

PART 2A OF FORM ADV

LAURUS CAPITAL MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Laurus Capital Management, LLC (“Laurus”). If you have any questions about the contents of this brochure, please contact us at (212) 541-5800 and/or by email at Lara@laurusfunds.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Laurus also is available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT VALENS OR ANY PRINCIPALS OR EMPLOYEES OF VALENS POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

Material Changes

The following is a summary of only the material changes to this brochure since the last update to Laurus's Form ADV Part 2:

- Sayan Navaratnam, a former Senior Managing Director of Laurus, is no longer an employee of Laurus.
- Laurus relocated to a new business address at 420 Lexington Avenue, Suite 2840, New York 10170.

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SUPPLEMENT – BIOGRAPHIES OF KEY PERSONNEL

Advisory Business

Laurus is a limited partnership organized under the law of Delaware on December 1, 2000. The founders are Eugene Grin and David Grin and the principal owner is Laurus Member, L.P. Eugene Grin and David Grin both own more than 25% of Laurus through their ownership in Laurus Member, L.P. Laurus commenced operations on January 1, 2001.

Laurus is the investment manager of Laurus U.S. Fund, L.P. (the “Domestic Feeder”), Laurus Master Fund, Ltd. (In Liquidation) and its subsidiaries (collectively, the “Master Fund”) and Laurus Offshore Fund, Ltd. (In Liquidation) (the “Offshore Feeder” and, together with the Domestic Feeder, the “Feeder Funds” and the Feeder Funds with the Master Fund, the “Laurus Funds”). Laurus also provides investment advice to PSource Structured Debt Limited, a Guernsey incorporated closed-end fund (the “PSource Fund”) that is publicly listed in the United Kingdom.

The Feeder Funds are closed to new investments. The Domestic Feeder is currently in dissolution mode. Each of the Offshore Feeder and the Master Fund is currently in liquidation subject to the supervision of the Grand Court of the Cayman Islands pursuant to Section 150 of the Companies Law, and the Master Fund generally does not intend to make any new investments at this time, other than certain follow-on investments to existing positions.

The Feeder Funds invest all or substantially all of their assets in the Master Fund. Through their respective investments in the Master Fund, the investment objective of the Feeder Funds is to seek to achieve capital appreciation primarily through a strategy that invests in convertible and non-convertible equity and debt securities and warrants offered in private placements pursuant to Regulation D, other restricted equity and debt securities, loans, participations in loans, and other private investments in public and private equities issued by U.S. or foreign domiciled entities.

The investment policy of the PSource Fund is to invest in a diversified portfolio of asset-backed loans made predominantly to, and equity interests issued by, publicly-traded small and micro-cap growth companies primarily in the United States.

Laurus is generally granted broad investment authority with respect to the management of the accounts of its clients. Laurus tailors its advisory services to the specific investment objectives and restrictions of each client. Laurus or its wholly owned subsidiaries may agree in the investment management agreement with each client to investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account. Laurus may pursue different investment strategies for different clients.

Investors and prospective investors in each fund that Laurus advises should refer to the confidential private placement memorandum, limited partnership agreement and other governing documents for each fund (the “Governing Documents”) for more complete

information on the investment objectives and investment restrictions with respect to a particular fund.

Laurus does not participate in any wrap fee programs.

Laurus manages all assets on a discretionary basis. As of January 1, 2012, the amount of assets Laurus managed on a discretionary basis was approximately \$401 million. Laurus may in the future provide advisory services, either on a discretionary or non-discretionary basis, to other managed accounts on behalf of clients.

Fees and Compensation

Compensation and Fee Schedules

All investors should review the Governing Documents for each Laurus Fund in conjunction with this brochure for more complete information on the fees and compensation payable with respect to a particular Laurus Fund.

For periods prior to October 1, 2009, Laurus received an annual management fee equal to a percentage (generally 1% to 2%) of the net asset value of the interest of each investor in the Domestic Feeder and the Offshore Feeder, payable monthly in advance. In addition, for all periods prior to January 1, 2009, Laurus or Laurus Financial, LLC, the general partner of the Domestic Feeder (the “General Partner”) and an affiliate of Laurus, received an annual incentive allocation or fee from each of the Domestic Feeder and the Offshore Feeder equal to a percentage of net profits with respect to such year (generally 20% to 30%), subject to a loss carryforward provision.

