

Form ADV Part 2A: Firm Brochure

July 2015

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Caymus Capital Partners, L.P. is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Caymus Capital Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (281) 203-5280. 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 Caymus Capital Partners, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The last annual update of this brochure was in March 2014. Material changes that have occurred since that update are as follows:

We have updated our Regulatory Assets Under Management (RAUM) figure, as well as the amount of net assets we manage.

We have ended our relationship with our prime broker, UBS Securities, LLC. We now have prime brokerage relationships with both Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC.

Caymus hired Casey Herren in late 2014 as its Director of Marketing and Client Services.

Caymus's auditor, Rothstein Kass & Co., merged with KPMG, LLP during 2014. KPMG provides audit and tax services to the fund(s).

Effective May 1, 2015, Caymus Energy Plus Master Fund, L.P. serves as a trading vehicle for both its domestic feeder fund Caymus Energy Plus QP, L.P. and its offshore feeder fund Caymus Energy Plus Offshore, Ltd.

Effective May 31, 2015, Jack Palmer Randall has no ownership stake in Caymus Capital Partners, L.P. or Caymus Asset Management, LLC, but remains an employee until his severance period ends. He has no involvement or knowledge of Caymus' business apart from continued personal investment in the Fund(s). Andy Robinson and Morgan Whatley acquired ownership interests in Caymus Capital Partners, L.P. and Caymus Asset Management, LLC at that date.

Table of Contents

1.	Advisory Business	3
2.	Fees and Compensation	3
3.	Performance-Based Fees and Side-By-Side Management	5
4.	Types of Clients	6
5.	Method of Analysis, Investment Strategies and Risk of Loss	6
6.	Disciplinary Information.....	12
7.	Other Financial Industry Activities and Affiliates	13
8.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
9.	Brokerage Practices	16
10.	Review of Accounts	18
11.	Client Referrals and Other Compensation	18
12.	Custody	19
13.	Investment Discretion	19
14.	Voting Client Securities	20
15.	Financial Information.....	22

1. Advisory Business

Caymus Capital Partners, L.P. (also referred to as Caymus Capital Partners or Caymus), founded in 2001, is an investment services firm specializing in investment management for private pooled funds. The principal owners of our firm are Gregg Allen Jacobson, Kenneth Wolfe Dewey, Charles Andrew Robinson and Morgan Lee Whatley.

In providing our advisory services, we focus on quantitative analysis of the oil and gas extraction industry. Specifically, this means that we use mathematical and statistical modeling, measurement and research to determine our investments.

Our firm tailors our advisory services to the individual needs and specified investment mandates of our clients. In the case of our Caymus-controlled hedge fund clients, our portfolio managers strictly adhere to the investment strategy set forth in each client's Private Placement Memorandum. For other private pooled funds, unaffiliated clients we may manage, we first gather information on each individual client to understand the investment objective and financial situation. We then execute an advisory agreement that defines that client's investment objective, which our portfolio managers follow conscientiously. Clients can impose upon us restrictions on investing in certain securities or types of securities. These types of terms are all arranged on a case-by-case basis.

We do not participate in wrap fee programs.

The amount of client assets that we manage on a discretionary basis, as of May 31, 2015, is approximately \$917,174,000. This figure is called "Regulatory Assets Under Management" in our ADV Part I filing, and is calculated gross of leverage.

Net of leverage, the amount of client assets we manage on a discretionary basis, as of May 31, 2015, is approximately \$460,397,000.

We do not manage client assets on a non-discretionary basis.

2. Fees and Compensation

Our firm, or an affiliate of our firm, typically receives compensation from each of our clients based on both the percentage of assets we manage and on performance achieved for each client's account. Generally, each year, we charge separately managed account clients 1% or 1.5% of their assets that we manage and 20% of their net profits. For our affiliated hedge fund clients, we typically structure our performance-based compensation as profit-sharing allocations through general partner interests that our affiliates hold in the client hedge funds. For investors in our affiliated hedge fund clients, our fees are not negotiable, except under certain limited circumstances. Our fees may, however, be negotiable for unaffiliated client accounts. Investors that invested prior to November 1, 2010 pay lower management fees.

