

Laurion Capital Management LP

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Laurion Capital Management LP (“Laurion”). If you have any questions about the contents of this brochure, please contact us at 212-938-6300. 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.

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

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Material Changes

Since the initial brochure published in February 2012, Laurion has amended its brochure to more accurately describe the practices with respect to proxy voting (see Voting Client Securities). Also, Laurion has also updated the brochure to describe a new group of private investment funds that the Firm launched during the previous year, Laurion Capital Global Markets Master Fund Ltd. and its feeder funds, Laurion Capital Global Markets Fund Ltd. and Laurion Capital Global Markets Fund LP.

Advisory Business

Laurion Capital Management, LP (“LCM US”, “Firm”, “Laurion”, “Investment Manager”, “we” or “us”) provides investment advisory services to private investment funds that are offered to financially sophisticated, individual and institutional investors. Currently, the Firm acts as investment adviser to Laurion Capital Global Markets Master Fund Ltd. (“GM Master Fund”) and its feeder funds Laurion Capital Global Markets Fund Ltd. and Laurion Capital Global Markets Fund LP (each a “GM Fund”, and collectively the “GM Funds”). Also, LCM US acts as investment adviser to Laurion Capital Master Fund Ltd. (“LCM Master Fund”) and its feeder funds Laurion Capital Ltd, and Laurion Capital, LP. (each an “LCM Fund”, and collectively the “LCM Funds”). From time to time, the Firm may create and act as investment adviser to other private investment funds or separate accounts. In this document, any reference to “Client” means GM Master Fund, LCM Master Fund, GM Funds and LCM Funds (collectively “the Funds”), and any other advisory client of the Firm, not to investors within the Funds.

Laurion generally applies a model based trading strategy and invests the Funds' assets in domestic and international stocks, index options, equity options, currency options, physical commodity options, financial commodity options, Swaptions, currency options, American Depository Receipts (ADRs), interest rate swaps, foreign currency forward contracts, physical index futures, total return swaps, variance swaps, contracts for differences, foreign currency spots and exchange traded funds ("ETFs").

Laurion was founded in 2005 and is primarily owned by Benjamin A. Smith and Janaka Sheehan Maduraperuma. As of December 31, 2012 Laurion managed \$1,635 million on a discretionary basis.

Fees and Compensation

The Firm generally charges each Fund a management fee plus a performance fee in accordance with each Fund's offering documents. Generally, each Fund will pay a management fee of up to two percent (2%) per year of the market value of the net assets of each investor's capital account, as measured at the end of each fiscal quarter and payable quarterly in advance. Management fees are prorated for capital contributions and withdrawals made at times other than the start or end of a calendar quarter, as applicable.

Laurion, and its affiliated entities that serve as general partners of the Funds, are eligible to receive incentive fees with respect to the net capital appreciation of a Fund's market value. The performance-based fee generally consists of up to 20% of each investor's net capital appreciation for each fiscal year, and is reallocated to a Fund's general partner at the end of each fiscal year or paid to the Investment Manager subsequent to year-end.

Laurion, the affiliated general partners, and respective Board of Directors, in their sole discretion, may waive, reduce or otherwise modify the management and performance fee for any investor, including affiliates and employees of Laurion, members of the immediate families of such persons, and trusts or other entities formed for their benefit.

The Funds may issue other classes of shares or enter into agreements with certain limited partners, which may differ from the interests offered to other limited partners in terms of, among other things, the performance fee and management fee.

In addition to Laurion's investment management fees and performance based fees, investors indirectly bear the operating expenses of the Funds, including, but not limited to, investment expenses (e.g., brokerage commissions and other trading, clearing, settlement and custodial fees and expenses); consulting and other professional fees relating to investments; investment-related travel expenses; research and market data; any software used in any part to process or analyze trades or positions; fees and expenses of the Administrator; legal expenses; external accounting and valuation expenses; taxes; audit and tax preparation expenses; organizational expenses, regulatory expenses, costs of directors and officers insurance for the Master Fund and errors and omissions insurance for the Investment Manager, entity level taxes assessed against the Partnership or the Master Fund, corporate licensing, and extraordinary and other similar expenses. Each Fund sets forth its specific fee structure (including how it charges fees) along with the

additional operational expenses in a confidential explanatory memorandum or similar offering document provided to prospective investors. Therefore, not all funds bear all expenses set forth above.

Performance Based Fees and Side-by-Side Management

As stated in the Fees and Compensation section above, Laurion and the affiliated general partners of the Funds, are eligible to receive incentive fees with respect to the net capital appreciation of a Fund's assets. Each Fund's performance based fee arrangement is described in detail in the respective Fund's governing documents.

Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

Types of Clients

Laurion provides investment management services to privately offered pooled investment vehicles. Investors in the Funds are financially sophisticated, individual and institutional investors that may include endowments, corporations, family offices, banks or thrift institutions, pension and profit sharing plans, government plans, trusts, estates, other business entities, and private investment funds (i.e. fund of funds). Laurion's minimum investment size varies by Fund and is negotiable. The Firm does not purport to offer investment advice that is suitable to the particular situation of each Fund's investor. Rather, we provide suitable investment advice to the Funds in accordance with each Fund's offering memorandum. Each investor must consult their own adviser regarding the suitability of an investment in our Funds. For these reasons, Fund interests are offered to a limited number of individual or institutional investors that qualify as "qualified purchasers" and meet certain other requirements

Methods of Analysis, Investment Strategies and Risk of Loss

The investment objective of the LCM Master Fund is to seek to generate attractive returns on capital with controlled exposure to market direction. The LCM Funds (primarily through the LCM Master Fund) seek to profit from a global multi-disciplinary approach that uses a variety of trading strategies, including, but not limited to, model-based trading and discretionary and relative value trading. The Master Fund invests in a broad array of securities and derivatives under a range of different market scenarios, making use of these and other strategies. The investment objective of the GM Master Fund is to combine systematic and qualitative methodologies to seek out the most attractive directional exposures to own with diversified risk exposures across a wide variety of global assets. The GM Funds (primarily through the GM Master Fund) seek to profit from a combination of both qualitative techniques and proprietary systematic techniques to evaluate investment opportunities regularly, through investments in a range of global securities. LCM Master Fund and GM Master Fund (collectively, the "Master Funds") generally use a substantial

amount of leverage in their investment programs. This may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowing.

The Master Funds effect their investment programs principally by utilizing a range of equity and non-equity securities, hybrid securities, derivative instruments, and other financial instruments. These include, but are not limited to, U.S. and non-U.S. stock and equity-related securities, options, futures, forward contracts, warrants, swaps and other derivative instruments, currencies, commodities, U.S. government securities, money market funds, commercial paper, certificates of deposit and other cash equivalents.

Model-based trading strategies are implemented predominantly by computer driven programs. These strategies are based on quantitative and qualitative analysis of common-sense insights into market behavior. The Investment Managers' research method typically involves several steps. The Investment Manager focuses on capturing likely market inefficiencies based on its market experience and understanding, and then aims to quantify those qualitative observations. From such research, models are created to either implement and execute strategies or aid the Investment Manager's trading decisions. Where appropriate, the Investment Manager back-tests quantitative signals. The Investment Manager monitors the performance of each signal and the Master Funds' portfolios. The Investment Manager regularly seeks to enhance, refine and/or expand its set of strategies over time.

These strategies may have mean-reverting, trend following, fundamental or technical elements and may have a rapid portfolio turn-over, with daily trades in excess of its portfolio size. These strategies may also have longer-term positions that are held for months. The model-based strategies are global in nature, and could include positions across various asset classes and instruments in emerging market securities in addition to the major developed markets in North America, Europe and Asia.

The success of longer-term investment strategies (both long and short) depend upon the Investment Manager's ability to identify and purchase securities that are undervalued or overvalued as applicable, and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Master Funds may forego value in the short-term or temporary investments in order to be able to avail the Master Funds of additional and/or longer-term opportunities in the future.

Discretionary and relative value trading strategies focus on opportunities in global equities, fixed income, futures and commodities and these markets' derivatives. The Investment Manager's approach combines qualitative insights into the structural inefficiencies in various asset classes and their derivatives with quantitative models that the Investment Manager believes aid in identifying trading opportunities. The Investment Manager will have both long and short positions in various asset classes and their underlying instruments. The Investment Manager believes that relative mispricing across and within various asset classes, combined with supply-demand imbalances, results in trading opportunities.

Discretionary and relative value opportunities include both single-asset and cross-asset trades. A single-asset trade involves creating a portfolio of positions on the same underlying asset. In

contrast, a cross-asset trade generally involves taking offsetting positions on different assets. The Investment Manager invests the Master Funds' assets using both single-asset and cross-asset transactions.

The Investment Manager intends to trade global equity, fixed income, commodities and foreign exchange and related derivatives, and any other instruments the Investment Manager deems appropriate in order to execute the Master Funds' investment objectives.

The Investment Manager intends to continue to extend its global multi-disciplinary trading approach into areas correlated to its skill set. The Investment Manager reserves the right to alter or modify the Master Funds' investment programs or to invest in additional strategies where the Investment Manager concludes that such alterations or modifications are consistent with the Master Funds' investment objectives, subject to what the Investment Manager considers an acceptable level of risk.

Risk Management

The Investment Manager's risk management approach attempts to measure risk, allocate capital based on expected risk-reward and reduce material draw-downs by managing risk concentrations and factors.

