tax and Regulatory Risks, Underlying Portfolio Funds Not Registered, Portfolio Funds Generally Non-Diversified, Valuation of Portfolio Funds, Multiple Levels of Fees and Expenses, Portfolio Fund Managers Invest Independently, Portfolio Fund Operations Not Transparent, Concentration of Investments, Derivative Instruments, Distressed Investments, Valuation of Illiquid Securities and Derivative Positions, Unspecified Investments, Leverage, Risks of Capital Call Failures, and Limited Selectivity of Investments.

LSVC Fund and VCCI Fund II (together the "VC Funds")

The VC Funds' investment objective seeks superior risk-adjusted returns by investing in venture-backed companies. The VC Funds intend to achieve their investment objective by investing all or substantially all of their assets in venture-backed companies alongside top-tier venture capital firms. During normal market conditions, the Funds investment adviser, Hatteras Capital Investment Management, LLC (the "Adviser") will follow a rules-based portfolio construction process to guide the Funds' investment strategy.

The VC Funds will be a co-investor alongside top-tier venture capital firms. Exposure to venture capital investments further diversifies a portfolio and could potentially produce excess rates of return compared to investments in the public markets. However, historical statistics suggest that it is access to top-tier firms which acts as the critical element for achieving these superior investment returns. The top-tier firms gain access to good ideas and good entrepreneurs before many in the industry. However, even the best venture capitalists sometimes invest in firms that do not achieve a liquidity event. Such venture capitalists do not know with certainty which companies will falter and which will return multiples of invested capital.

Since venture capital involves a great deal of uncertainty, HCIM developed a rules-based investment process, designed to complement the analysis done by the top-tier firms. This rules-based process attempts to increase the likelihood of investing in companies displaying certain performance characteristics and a strong likelihood of reaching a

successful liquidity event. Similarly, the process attempts to decrease the chances of investing in companies that may not return capital. Some of the Investment Criteria seek to ensure investments made by the VC Funds are invested in companies that have an operating history, a product or service that has shown initial acceptance in the marketplace (defined by revenues) and that are moving towards producing positive cash flow within the foreseeable future. During normal market conditions, the Adviser will follow a rules-based portfolio construction process to guide the Fund's investment strategy.

HCIM's due diligence focus centers on validating several primary and secondary investment criteria. A VC Opportunity meeting the requirements of the Primary Investment Criteria and the Secondary Investment Criteria will have met all Investment Criteria.

The investment process seeks to produce a diversified portfolio of venture-backed private companies with strong management teams, well-developed new products, and the potential to achieve a liquidity event within a reasonable time frame. In connection with an investment, HCIM will review the offering materials, together with the relevant documents governing the purchase and sale of the specific equity security, and the information in respect to upcoming road shows for the potential portfolio company to HCIM. HCIM will conduct a verification examination to ensure the Investment Criteria are met. Once the verification process has been completed, and the VC Opportunity is deemed to have met all of the above requirements, then the Investment Committee will meet to ensure final verification and approval. The Investment Committee must come to a unanimous agreement for the VC Opportunity to become part of each VC Funds' portfolio.

An investment in the VC Funds involves a substantial amount of risk, including the risk that the entire amount invested may be lost. The underlying venture capital investments are not required to provide transparency with respect to their financial statements or investments. Investment by the VC Funds in certain companies may involve a high degree of risk in that such companies may be in a relatively early-stage of development with little operating history and with a need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. The value of equity securities varies in response to many factors. Factors specific to the company, such as certain decisions by management or loss of a key executive, could result in a decrease in the value of a company's securities. Factors specific to the industry in which the company participates, such as increased competition, can have a similar effect. The value of a company's stock can also be adversely affected by changes in financial markets generally,

such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the company itself or its industry.

PE Intelligence Fund

The PE intelligence Fund seeks investment results comparable to the returns of the Nomura QES Modelled Private Equity Returns Index (the “Reference Index”). The PE Intelligence Fund seeks to track the Reference Index and therefore, to provide a return similar to that of a broad-based global investment in private equity buyout funds, calculated based on the amounts investors commit to private equity buyout funds, without directly or indirectly investing in private equity funds. The Reference Index is provided by Nomura International plc. The Reference Index is based on a quantitative model (the “PERI Model”) developed by Quantitative Equity Strategies, LLC, using data provided by Preqin Ltd.