Asset-Based Fees

Caymus Energy Fund, L.P.: 1.5% annually of each investor's capital account balance, paid monthly in advance.

Caymus Energy Fund QP, L.P.: 1.5% annually of each investor's capital account balance, paid monthly in advance.

Caymus Energy Fund Offshore, Ltd.: 1.5% annually of the net asset value of the fund's class A and C shares; 1% annually of the net asset value of the fund's class B, D and E shares; fee is paid monthly, in advance.

Caymus Energy Plus QP, L.P.: 1.5% annually of each investor's capital account balance, paid monthly in advance.

Caymus Energy Plus Offshore, Ltd.: 1.5% annually of the net asset value of the fund's class A and N shares, paid monthly in advance.

Unaffiliated clients: 1.5 to 2.25% annually of each investor's capital account balance, paid quarterly in arrears.

Performance-Based Compensation

Caymus Energy Fund, L.P.: 20% annually of the fund's net realized and unrealized profits for the year, subject to a loss carry forward requirement or "high water mark." A high water mark ensures that we only receive performance compensation when an investor's account value for the year has recovered any losses from prior years.

Caymus Energy Fund QP, L.P.: 20% annually of the fund's net realized and unrealized profits for the year, subject to a high water mark.

Caymus Energy Fund Offshore, Ltd.: 20% annually of the fund's net realized and unrealized profits for the year, subject to a high water mark that must at least be equal to or exceed the issue price per share of the fund for class A, C, and D shares; 18% annually of the fund's net realized and unrealized profits for the year, subject to a high water mark that must at least be equal to or exceed the issue price per share of the fund for class E shares.

Caymus Energy Plus QP, L.P.: 20% annually of the fund's net realized and unrealized profits for the year, subject to a high water mark.

Caymus Energy Plus Offshore, Ltd.: 20% annually of the fund's net realized and unrealized profits for the year, subject to a high water mark that must at least be equal to or exceed the issue price per share of the fund.

Unaffiliated clients: Up to 20% annually of the net realized and unrealized profits for the year, subject to a high water mark. We deduct the asset-based fee described above from clients' accounts monthly (a) at the beginning of each month for the investors in our

affiliated hedge funds and (b) at the end of each month for our other clients. We deduct our performance-based compensation described above from clients' accounts at the end of each year, or whenever an investor in an affiliated hedge fund client is making a withdrawal, but only on the withdrawn amount.

As explained above, the asset-based management fee that we charge our hedge fund clients is payable at the beginning of the month. Because the investors in our hedge fund clients can only withdraw money from a fund on the last day of the month, they will not pay a management fee in excess of what they owe.

All advisory clients may incur the following expenses:

- fees related to voting proxies,
- fees related to the custody of their assets,
- brokerage and related transaction fees,
- interest payments,
- certain taxes,
- accounting, audit and legal expenses,
- costs of any litigation or investigation that may arise and
- costs in connection with providing reports and information to clients and investors.

Investors in pooled vehicles may also incur costs related to the offering of interests and placement of interests with new investors.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

3. Performance-Based Fees and Side-By-Side Management

Caymus Capital Partners (or one of our affiliates) receives performance-based compensation from our clients up to 20% of net profits each year (subject to certain adjustments described in Section 2). Employees do not pay performance-based fees.

4. Types of Clients

Through investments in our Caymus-controlled hedge funds and hedge funds or portfolios controlled by any unaffiliated advisers for which we make investment decisions, our firm typically provides investment services to investors that are:

- Pooled investment vehicles.
- Corporations – separately managed account clients.

Separately managed accounts are managed *pari passu*.