On October 8, 2008, the Offshore Feeder, Laurus and the Offshore Feeder’s largest investor entered into a Deed of Settlement and Release that, among other things, amended the terms of both the incentive allocation and the management fee payable to Laurus for all periods on and after January 1, 2009 based upon an agreed schedule. For such periods, the incentive allocation is subject to reduction annually until 2017, and also subject to a clawback for losses in subsequent years. The amended terms of payment of both the incentive allocation to the General Partner and the management fee to Laurus also apply to the Domestic Feeder.

Laurus also agreed that, effective as of October 1, 2009, (i) the incentive fee or allocation will only be paid if the distributions to investors in the Laurus Funds exceed an agreed-upon amount and (ii) the management fee will be a periodic payment of a fixed amount, plus a true-up payment if distributions to investors in the Laurus Funds exceed an agreed-upon amount.

Laurus and its affiliates provide investment advisory services to certain subsidiaries of the Laurus Funds. Investors in the Laurus Funds do not pay additional fees with respect to assets held by or invested through such subsidiaries.

Laurus receives from PSource Capital Guernsey Limited, the manager of PSource Fund (the “PSource Manager”), a percentage of the fees received by the PSource Manager for management of the PSource Fund (73% of such fees with respect to the first \$150 million in funds under management and 68% of such fees with respect to the excess). The PSource Manager receives: (i) an annual management fee of 2%; and (ii) a performance fee of 20% of total return subject to a high watermark and a hurdle of 5% per annum. In January 2009, Laurus and the PSource Manager agreed to defer the payment of any performance fees until such date as the PSource Fund resumes the payment of dividends to shareholders. Such deferred performance fees will continue to accrue during such deferral period.

Any performance-based fees or allocations will only be charged to qualified clients as defined under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Laurus is also the managing member of Laurus Capital Associates, LLC (“Associates”), an entity through which certain former qualified employees of Laurus have invested in the Domestic Feeder. For periods prior to October 1, 2009, Laurus received an annual management fee equal to 2.0% of the portion of each employee’s capital account with respect to Associates. Commencing October 1, 2009, each employee’s capital account was subject to the fixed management fee arrangement described above.

Other than as stated above, all fees are generally non-refundable (that is, once the management fee is paid and the performance allocation is allocated, such amounts will not be refunded to investors). In addition, in certain circumstances, fees may be negotiable.

In certain circumstances, the advisory fees payable to Laurus or its affiliates by individual clients or investors in each fund may be negotiable. Investors and prospective investors in each fund should refer to the Governing Documents of the applicable fund for more complete information on the advisory fees charged by Laurus.

Deduction of Fees

Laurus is authorized under the Governing Documents of each Laurus Fund to charge and deduct advisory fees directly from the assets of the Laurus Funds, at the times and in the amounts described above.

Other Fees and Expenses

In evaluating and entering into transactions on behalf of its clients, Laurus bears certain expenses including, but not limited to, certain overhead expenses of its clients, as well as investment research expenses, and costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by Laurus in connection with specific investments (including transactions that fail to close). The clients of Laurus are responsible for all costs and expenses incurred after closing of transactions including but not limited to investment research expenses; costs of any outside appraisers, accountants,

attorneys or other experts or consultants engaged by Laurus in connection with specific investments, clearing fees; interest and other costs in connection with margin accounts or other borrowings; borrowing charges on securities sold short; custodial fees; bank service fees; and any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against Laurus or any client. The Laurus Funds and the PSource Fund also pay all of their operating costs, including administrative, legal, accounting, auditing and insurance costs and expenses, as described in greater detail in the Governing Documents for each Feeder Fund.

Clients of Laurus will also incur brokerage expenses as described below under “Brokerage Practices”.

Timing of Payments

Please see “Fees and Compensation” above.

Transaction-Based Compensation

Laurus may receive a structuring fee for arranging and monitoring an investment by a client of Laurus. Laurus may also receive from time to time a payment from the companies in which the clients may invest in. However, these fees are no longer relevant to the Laurus Funds as they are no longer making new investments (except for certain follow-on investments to existing positions).

Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

Laurus, or an affiliate of Laurus, ordinarily receives a performance-based fee or a special allocation of profits from each of its clients (including the Laurus Funds) as described above under “Fees and Compensation.” Please refer to the Governing Documents of each fund for more complete information on the performance-based compensation arrangements of such fund. Different client accounts may be subject to different performance-based compensation arrangements. The performance-based compensation arrangements discussed above comply with Rule 205-3 under the Advisers Act.

Performance-based compensation arrangements may create an incentive for Laurus to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Side-by-Side Management

If Laurus is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that Laurus receives from another client, then Laurus may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage.

Laurus will, as a policy, allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by Laurus in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

Types of Clients

Types of Clients

Laurus provides advice to the Laurus Funds and other clients. The investors in these funds may include corporations, partnerships, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans.

Minimum Investment Requirements

Laurus and its related persons require that each limited partner or shareholder in each of the Laurus Funds be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

The Laurus Funds are closed to new investments.

Methods of Analysis, Investment Strategies and Risk of Loss

The Laurus Funds are in the process of being liquidated and are not making new investments (except certain follow-on investments to existing positions).

Methods of Analysis

The Laurus Funds invest primarily in convertible and non-convertible equity and debt securities, loans, participations in loans, warrants and other securities, including private investments in public and private equities issued by U.S. or foreign domiciled entities.

The Laurus Funds invest certain of their assets in special purpose vehicles or other wholly-owned subsidiaries in order to achieve their objectives.

The Laurus Funds may also invest in options, warrants, commodities, commodity contracts, commodity futures, financial futures (including index futures), royalty interests, options in respect of any of the above, and other derivative securities and related transactions, in each case, for investment purposes and in order to hedge against volatility.

The investment policy of PSource Fund is to invest in a diversified portfolio of asset-backed loans made predominantly to, and equity interests issued by, publicly-traded small and micro-cap growth companies primarily in the United States.

Laurus's principal sources of information include due diligence performed by both Laurus and its affiliates and at times, third-party consultants. Research of potential investment varies with each investment and may include collateral analyses and field audits, and background checks of selected executive officers.

Material Risks

Investments in private and restricted securities and loans as described above involve a substantial degree of risk. Laurus generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment. Additional information about the risks of investing in each Laurus Fund and the PSource Fund can be found in the Governing Documents for the relevant fund. The risk factors below are not intended to be exhaustive and should be considered carefully together with the full text of the applicable Governing Document or client agreement.

Investment and Trading Risks in General

All investments risk the loss of the amount invested. No guarantee or representation is made that any investment program will be successful, and investment results may vary substantially over time. The value of a client's portfolio and the income (if any) derived from it can go down as well as up.

Investing in Illiquid Investments

Laurus invests primarily in equity and debt securities, loans and loan participations purchased in private placements directly from companies whose securities may or may not be publicly traded. As a result, many investments held by clients of Laurus may be or become illiquid, including "restricted" or non-publicly traded securities and thinly traded securities. It may not be easy to dispose of such non-publicly or thinly traded securities, and in some cases, there may be legal or contractual restrictions preventing the disposal of securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Such investments may require a significant amount of time from the date of initial investment before disposition.

In contrast to the markets for broadly syndicated leveraged loans and high-yield bonds, securities and loans originated or acquired by Laurus generally are not syndicated by tier-one lenders or actively traded in the secondary market. Laurus often expects to retain debt securities, loans and participations in loans originated or acquired by clients of Laurus until maturity, which may be a period of several years, except to the extent that it

sells loans, participations in loans and other investments to other funds and accounts managed by Laurus and its affiliates or to unrelated third parties. The retention of such investments in whole or in part until maturity may subject clients of Laurus to greater credit risk than would otherwise be the case. There can be no assurance that a client of Laurus will be able to sell investments to the extent desired, in which case the client's portfolio may be subject to overconcentration in certain borrowers and industries and subject to greater credit risk. In addition, the "special situation" asset classes in which Laurus may invest may be thinly traded or may cease to be traded after an investment is made. In the absence of a significant market for the loans and other assets held directly or indirectly by Laurus, such assets may not be able to be traded in order to respond to changes in market conditions.