The Fund seeks to achieve its investment objective by investing primarily in a combination of equity securities, total return swaps, notional cash deposits in various currencies and derivatives that, as a whole, are expected to produce returns that track the price performance of the Reference Index. The Fund may invest in equity securities of companies of any capitalization. The Fund is classified as non-diversified. A non diversified investment company may invest in the securities of fewer issuers at any one time than diversified funds. The Fund will generally buy securities and hold notional currency positions that the Adviser expects will give the Fund economic exposure similar to that of the respective constituents of the Reference Index and sell securities whose exposure is greater than that of the corresponding constituents of the Reference Index.

The Reference Index is rebalanced weekly. The Adviser expects that the Fund’s active or frequent trading of portfolio securities may result in a portfolio turnover rate in excess of 100% on an annual basis.

A complete discussion of the potential risks inherent in an investment in the mutual fund can be found in the Fund’s current prospectus and SAI. Losing all or a portion of your investment is a risk of investing in the Fund. The following additional risks could affect the value of your investment: Investments of the Fund include foreign currencies which will fluctuate in value relative to the U.S. dollar, adversely affecting the value of the Fund’s investments and its returns. The Value of Equities are subject to market risks. Derivatives involve investment exposure that may exceed the original cost and a small investment in derivatives could have a large potential impact on the performance of the Fund. The Fund may be subject to high portfolio turnover rate risk which may negatively impact the Fund’s performance. Because the Fund seeks to track the Reference Index, which uses the PERI model, the Fund is subject to the risk associated with the development and implementation of the PERI Model including that: there can be no assurance that the assumptions used by the PERI Model to determine the drivers of private equity buyout

funds are correct or that the PERI Model will be able to capture any performance based on these drivers using public market equivalents alone; that the PERI Model is based on the amount private equity investors commit to invest, rather than the amounts they actually invested, which may differ significantly; that the data provided to Preqin, Ltd., may not accurately reflect the private equity buyout fund industry due to survivorship bias; and that the returns from the PERI Model (and therefore the Reference Index) may differ significantly from the return of a direct investment in one or more private equity buyout funds.

The Fund may also invest in smaller-sized companies which are subject to more abrupt or erratic market movements than larger, more established companies and shares of other investment companies including ETFs that invest in securities and styles similar to the Funds, resulting in a generally higher investment cost than from investing directly in the underlying shares of these funds. The Index Advisor relies on, among other things, private equity buyout data provided by Preqin Ltd. and in the event that such information is no longer available or reliable, the PERI Model (and therefore the Reference Index) may not be able to continue. The Fund's performance may vary substantially from the performance of the Reference Index it tracks as a result of share purchases and redemptions, transaction costs, expenses and other factors. The Fund is a recently-formed entity with limited or no operating history. The Fund is considered non-diversified and may invest in the securities of fewer issuers than diversified funds at any one time; as a result, the gains and losses of a single security may have a greater impact on the Fund's share price. Mutual fund investing involves risk; loss of principal is possible. Please consult an investment professional for advice regarding your particular circumstances. An investment in the Funds may not be suitable for all investors.

Disciplined Opportunity Fund

The Disciplined Opportunity Fund seeks to consistently outperform the broader equity market on a risk-adjusted basis in both rising and declining markets.

The Fund seeks to achieve its investment objective principally by:

- Buying call options on the S&P 500® Composite Stock Price Index (the "S&P 500 Index") to create broad market exposure, and
- buying and writing (selling) additional call and put options on the index to enhance market returns and reduce market losses.

The Fund generally intends to utilize Flexible Exchange Options ("FLEX Options"), which are customized option contracts available through the Chicago Board Options Exchange that are guaranteed for settlement by the OCC. FLEX Options provide investors with the ability to customize exercise prices and expiration dates, while achieving price discovery in competitive, transparent auctions markets and avoiding the counterparty exposure of over-the-counter ("OTC") options positions.

The Sub-Advisor, Acertus Capital Management, LLC, employs a proprietary “Planned Return Strategy” (“PRS”) to select Fund investments. PRS is based on the Sub-Advisor’s work in Behavioral Finance and is designed to consistently outperform the S&P 500® on a risk-adjusted basis in both rising and declining markets. The Fund is classified as non-diversified. A non-diversified investment company may invest in the securities of fewer issuers at any one time than diversified funds.