Investment Requirements

To invest in our Caymus-controlled hedge funds, we generally require a minimum investment of \$1,000,000. We do not have any stated minimum investment amount in connection with the unaffiliated accounts that we may advise; however, we do typically require that the total amount of the account be at least \$20,000,000.

To comply with Securities and Exchange Commission regulation, we require that U.S. investors in our Caymus-controlled hedge funds qualify as both accredited investors and qualified clients or as both accredited investors and qualified purchasers. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with over \$1,500,000 of net worth. Qualified purchasers are generally individual investors or certain family-owned entities with over \$5,000,000 in investments or entities with over \$25,000,000 in investments. Our non-U.S. investors are not subject to any particular wealth requirements. The unaffiliated accounts that we may advise must also be qualified clients and will typically have minimum wealth requirements as well, though we do not determine those standards.

This firm brochure is not an offer to invest in our hedge funds.

5. Method of Analysis, Investment Strategies and Risk of Loss

In managing our clients' accounts, we focus on investments in publicly-traded equity securities of companies in the energy industry, and particularly concentrate on U.S. companies engaged in the exploration and production of oil and gas and other natural resources. Our principals have developed a proprietary valuation model that identifies market inefficiencies in this field and guides our investment decisions. Our model is designed to determine the real-time value of oil and gas producing assets or companies. We believe that oil and gas exploration and production-related equities are valued primarily on reserve-based measures, and that our method of valuing securities has a higher correlation to share price for our target stocks than any other published methodology.

All of the clients we advise have diversified portfolios of both long and short positions. Our funds invest primarily in stocks and, occasionally, options. In the future, we also may decide to invest in other various instruments described below. We hold our securities for time periods as short as a few days to as long as a few years. We do utilize leverage, meaning we borrow against the assets of each fund, and we intend to limit borrowing to two times leverage in Caymus Master Fund (i.e. 200% of the net asset value). We intend to limit borrowing to three times leverage in Caymus Plus Master Fund (i.e. 300% of the net asset value). However, unaffiliated clients may increase or reduce leverage by adding or withdrawing capital to their account or by instructing us to increase or reduce their exposure. Please read below for a detailed explanation of the investment strategies we employ and some of the significant risks associated with them.

Despite our advanced pricing model and methodology, investing in any securities involves a risk of loss that any of our clients or any of the investors in our clients must be prepared to bear.

Certain risks associated with an investment in any client we advise include:

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially exacerbate the impact of unfavorable price movements on our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of hedge funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.

The following is a description of the various strategies that we utilize in advising our clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Focus on Single Industry:* None of our accounts is restricted with respect to the concentration or type of investments it can make. However, our accounts invest largely in publicly-held energy companies, and particularly in those which concentrate on the exploration and production of oil and gas and other natural resources. This means that any of our clients could have large amounts invested in a small number of companies and/or industries. Lack of diversification and concentration in a single industry substantially increases market risks and the risk of loss.
- *Risks Inherent to Investments in Oil and Gas Exploration and Production Companies:* Our clients invest mostly in equity securities of energy companies, and particularly in those focused on exploration and production activities. Any negative market developments in the energy sector, especially related to volatility in oil and gas prices, could adversely affect our clients. Prices for oil and natural gas are subject to market uncertainty, significant fluctuations in response to relatively minor changes in the supply of and demand for oil and gas and other factors beyond an issuer's control. These factors may include, among others:
 - economic conditions in the United States and Canada,
 - political and economic conditions in oil and gas producing regions of the world, including embargoes in oil and gas-producing regions,
 - the actions of the Organization of the Petroleum Exporting Countries (OPEC),
 - governmental regulation,
 - weather and environmental conditions,
 - technological advances affecting energy consumption and
 - the price and availability of alternative fuel sources.

Similarly, a substantial or extended decline in oil or natural gas prices could reduce companies' future revenue and earnings. Increases in the costs of conducting exploration, development and resource extraction that may not fully be offset by increases in the price received for the sale of oil or gas will likely have a negative effect on oil and gas exploration and production companies.