Micro and Small Capitalization Securities

Laurus ordinarily invests in companies with small and mid-cap market capitalizations. Such investments involve greater risk than investing in larger companies. The stock prices of small and mid-cap companies can rise very quickly and drop dramatically in a short period of time. This volatility may result from a number of factors, including reliance by these companies on limited product lines, markets and financial and management resources. These and other factors may make small and mid-cap companies more susceptible to setbacks or downturns. These companies may experience higher rates of bankruptcy or other failures than larger companies and they may be more likely to be negatively affected by changes in management. In addition, the stock of small or mid-cap companies may be thinly traded.

Concentration of Investments

Accounts managed by Laurus may hold relatively few investments. The result of such concentration of investments is that a loss in any one position could materially reduce the value of the overall portfolio.

Disciplinary Information

Laurus and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Neither Laurus nor its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, Laurus and its management persons are not affiliated with any broker-dealer or bank.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither Laurus nor its management persons are registered or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

The only clients of Laurus at present are the Laurus Funds, the PSource Fund and certain subsidiaries of the Master Fund. A related person of Laurus generally acts as general partner or managing member or investment adviser of each of the Funds.

Employees of Laurus and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the clients of Laurus invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of Laurus or its affiliates may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the Laurus clients invest. As a result, clients of Laurus may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the clients.

Funds advised by Laurus may acquire operating control of companies in which they, or one of their affiliates, initially made an investment which did not consist of a controlling interest. In such case, Laurus may retain consultants (either directly or on behalf of such company) for the purpose of assisting in the management of such company or such Fund's interest in such company. Such consultants may be compensated by such fund or such company based in part on a percentage of the increase in value of such company or such fund's interest in such company. Laurus and its affiliate, Valens Capital Management, LLC ("VCM"), currently retain a consulting firm for the purpose of assisting in the management of clients' interests in certain companies. Such consulting firm is controlled by Sayan Navaratnam, a former Senior Managing Director of Laurus and VCM.

The General Partner serves as the general partner of the Domestic Feeder. The managing members of the General Partner are Eugene Grin and David Grin. Eugene Grin and David Grin are also the controlling persons of VCM, a Delaware limited liability company. VCM is the investment manager of Valens U.S. Fund, LLC, a Delaware limited liability company ("Valens U.S."), Valens Offshore Fund ("Valens Offshore"), a class of Valens Unit Trust, a Cayman Islands unit trust, Valens Yen Fund ("Valens Yen Fund"), a class of Valens Unit Trust (Valens U.S., Valens Offshore and Valens Yen Fund, together with each of their respective subsidiaries, are collectively referred to herein as the "Valens Funds"). The managing member of Valens U.S. is Valens Financial, LLC, a Delaware limited liability company controlled by Eugene Grin and David Grin. VCM is a wholly-owned subsidiary of Valens Investment Advisers, L.P.

(“Valens”). Valens, which is controlled by Eugene Grin and David Grin, is a registered investment adviser under the Advisers Act.

On December 8, 2008, VCM informed investors in Valens U.S., Valens Offshore and Valens Yen Fund that each Valens Fund suspended redemptions. On December 23, 2009, VCM informed investors in the Valens Funds that their assets would be liquidated.

Neither Valens nor VCM currently has any employees. Their operations and activities are conducted through a services arrangement with Laurus whereby the personnel of Laurus perform certain functions on behalf of VCM. Also, Laurus provides, among other things, systems to, and shares office space with, Valens and VCM.

Laurus and/or VCM may recommend that certain of its clients purchase interests in one or more of their managed funds. Laurus is also the managing member of LCM Capital Associates, an entity through which certain former qualified employees of Laurus have invested in the Domestic Feeder.

From time to time, Laurus may arrange for clients to sell portfolio positions in block transactions (“Block Sales”). The Block Sales may be used as part of the plan to liquidate the assets of the Laurus Funds and distribute the proceeds to investors, or to make necessary follow-on investments in portfolio companies. Certain of such Block Sales may be made to accounts managed by Laurus or an affiliate (“Cross Transactions”). Unless otherwise approved by the liquidator of the Master Fund, Cross Transactions shall be effected at no less than the fair value (as reflected on the books and records of the Laurus Funds) of the securities being transferred, and no brokerage commission or transfer fee shall be paid to Laurus or its affiliates in connection with any such transaction.