A complete discussion of the potential risks inherent in an investment in the mutual fund can be found in the Fund’s current prospectus and SAI. Losing all or a portion of your investment is a risk of investing in the Fund. The following additional risks could affect the value of your investment: Derivatives involve investment exposure that may exceed the original cost and a small investment in derivatives could have a large potential impact on the performance of the Fund. The Fund may invest in options. Options transactions may be effected on securities exchanges or in the OTC market. When options are purchased over-the-counter, the Fund bears the risk that the counter-party that wrote the option will be unable or unwilling to perform its obligations under the option contract. The Fund may engage in Short Sale/Put and Call Options which entail substantial risks. Also, options transactions involve special risks that may make it difficult or impossible to unwind a position when the Fund desires. Short-sale strategies are riskier than long investment strategies. The Fund could incur potentially unlimited losses. If the value of a security sold short increases, the Fund will incur a loss because it will have to purchase the security at a higher price. The Fund is a recently-formed entity with limited or no operating history. The Fund’s success will depend on the management of the Sub-Advisor and on the skill and acumen of the Sub-Advisor’s personnel. The Fund is considered non-diversified and may invest in the securities of fewer issuers than diversified funds at any one time; as a result, the gains and losses of a single security may have a greater impact on the Fund’s share price. Mutual fund investing involves risk; loss of principal is possible. Please consult an investment professional for advice regarding your particular circumstances. An investment in the Funds may not be suitable for all investors.

ITEM 9: DISCIPLINARY INFORMATION

There is no material, legal or disciplinary event to disclose related to Hatteras’ business or its management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Hatteras Capital Distributors, LLC (“HCD”), a limited use FINRA member broker-dealer is a wholly owned subsidiary of HCIM. HCD may act as a distributing agent or placement

agent for the Funds and earn fees in connection with the servicing of investors in those funds. As disclosed in the mutual funds' prospectus, HCD and other selling agents will receive compensation in connection with their respective sales of the mutual funds, and such compensation will be paid by the 12b-1 fee revenue. It should be specifically noted that certain directors, officers and employees of HCIM, Hatteras Investment Partners, LLC ("HIP") and Hatteras Alternative Mutual Funds, LLC ("HAMF") are also registered representatives of HCD.

HCIM is affiliated through common ownership with HIP and HAMF, each an investment adviser registered with the SEC. Despite these affiliations, HCIM exercises completely independent judgment in the management of the Funds' investments, and has mitigated potential conflicts of interest arising from its affiliations.

HIP, an affiliate of HCIM, manages the Hatteras Master Fund, L.P., which is a master fund in a master/feeder structure with four SEC registered investment partnerships and two non-registered investment partnerships commonly referred to as the Hatteras Core Alternatives Funds.

HAMF, an affiliate of HIP and HCIM, manages Hatteras Alternative Mutual Funds Trust and the Underlying Funds Trust. HCIM is the majority owner of HAMF. HCIM provides administrative services to HAMF by virtue of an Administrative Services Agreement. HCIM has engaged HCD to provide fund services by virtue of a Fund Servicing Agreement.

HCIM is affiliated by common ownership with Hatteras Capital Investment Partners, LLC ("HCIP"). HCIP is the general partner of the partnership(s) managed by HCIM. HCIM is affiliated through common ownership with Hatteras Investment Management, LLC ("HIM"). HIM is the general partner of the Hatteras Multi-Strategy Funds managed by Hatteras Investment Partners, LLC.

Capvent serves as sub-adviser to the GPEP Funds. It should be specifically noted that Capvent may also provide advisory services to other unrelated funds of funds and/or managed accounts that may invest in the same portfolio funds that may be invested in by the GPEP Funds. Occasionally, Capvent 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 GPEP Funds.

Acertus Capital Investment Management, LLC serves as sub-advisor to the Disciplined Opportunities fund. It should be noted that Acertus may also provide advisory services to unrelated managed accounts that may invest in the same securities invested in by the Disciplined Opportunity Fund. On a case by case basis, the process for allocation considers

factors that are subjective and therefore may present a conflict of interest to investors in the Disciplined Opportunity Fund.

As noted in Item 8 regarding the Hatteras PE Intelligence Fund, the Reference Index is provided by Nomura International plc. The Reference Index is based on a quantitative model (the “PERI Model”) developed by Quantitative Equity Strategies, LLC, using data provided by Prequin Ltd. Nomura will receive an index licensing fee on the assets under management from HCIM. The index licensing fee decreases as asset level thresholds are met.