The availability of a ready market for companies' future oil and gas production depends on a variety of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities.

Companies that explore for, develop, produce and sell oil and gas in the United States are subject to extensive federal, state and local laws and regulations, including complex tax and environmental laws and corresponding regulations, and are required to obtain various permits and approvals from federal, state and

local agencies. Oil and gas companies may incur significant costs in complying with governmental regulations.

In addition, increases in certain governmental regulation may adversely impact oil and gas companies. Many oil and gas companies may engage in derivative contracts (explained below) to protect themselves from large fluctuations in the oil and gas industry. Thus, if Congress adopts rigid derivatives legislation and/or climate change legislation, oil and gas companies' operating costs may increase while the demand for oil and natural gas may decrease, having an adverse impact on these companies' ability to operate. Climate change legislation could also restrict and/or delay exploration and production activities. Also, if the U.S. Congress enacts legislation eliminating or reducing federal income tax incentives and deductions available to oil and gas exploration and production companies, oil and gas companies may experience negative effects on their results of operations and cash flows.

Exploration and drilling operations are already subject to significant environmental regulation, which may, at times, increase costs or limit an oil and gas exploration and production company's ability to develop its properties. Oil and gas exploration and production companies may encounter hazards incident to the exploration and development of oil and natural gas properties, such as accidental spills or leakage, for which they will likely incur liability.

The oil and gas exploration and production business involves many potential operating hazards related to weather and environmental risks. Exploration, drilling and other similar activities are subject to certain hindrances, such as:

- fires and explosions,
- environmental hazards, including uncontrollable flows of gas, oil or other pollutants into the environment,
- cold weather, snow and wet conditions,
- natural disasters and other environmental disturbances, which can disrupt current supply chains and disrupt or disable offshore drill rigs, the likelihood of which may increase in the event of ongoing adverse changes in weather or climate and
- acts of terrorism.

In addition, there is always the chance that oil and gas companies may purchase certain properties that may not produce oil or gas as expected, causing them to incur losses. There is no way to predict, in advance of drilling or testing, whether any particular prospect will generate oil or gas in sufficient quantities to recoup drilling or completion costs or to be economically viable. Further, various factors may limit, delay or cancel drilling in certain properties, including:

- delays imposed by or resulting from compliance with regulatory requirements,
- pressure or irregularities in geological formations,
- shortages of or delays in obtaining equipment and qualified personnel,
- mechanical failures of drilling equipment,
- accidents,
- adverse weather and environmental conditions, as described above,
- reductions in oil and gas prices and
- title problems.

Price volatility, as discussed above, also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

- *Equity Securities:* We buy, on our clients' behalf, equity securities we believe to be undervalued, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, our clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from our expectations.
- *Short Selling:* Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Fixed-Income Securities:* Some of our clients may invest in bonds or other fixed-income securities. Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.
- *Options:* There are risks associated with the sale and purchase of options. Our clients may invest in call and/or put options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never

reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.

- *Short-Term Trades:* Short-term trading involves a certain degree of risk. Short-term trading denies a client the strategy of minimizing risk by holding a position over a longer time period. In addition, frequent trading results in high turnover and brokerage commission expenses which can adversely affect a client's performance if its trading is not sufficiently profitable.
- *Leverage/Borrowing:* We may borrow against the assets of our clients when we believe that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a client to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of a client will be less than would otherwise be the case. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

- *Swaps and Other Derivatives:* At times, our clients may invest in swaps and other forms of derivative contracts. A derivative is a financial instrument that is a contract between two parties, the value of which is linked to another security or commodity, or an "underlying asset." Most of the derivatives in which we may trade are over-the-counter, meaning they are privately negotiated between two parties, as opposed to being traded on an exchange. Over-the-counter transactions typically involve significant transaction costs.