Certain of such Cross Transactions may be entered into with one or more of the Valens Funds (“Valens Cross Transactions”). Cross Transactions shall be effected only when Laurus and/or the liquidator of the Master Fund, as appropriate, believes that such Cross Transactions are in the best interest of each client that is a party to the Cross Transaction, and Valens Cross Transactions shall be effected only when VCM believes that such Valens Cross Transactions are in the best interests of the Valens Funds.

From time to time David Grin’s and Eugene Grin’s direct or indirect economic interest in one or more of the Valens Funds may exceed 25% of the outstanding interests of the applicable Valens Fund. At such times, any transaction executed with one or more of the Valens Funds may constitute a principal transaction under Section 206(3) of the Advisers Act and may create a conflict of interest for David Grin and Eugene Grin because of their greater economic interest in the Valens Funds. Accordingly, in such event, Laurus will obtain the consent of the Master Fund in accordance with Section 206(3) of the Advisers Act.

In certain cases (including in connection with certain Valens Cross Transactions), the portfolio positions purchased in the Cross Transaction may continue to be held in the name of the seller, as nominee for the purchasing Valens Fund. In such case, Laurus may

act as a sub advisor to VCM in connection with sales of such positions, in accordance with the aggregation and allocation guidelines set forth in the Governing Documents.

From time to time, Laurus may acquire investments of an issuer for affiliates and clients that are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, other clients. Laurus recognizes that conflicts may arise under such circumstances and will endeavor to treat all clients fairly and equitably. With respect to a particular investment opportunity, Laurus and its affiliates may structure the acquisition of such investment opportunity in such a way for tax, regulatory or other reasons that causes Laurus and other affiliates and clients to purchase different securities (e.g., senior debt, subordinated debt, or equity). In determining the optimal way to structure the acquisition of such investment opportunities, Laurus and its affiliates will set the terms of the securities purchased, or sold, by each client in a manner it determines to be fair and equitable and taking into account the price and terms that would be obtained in the market for securities issued in similar transactions. In connection with these investment opportunities, any payments and proceeds received upon an acceleration of any debt of an obligor or upon the exercise of any rights or remedies with respect to any collateral securing an obligor's debt obligations will be allocated first, to debt investments entered into with the obligor on or before May 31, 2007, and then, will be allocated sequentially, in chronological order, to all other debt investments entered into with such obligor according to the dates such debt investments were made. All amounts will be distributed to clients entitled to such amounts on a pro rata basis. The Master Fund and other clients of Laurus have entered into a written intercreditor agreement memorializing the intercreditor arrangements described above. Notwithstanding the foregoing, Laurus and its affiliates may modify such intercreditor arrangements or agreements in their sole discretion if they determine such modifications would be fair and equitable.

Each of Valens U.S. and the Valens Offshore (through special purpose vehicles) acquired its initial assets from the Master Fund and has consummated transactions from client accounts managed by VCM or an affiliate thereof on a regular basis thereafter.

The Master Fund and the PSource Fund have entered into a Master Agreement, approved by their respective boards of directors, pursuant to which the Master Fund may sell securities to the PSource Fund, based on a pricing methodology set forth in the Master Agreement (or as otherwise agreed). Pursuant to the terms of the Master Agreement, in certain cases the securities purchased by the PSource Fund may continue to be held in the name of the Master Fund, as nominee for the PSource Fund. The PSource Fund has similar arrangements in place with Valens U.S. (individually or through its special purpose vehicles) and Valens Offshore (individually or through its special purpose vehicles) pursuant to which such funds may sell securities to the PSource Fund, and in some cases acting as nominee for the PSource Fund with respect to the securities purchased by it.

Prior to the commencement of the liquidation of the Offshore Feeder and the Master Fund, the Offshore Feeder invested deferred fees that had been retained on behalf of Laurus in units of Valens Offshore.

Prior to the commencement of the liquidation of the Offshore Feeder and the Master Fund, certain Laurus Funds entered into certain netting agreements with certain Valens Funds, pursuant to which the Valens Funds purchased assets of Laurus Master Fund. Each of these netting agreements provided that the terms of the sale (including price and valuation) of each asset sold out of Laurus Master Fund pursuant to such agreements was subject to the approval of a third party that was reasonably acceptable to each of the respective parties to such agreement.