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 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. 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.

In general, 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 prohibits Access Persons from purchasing equities, corporate bonds, options and IPOs and mandates written pre-clearance for all Access Person security trades (excluding ETFs, ETN’s, mutual fund shares and a limited number of other holdings). Personal securities transactions will generally not be allowed if the transaction 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 transactions by Access Persons in funds where Hatteras (or an affiliate) serves as adviser, must receive written pre-clearance.

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 Funds to obtain the best results in connection with affecting its portfolio transactions taking into account factors similar to those expected to be considered by HCIM. In most instances, the Funds will purchase interests in a Portfolio Fund or investment security directly from the Portfolio Fund or investment security, and such purchases by the Funds may be, but are generally not, subject to transaction expenses. Nevertheless, the Funds contemplate that, consistent with the policy of obtaining the best net result, any brokerage transactions of the Funds 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 Funds.

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 Funds are reviewed on a periodic basis by each respective Fund's Investment Committee members/ Portfolio Managers responsible for its management. The Investment Committee members that conduct reviews are as follows:

LSVC Fund - David B. Perkins, Managing Member; Robert L. Worthington, President and Managing Member; J. Michael Fields, Member; and Frank A. Burke.

VCCI Fund II - Investment Committee Members: David B. Perkins, Managing Member; Robert L. Worthington, President and Managing Member; J. Michael Fields, Member; and Frank A. Burke.

Hatteras GPEP Fund - Investment Committee Members from HCIM: David B. Perkins, Managing Member; and Robert L. Worthington, President and Managing Member.

GPEP Institutional Fund - Investment Committee Members from HCIM: David B. Perkins, Managing Member; and Robert L. Worthington, President and Managing Member.

GPEP Fund II - Investment Committee Members from HCIM: David B. Perkins, Managing Member; and Robert L. Worthington, President and Managing Member.

The PE Intelligence Fund-Portfolio Managers: Joshua E. Parrott and Frank A. Burke.

The Disciplined Opportunity Fund- Portfolio Managers: Mitchell D. Eichen, Glenn A. Myers, and John Longo from Acertus Capital Management, LLC..

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 guidelines or restrictions as outlined in the registration statement.

Limited Partners of the LSVC Fund and Hatteras GPEP Fund will receive unaudited capital balance reports regarding their investment in the funds at least quarterly and annual audited financial statements. Investors in VCCI Fund II, GPEP Institutional Fund and GPEP Fund II will receive unaudited capital balance reports and/or account statements regarding their investment in these funds at least quarterly. In addition,

investors will receive unaudited semi-annual financial statements and audited annual financial statements.

Investors in the PE Intelligence Fund and Disciplined Opportunity Fund will receive unaudited semi-annual financial statements and annual audited financial statements. Investors in the mutual funds typically receive investment reports directly from their financial representative. Please contact your financial representative for more information.

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.

HCIM may pay fees (out of its revenue received for managing the Mutual Funds) to certain mutual fund distribution platforms sponsored by non-affiliated broker-dealers (i.e., “mutual fund supermarkets”) for certain services associated with servicing clients which may invest in the Mutual Funds through the respective platform.

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 Funds Hatteras manages, by virtue of its affiliation with Hatteras Capital Investment Partners, LLC, the Funds' general partner. Actual custody of all fund 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 registered investment companies and private funds (together the "Funds"). The investments of the Funds 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 Funds. 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 Funds invest substantially all of their assets in Portfolio Funds and other investment securities, which include, but are not limited to, private partnerships, limited liability companies, direct company investments, investment securities or similar entities. 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 Funds 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 Funds receive notices or proxies from Portfolio Funds (or receives proxy statements or similar notices in connection with any other portfolio securities), the Funds have delegated proxy voting responsibilities with respect to the Funds' portfolio securities to Hatteras, with the direction that proxies should be voted consistent with the Funds' best economic interests. In general, Hatteras believes that voting proxies in accordance with the policies below will be in the best interests of the 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 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, Hatteras may take any of the following actions which it deems to be in the best interests of the 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 applicable) if the vote is against the interests of all Interested Persons; or (iii) refrain from voting on the matter.

The 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 Funds' 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.