A swap is a type of derivative in which counterparties agree to exchange one stream of cash flow for another, each stream being based on an underlying asset. For example, an investor realizing returns from an equity investment can swap those returns into less risky fixed income cash flows without having to sell its equities. Swaps are particularly sensitive because various market variables affect the values of the cash flows, causing them to fluctuate.

Any derivative contract typically involves leverage, as it exposes our clients to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in a loss to our clients that, is more exaggerated than would have resulted from an investment that did not involve the use of leverage

inherent in a derivative contract. Finally, derivative contracts are risky because, ultimately, their success depends in part on the counterparty's financial condition, that is, the counterparty's ability to turn over the cash flow it promised.

- *Illiquid Investments:* The clients that we advise, from time to time, make illiquid investments or make investments that become illiquid. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of our clients requires cash and we must sell illiquid investments at an inopportune time, we might not be able to sell illiquid investments at prices that reflect our assessment of their value or the amount paid for them.
- *Foreign Securities:* While investing in foreign securities is not a principal focus of our clients' investment strategies, we may occasionally buy and sell foreign securities for our clients' accounts. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our clients' income. Finally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.

Typically, if we do decide to invest in foreign securities, we invest in Canadian securities. Thus, the movement of the Canadian stock market and other Canadian economic trends may influence the value of our clients' assets. Canadian energy companies are subject to substantially the same risk factors as U.S. energy companies and, like their U.S. counterparts, are also heavily regulated. Canada also has similarly stringent reporting and disclosure requirements for companies offering public securities.

As previously mentioned, our clients invest primarily in oil and gas exploration and production companies. Thus, our clients' success is largely dependent upon the success of the oil and gas exploration and production companies in which they invest. Please see above for the risks associated with investing in oil and gas exploration and production companies.

6. Disciplinary Information

Neither our firm, nor any of our directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

7. Other Financial Industry Activities and Affiliates

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or is an associated person of any of the above.

Relationships with Broker-Dealers

Please see above for an explanation of our firm's relationship with a broker-dealer.

Relationships with Pooled Investment Vehicles

Caymus Energy Fund, L.P., Caymus Energy Fund QP, L.P. and Caymus Energy Plus QP, L.P.

Caymus Capital Partners, L.P., serves as the general partner and investment manager to our domestic hedge fund clients, Caymus Energy Fund, L.P., Caymus Energy Fund QP, L.P. and Caymus Energy Plus QP, L.P. We address this potential conflict of interest by fully disclosing the relationship among Caymus Capital Partners, L.P. and Caymus Energy Fund, L.P., Caymus Energy Fund QP, L.P. and Caymus Energy Plus QP, L.P. in our clients' offering documents. Although this arrangement may give us heightened control and discretion over Caymus Energy Fund, L.P., Caymus Energy Fund QP, L.P. and Caymus Energy Plus QP, L.P., we manage any potential conflicts of interest by strictly adhering to the investment strategy and investment allocation policy discussed in their Private Placement Memoranda.

Caymus Energy Fund, L.P. and Caymus Energy Fund QP, L.P. invest all of their assets in a master fund, Caymus Energy Master Fund, L.P., which acts purely as a trading vehicle. Caymus Energy Plus QP, L.P. invests all of its assets in a master fund, Caymus Energy Plus Master Fund, L.P., which acts purely as a trading vehicle. We also control Caymus Energy Master Fund, L.P. and Caymus Energy Plus Master Fund, L.P.

Caymus Energy Fund Offshore, Ltd. and Caymus Energy Plus Offshore, Ltd.

Gregg A. Jacobson, Caymus Capital Partners, L.P.'s managing partner, serves on the boards of directors of our offshore hedge fund clients. We address this potential conflict of interest by fully disclosing Gregg A. Jacobson's relationship with Caymus Capital Partners, L.P. and our offshore clients' boards of directors in our offshore clients' offering documents. Although this arrangement may give us heightened control and discretion over Caymus Energy Fund Offshore, Ltd. and Caymus Energy Plus Offshore, Ltd., we manage any potential conflicts of interest by strictly adhering to the investment strategy and investment allocation policy discussed in each of their respective Private Offering Memoranda.