Entities controlled by the Other Professionals may acquire portfolio company interests from funds managed by Laurus and/or VCM. Laurus and VCM have implemented, on a transaction specific basis, policies and procedures to insure that proper value is obtained in such transactions, including obtaining, where appropriate, third party valuation reports.

Laurus and VCM have adopted policies and procedures to protect the confidentiality and proprietary nature of Laurus and VCM's funds, investors and investment information.

Selection or Recommendation of Other Advisers

Laurus does not recommend or select other investment advisers for its clients and receive compensation from such advisers in a manner that would create a material conflict of interest. Laurus does not have other business relationships with other advisers that create a material conflict of interest.

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

Code of Ethics

Laurus has adopted the Laurus Code of Ethics (the "Code of Ethics") which sets forth ethical standards of business conduct that Laurus requires of its affiliates and employees.

The Code of Ethics governs all personal investment transactions by Laurus employees. The Code of Ethics also contains policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the reporting of violations of the Code of Ethics, and oversight, enforcement and recordkeeping provisions. Laurus will provide a copy of the Code of Ethics to any client or prospective client upon request.

Laurus requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Laurus's Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Laurus will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Personal Trading

The Code of Ethics governs all personal investment transactions by Laurus employees. Pursuant to the Code of Ethics, such persons may not purchase the securities of any issuer that is on a “restricted list” maintained by Laurus, comprised of companies in which Laurus is in possession of, or has the right to receive possession of, material, non-public information. In addition, the Code of Ethics requires that such persons obtain prior approval of any acquisition of securities in a limited offering (e.g., a private placement) or an initial public offering.

Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Laurus client as set forth in the Governing Documents of such client, Laurus has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each Laurus Fund or other client, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect securities transactions, Laurus seeks to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds and such other factors as Laurus considers relevant and beneficial to Laurus’s clients. Laurus may consider referrals of investors in funds advised by Laurus when determining its selection of brokers.

Laurus uses GP Nurmenkari Inc. to execute a significant portion of the securities transactions on behalf of the Laurus Funds. GP Nurmenkari Inc was formed in January 2010 by a former employee of Laurus and began its operation in December 2010. Laurus believes that GP Nurmenkari Inc has significant and unique expertise regarding the markets for the securities of small and mid-cap companies in which the Laurus Funds are invested.

Research and Other Soft Dollar Benefits

Laurus selects brokers and dealers to execute transactions for client accounts based on the benefits and costs of their services as compared to others in the marketplace. Laurus attempts at all times to achieve best execution. Laurus may take into account special expertise or capacities of a particular broker as well as research and other services provided to Laurus by brokers. Laurus considers such factors as price, the ability to effect the transactions, the brokers’ or dealers’ facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or investment management-related services and equipment provided by such brokers or dealers. Laurus does not necessarily solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Laurus may cause a higher commission to be paid to a broker or dealer that furnishes research or services than might be charged by another broker or dealer for effecting the same transaction, provided that Laurus determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker or dealer.

Research services provided to Laurus by brokers may include written information and analyses concerning specific securities, companies or sectors (whether produced by the broker or a third party); market, financial and economic studies and forecasts (whether produced by the broker or a third party); statistics and pricing services; discussions with research personnel; data bases; and other news, technical and telecommunications services utilized by Laurus in the investment management and execution process, accounting fees and legal fees. Laurus does not receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the use of commissions or “soft dollars” to obtain “research and execution” services. Research services provided by brokers may be used for the benefit of all clients of Laurus. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution.

Laurus and its affiliates may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in funds managed by Laurus, and may provide financing or other services to Laurus or other accounts managed by Laurus. Brokerage firms and their employees may offer gifts to employees of Laurus, and may invite employees of Laurus to entertainment and social events. It is Laurus’s policy that factors such as gifts and entertainment that do not benefit client accounts should not be considered when selecting brokers and counterparties to execute transactions for clients.

Brokerage for Client Referrals

Not applicable.

Directed Brokerage

Not applicable.