The Investment Manager measures risk in several integrated ways. For example, the Investment Manager estimates equity exposure by a covariance matrix as well as calculating equity exposure to various factors (*e.g.*, industry/style). The Investment Manager estimates the option risks caused by changes in implied volatility using a multi-factor volatility risk model, and uses Monte-Carlo simulations. Additionally, the portfolio is shocked by simulating extreme event scenarios (*e.g.*, market crash and rise in implied volatility).

The risk capital allocated to each strategy is determined by the Investment Manager's managing members. Risk is allocated taking into account both the expected return of the strategy and the risk associated with such strategy. In addition, consideration is given to the correlation between strategies.

Risk of Loss

The Master Funds' investment programs are speculative and entail substantial risks, including the risk that the entire amount invested may be lost. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of investment in the respective Fund. Market risks are inherent in all securities to varying degrees. The practices of leverage, short selling and engaging in futures, forwards and options transactions, which the Master Funds may employ from time to time, can, in certain circumstances, increase the adverse impact to which the Master Fund's investment portfolios may be subject. No assurance can be given that the Fund's investment objective will be realized or that investors will receive a return of their investment.

The descriptions contained below are a brief overview of material market risks related to Laurion's investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the

management and operation of the Funds. Investors should review the Funds' organizational and offering documents to understand the risks and potential conflicts of interest

Investment and Trading Risks. The Master Funds will invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the global equity, currency, and fixed income markets, the risks of short sales, the risks of leverage, the potential illiquidity of derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing to meet withdrawal requests. The investment program of the Master Funds may utilize such investment techniques as option transactions, short sales, margin transactions, leverage, swap and futures and forward contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Master Funds' portfolios may be subject.

Quantitative Analysis. Given the complexity of certain of the Master Fund's investments and strategies, the Investment Manager, for a portion of the Master Fund's investments and strategies, rely heavily on quantitative models (both proprietary models developed by the Investment Managers, and those supplied by third parties) and information and data supplied by third parties ("Models and Data") rather than granting trade-by-trade discretion to the Investment Managers' investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Partnership), to provide risk management insights, and to assist in hedging the Master Fund's investments. When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Master Fund to potential risks.

Leverage; Interest Rates; Margin. The Funds, through the Master Funds, generally utilizes substantial leverage in their investment programs, thereby maximizing their investment positions by borrowing funds to the fullest possible extent permitted by applicable regulations. As a result, the possibilities of profit and loss will be increased. Borrowing money to take positions will provide the Master Funds with the advantages of leverage, but will expose them to greater market risks and higher current expenses. Any gain in the value of positions taken with borrowed money or income earned from these positions that exceeds interest paid on the amount borrowed will cause the Master Funds' net asset value to increase faster than would otherwise be the case. Conversely, any decline in the value of the positions taken will cause the Master Funds' net asset value to decrease faster than would otherwise be the case.

Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowings. In general, the use of short-term margin borrowings may result in certain additional risks. For example, should the securities pledged to brokers to secure a Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call," pursuant to which the Master Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of a Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

Short Selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short in by the Master Fund in a long/short strategy to hedge a long position, or to enable the Master Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing the Master Fund losses on both components of the transaction.

Relative Value Strategies. Relative value investment strategies generally use spread trades consisting of a long position in one security offset by a short position in another. Such offsetting positions are meant to neutralize or reduce risk. The portfolio profits if the Investment Managers' relative valuation leads to a rise in the value of the long position(s) and/or a decline in the value of the short position(s). The success of the Master Funds' relative value investment strategy depends on the Investment Manager's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets.

Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Investment Manager to maintain a position. Even pure arbitrage positions can result in significant losses if the Investment Manager is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Investment Manager seeks to invest will reduce the scope for the Master Funds' investment strategies. In the event that the perceived mispricings underlying the Master Funds' positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Manager, the Master Funds may incur losses. Even if the Master Funds' relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Short term Market Considerations. Many of the Investment Manager's trading decisions may be made on the basis of short term market considerations. Therefore, the portfolio turnover rate could result in significant trading related expenses.

General Risk of Emerging Markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In

addition, the Master Funds' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

Disciplinary Information

Laurion and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

LCM US is wholly owned by Laurion Capital GP, LLC (general partner of LCM US), Benjamin A. Smith and Janaka Sheehan Maduraperuma. Laurion Capital Partners LLC serves as the general partner of Laurion Capital LP and Laurion Capital Global Markets Fund GP LLC serves as the general partner of Laurion Capital Global Markets Fund LP.