Caymus Energy Fund Offshore, Ltd. invests all of its assets in a master fund, Caymus Energy Master Fund, L.P., which acts purely as a trading vehicle. Caymus Energy Plus Offshore, Ltd. invests all of its assets in a master fund, Caymus Energy Plus Master Fund, L.P., which acts purely as a trading vehicle. We also control Caymus Energy Master Fund, L.P. and Caymus Energy Plus Master Fund, L.P.

We do not recommend or select other investment advisers for our clients.

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

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' securities transactions are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal requirements and our firm's business conduct standards. It focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely. Our Code of Ethics requires employees to submit quarterly brokerage statements and transaction reports, and annual reports that set forth all of their current holdings. Certain employee trades must be reviewed and approved by our Chief Compliance Officer. We provide a copy of our Code of Ethics to any client or any investor in our clients that requests one.

Employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest.

Employees and entities affiliated with our firm are not allowed to trade in any securities that are on our restricted list, or in any securities that we purchase or sell for clients, or are likely to purchase or sell for clients. If employees wish to invest in an initial public offering or a private placement, our Chief Compliance Officer must approve the investment first.

We have a variety of procedures in place to ensure that we address any potential conflicts that may arise between our employees and our clients. First, when our Chief Compliance Officer is considering whether to approve an employee's request for pre-approval to

invest in an initial public offering or a private placement, he may take into account the following factors:

- Whether the transaction represents an investment opportunity that should be offered to one of our clients' accounts before principals or employees take advantage of it;
- Whether the transaction involves a security that is being bought or sold for clients or funds or is being considered for purchase or sale on behalf of clients or funds;
- Whether the transaction is otherwise prohibited under any of our internal policies;
- Whether the transaction is inconsistent with applicable law; and
- Whether the transaction might create an appearance of impropriety.

The Chief Compliance Officer may rescind his approval of a proposed transaction under certain circumstances, such as a portfolio manager's decision to effect transactions for any of our clients in the relevant or a related security. Further, the Chief Compliance Officer may require an employee to cancel pending orders or freeze or reverse certain transactions if he believes that a transaction may violate the law or our firm's policies.

Second, all Caymus employees are required to report regular information concerning their personal accounts and securities transactions. Our Chief Compliance Officer reports any violation of the reporting policies below to our firm's management.

- *List of Accounts and Annual Report of Holdings:* At least once a year, all employees must provide us with a list of all personal accounts in which he or she has a beneficial interest and of all of his or her current holdings, except for transactions exempt by the Securities and Exchange Commission. Our employees must provide us with this list not more than 10 days after the beginning of their employment at Caymus and on or before February 14 of each year while still employed at Caymus. Our Chief Compliance Officer compares each employee's current holdings that he or she submits with the holdings that he or she submitted the previous year to confirm that each employee has reported his or her trades as required.
- *Brokerage Statements:* On a quarterly basis, our employees must provide our Chief Compliance Officer with copies of their brokerage statements.
- *Quarterly Reports:* Our employees are required to submit quarterly transaction reports to our Chief Compliance Officer no later than 30 days after the end of each calendar quarter. In these reports, each of our employees represents that, except as disclosed in his or her report, and other than the transactions detailed in his or her account statements and confirmations supplied to our Chief Compliance Officer, he or she has not entered into any securities transactions, except for transactions exempt by the Securities and Exchange Commission. The Chief

Compliance Officer reviews our employees' quarterly transaction reports to ensure that they are consistent with the required preapprovals and that no personal trades conflict with trades placed on behalf of any of our clients.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any);
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution;
- The financial strength, integrity and stability of the broker-dealer;
- The firm's risk in positioning a block of securities;
- The quality, comprehensiveness and frequency of available research services considered to be of value; and
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.