Trade Aggregation

Laurus and its affiliates trade the securities owned by client accounts that they manage pursuant to trading guidelines. If a security held by more than one client account is eligible for sale pursuant to such trading guidelines, Laurus and its affiliates will generally aggregate trades for the Laurus Fund with trades for other client accounts, subject to best execution, in order to obtain better prices and lower execution costs. Such orders may be allocated among participating client accounts on a non-pro-rata basis.

Review of Accounts

Review of Client Accounts

Laurus will monitor portfolio investments on behalf of each Fund on a regular basis. Each review is conducted by one or more of the following supervised persons:

Supervised Person	Title
Eugene Grin	Principal
David Grin	Principal
Pat Regan	Senior Managing Director, Senior Investment Analyst
Lara Hrafnkelsdottir	Managing Director, Chief Operations Officer / Chief Compliance Officer

Reports to Clients

Laurus ordinarily seeks to provide to the investors in the private investment funds that it manages, or to have such funds provide directly, monthly or quarterly unaudited reports and annual audited financial statements. However, the Laurus Funds managed by Laurus are presently in liquidation, and the liquidator of the Master Fund has indicated that it does not presently intend to produce audited or unaudited financial statements. Laurus may provide additional unaudited information to investors upon request. Furthermore, Capital One N.A., the custodian of the Domestic Feeder, sends a quarterly account statement to each of the Domestic Feeder's investors, identifying the amount of funds and each security held by the Domestic Feeder at the end of the respective quarterly period, and setting forth all transactions in the Domestic Feeder's account during the respective quarterly period.

Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

Laurus or its related persons may receive structuring, monitoring and/or other transaction fees in connection with investments made by one or more of the Laurus Funds. The potential for Laurus and its related persons to receive such economic benefits creates a conflict of interest as Laurus and its related persons may have an economic incentive to invest in portfolio investments that provide such benefits.

Third Party Compensation for Client Referrals

Laurus is no longer accepting new investors as the Laurus Funds are in the process of being liquidated.

Custody

Laurus will not have physical custody of any client assets. Laurus may be deemed to have custody of the assets of certain of the Laurus Funds as a result of its authority over the Laurus Funds.

It is Laurus's policy to cause each Laurus Fund with assets over which Laurus is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Laurus Fund, Laurus will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Laurus Fund to all investors promptly after completion of the audit.

Laurus is not be deemed to have custody of the assets of the Master Fund or the Offshore Feeder for purposes of the Advisers Act. The assets of the Master Fund are maintained by Johnson Smith Associates Ltd, PO Box 2499, Elizabethan Square, Shedden Road, George Town, Grand Cayman, KY1-1104, Cayman Islands, and the assets of the Offshore Feeder are maintained by Zolfo Cooper, PO Box 1102, 4th Floor, Building 3, Cayman Financial Centre, Grand Cayman, KY1-1102, Cayman Islands. Capital One N.A. is the custodian of the Domestic Feeder.

Investment Discretion

Subject to the investment objectives, policies and restrictions of each client as set forth in the Governing Documents of such client, Laurus has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each fund and client account, including the selection of, and commissions paid to, broker-dealers.

Under the Governing Documents, Laurus and its affiliates are not ordinarily liable for the consequences of their actions in the absence of gross negligence or willful misconduct. Accordingly, Laurus and its affiliates may not be liable for the results of trade errors. Laurus and its affiliates will ordinarily net gains resulting from trade errors against losses resulting from trade errors monthly on a client-by-client basis. In determining whether any amounts are payable to a client as of the end of any month, if a client account has a net trade error gain balance at the beginning of such month, Laurus will reduce amounts payable to such client account due to net losses from trade errors that arose during such month on a dollar-for-dollar basis against such net trade error gain balance. Laurus will reimburse the applicable client for any trade error loss balance that exists after taking into account the any net trade error gain balance.

Voting Client Securities

Laurus and its affiliates are generally responsible for determining how to vote all proxies with respect to securities held in client accounts. Laurus will vote all proxies in the manner that its proxy coordinator determines is in the best interests of each particular client, which may, in certain circumstances, include not voting a proxy or granting an irrevocable proxy to the issuer soliciting the proxies. Clients may obtain a copy of Laurus's written proxy voting policies and obtain information regarding how Laurus voted securities applicable to a particular client's account upon request.

Financial Information

Not Applicable.