Laurion has a related entity, LCM Cayman 3 Investment Consulting Co. Ltd ("LCM Cayman"), which serves as a pass-through entity to facilitate Laurion's investment research activities conducted through its wholly owned subsidiary, LCM (Shanghai) Investment Consulting Co. Ltd (Shanghai Branch Office). LCM Cayman is wholly owned by LCM Cayman Holdings Ltd. Other than the relationships identified above, Laurion and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

The Firm has adopted a Code of Ethics imposing on each supervised person a duty to place the interests of Clients first, to report to the Firm any actual or potential conflict of interest, and for each employee of the Firm to report quarterly and annually their securities holdings and transactions to the Firm's Chief Compliance Officer. In addition, each employee must pre-clear trades in securities. The Code of Ethics also imposes restrictions and safeguards on the use of material nonpublic information. All investors and prospective investors may obtain a copy of the Firm's Code of Ethics by writing to the Firm or calling (212) 938-6300.

Laurion may purchase or sell securities for the accounts of Funds in which its employees or affiliates have a pecuniary interest. In addition, Laurion's employees may invest in Funds for which Laurion or its affiliates serve as general partner or investment manager.

Brokerage Practices

Investment or Brokerage Discretion

Subject to each Client's established guidelines, limitations or restrictions, the Firm generally has the authority to determine for each Client:

- (a) Which securities are to be bought or sold;
- (b) The total amount of securities to be bought or sold;
- (c) Through which broker(s) or dealer(s) those securities are to be bought or sold; and
- (d) The commission rates or spreads to be paid for each transaction.

Best Execution

In placing orders for purchase and sale of securities and selecting broker-dealers to effect these transactions, Laurion's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing, Laurion considers a number of factors, including, without limitation, the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future, error resolution, and other matters involved in the receipt of brokerage and research services, including access to research and qualified personnel. Laurion has no obligation to deal with any particular broker-dealer in the execution of transactions in portfolio securities. Laurion does not have any formal arrangements in place to use client commissions dollars, known as "soft dollars" to pay for any products or services.

Review of Accounts

Funds under Laurion's management are monitored on an ongoing basis by Benjamin A. Smith, Janaka Sheehan Maduraperuma, and the Chief Financial Officer/Chief Compliance Officer. The Chief Financial Officer reviews each Fund in detail on a monthly basis, as well as in connection with each client meeting. In addition, on a monthly basis the Chief Financial Officer reviews all brokerage/counterparty accounts that are used to produce month-end investor statements.

Investors receive account statements directly from an independent administrator on a monthly basis that contain unaudited performance data and an update of their capital accounts. Laurion may supplement these statements with reports provided during investor meetings or as requested. Investors will also receive annual audited financial statements prepared in accordance with generally accepted accounting principles and annual tax information.

Client Referrals and Other Compensation

Laurion does not compensate any third parties for client or investor referrals. Laurion does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Custody

All Fund assets are held by unaffiliated broker/dealers or banks, all of whom are qualified custodians, as that term is defined under the custody rule under the Investment Advisers Act. An investment adviser is deemed to have custody if it acts in any capacity that gives the adviser legal ownership of, or access to, client funds or securities. Hence, Laurion has custody of Funds' assets because it or one of its affiliates either (1) acts as general partner of a Fund with the authority to dispose of funds and securities in the Fund's accounts or (2) is deemed to have custody because of its ability to withdraw its fees directly from the Fund.

Accordingly, Laurion has developed procedures that ensure the safeguarding and protection of the Funds' assets. Such procedures include among other things, the separation of functions and dual signatory approvals for the distribution of Fund capital. In addition, the Funds are subject to an annual audit by an independent public accountant and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed within 120 days of the Funds' fiscal year ends.

Investment Discretion

Laurion has discretionary authority to determine, without obtaining specific consent from the Funds or its limited partners/shareholders, the securities and the amounts to be bought or sold on behalf of the Funds through Master Funds. Any limitations on authority are included in the Fund's private offering memorandum, limited partnership agreement, and other governing documents.

Voting Client Securities

Since many of the Funds' positions are held for brief periods of time and a number of positions are the result of model-based trading strategies implemented predominately by computer driven programs, Laurion's general practice is to not vote proxies on behalf of the Funds. However, under extraordinary situations, Laurion may vote proxies if the Firm believes the matter subject to vote may be material to a Client's account. Accordingly, Laurion has adopted a Proxy Voting Policy and Procedures, pursuant to Rule 206(4)-6 of the Advisers Act, designed to ensure that if and when Laurion does vote proxies, it will vote prudently and solely in the economic interests of, and for the exclusive purpose of providing economic benefits to, Clients. Social, political, or other objectives unrelated to the value of the Client's investments will not be considered.

Investors may obtain a copy of our Proxy Voting Policy or a record of our proxy votes free of charge by calling (212) 938-6300 or by writing to Laurion at the address listed above.

Financial Information

Laurion has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.