We Utilize Research and Other Soft Dollar Benefits. At times, our firm may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with investment and research information. This investment and research information is often referred to as "soft dollar" benefits. The research services that broker-dealers might provide include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The products and services that we generally obtain from broker-dealers include both internally generated items (such as research reports that a broker-dealer's employees prepare) as well as items that a broker-dealer acquires from third parties (such as quotation equipment). We can use these research services and products in connection with our advisory services for any of our accounts, not necessarily for only the account that "paid" for them. For example, we might utilize research services that a broker-dealer provides for one of our funds in connection with our advisory services for other accounts and vice versa. While we do not aim to allocate soft dollar benefits to each client account in proportion to the soft dollar credits each client generates, we do seek to allocate soft dollar benefits equally among all of our clients.

Our Use of Soft Dollar Benefits Falls Within the Safe Harbor. The Securities and Exchange Commission created a safe harbor that protects financial advisers from liability

for a possible breach of fiduciary duty to their clients when advisers engage in soft dollar arrangements for certain services at other than the lowest transaction costs. The safe harbor protects advisers if they make a good faith determination that the amount of the commission paid was reasonable in relation to the value of the services received. Investment advisers can choose to operate outside of the safe harbor, in which case they must be able to defend the payment of excess commissions for non-qualifying services on a fiduciary basis. We only use soft dollar benefits for costs and expenses to the extent they are reasonably related to the investment decision-making process when advising our Caymus-controlled funds. We also do not utilize soft dollars outside of the safe harbor in performing our advisory services for unaffiliated funds we may manage.

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that our firm might otherwise incur creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We Obtain Various Types of Products and Services Through Soft Dollar Benefits. In the last year, the products and services that our firm has acquired with our Caymus-controlled clients' brokerage commissions include industry equity research, an industry research newsletter, computer equipment through which we can monitor market data and place trades, and New York Stock Exchange fee payments.

We Use Particular Procedures to Direct Transactions in Return for Soft Dollars. We place 85-90% of our clients' trades through Morgan Stanley and Wells Fargo, and they give us 5/10 of a penny in soft dollars per trade. We do place a small number of trades with other brokers to obtain their research services, however, we do so without using a soft dollar arrangement.

We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.

Our Clients Do Not Direct Brokerage. Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer. We do, however, engage in soft dollar arrangements with a broker-dealer as described above.

Trade Aggregation and Allocation

All of our clients invest nearly identically in the same strategy. To this end, all of our clients tend to participate in the same investment opportunities. For each investment opportunity, we place one aggregate order which is then allocated among our clients' accounts on a *pro rata* basis. If an order cannot be fully executed under current market conditions, we allocate the executed portion of the trade among the different client accounts typically based on their available capital.

Ultimately, clients benefit when we aggregate trades because they get volume discounts on execution costs. To avoid any disadvantages to any of our clients due to potential adverse price movements, it is our policy not to buy or sell securities for one client account before doing so for another, unless doing so is necessary because of special instructions relating to an unaffiliated account or disproportionate withdrawals from or influxes of capital into a particular client account.

10. Review of Accounts

Our managing partner, Gregg Jacobson, (or somebody he designates) performs daily reviews of client accounts to reconcile trades. In addition, Gregg Jacobson (or somebody he may designate) conducts weekly stress tests of clients' portfolios to simulate portfolio sensitivity to significant changes in commodity price expectations.

Aside from our regular reviews described above, we may choose to review a client account if it is out of balance based on relative capital.

We provide investors in our Caymus-controlled hedge funds with written monthly reports that contain information about the fund in which they have invested, including estimated return, estimated exposure, current assets under management, and relevant market commentary. Our administrator, Equinox, provides investors in our Caymus-controlled hedge funds with individual monthly capital account statements via a secure website. We also provide them with written annual reports that contain financial statements and tax information.

We provide any unaffiliated clients we manage with monthly reports that illustrate their estimated actual performance on a periodic basis.

Upon request, any clients or any investors in our Caymus-controlled hedge funds may receive weekly e-mails containing estimated account performance details.

11. Client Referrals and Other Compensation

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Caymus Capital Partners pays Alternative Access Capital a portion of the fees we earn from (a) the money Alternative Access Capital raised for our Caymus-controlled funds and (b) managed accounts of any other clients that Alternative Access Capital introduced to us. Our investors do not pay additional fees for having been referred by Alternative Access Capital. Casey Herren, Director of Marketing, receives compensation for referring clients to the firm.

12. Custody

While it is our firm's practice not to accept or maintain physical possession of any of our clients' assets, we are deemed to have custody of their assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access clients' funds and deduct fees and expenses from clients' accounts.

Caymus-Controlled Hedge Fund Clients

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our Caymus-controlled clients. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our Caymus-controlled clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our Caymus-controlled clients within 120 days after the end of the fiscal year. We also receive monthly and quarterly account statements on behalf of our hedge fund clients, which we compare with our own records.

Unaffiliated Account Clients

Any unaffiliated clients we may manage establish their accounts with their own qualified custodian. These clients receive account statements directly from their qualified custodian. We urge our clients to carefully review the statements they receive from their qualified custodian and compare them with the monthly reports we send them. Please see Section 10: Review of Accounts for a more detailed explanation of the reports we send our clients.

13. Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our Caymus-controlled clients' Private Placement Memorandum. In particular, our Chief Compliance Officer reviews our Caymus-

controlled clients' accounts regularly to ensure that we are observing our clients' investment strategies and objectives.

Our discretion over unaffiliated funds is narrower, as we must give any unaffiliated clients written notice of any proposed material changes in our investment program and cannot implement those changes until the client approves them. Unaffiliated clients may instruct us not to purchase certain investments for their accounts or to limit such purchases to specified amounts. Our Chief Compliance Officer reviews the trades in unaffiliated clients' accounts regularly to verify that we are complying with any client-imposed restrictions and adhering to each client's investment strategy and objectives.

Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our Caymus-controlled clients with a Private Placement Memorandum and governing documents that set forth, in detail, our investment strategy and program and the terms of investment for investors. By completing our subscription documents to acquire an interest in one of our funds, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum and governing documents they each received.

Prior to providing investment advice to unaffiliated clients, we require each client to execute a trading authorization that appoints us as agent and attorney-in-fact of its portfolio that we manage.

14. Voting Client Securities

Proxy Voting Policies and Procedures

Caymus treats the voting rights of securities that our client portfolios hold in a manner consistent with each client's best interest. We first determine whether it is in a client's best interest for us to exercise its voting rights with respect to each particular security. If we determine that it is appropriate to vote a security, we consider our vote in light of the client's particular investment objectives. The relevant portfolio manager makes all determinations as to whether and how to vote proxies.

Factors We Consider When Determining Whether to Vote Proxies

Our portfolio managers consider the following factors, and any other factors he or she determines is relevant, when determining whether to vote a client proxy:

- The holding period of a security's position.
- The economic value of a security's position.
- Whether the cost of voting (e.g., required in-person voting at a distant location) will likely exceed the value of any potential benefits of voting.

- Whether voting is impracticable due to timing or mechanics.
- Whether our custodian lent the securities and had not recalled them as of the relevant voting date.
- Whether the relevant client has specified in writing (e.g., an agreement with us) that it will maintain the authority to vote proxies or that it has delegated the right to a third party.

When a portfolio manager determines that voting a proxy is in a client's best interest, he or she uses all relevant factors and information at his or her disposal to determine how to vote in a client's best interest.

Our portfolio managers do not vote on securities that our account custodian has loaned to a third party.

Clients cannot direct our portfolio managers' proxy votes. Unaffiliated clients, however, through agreements with us, may maintain the authority to vote their proxies or delegate that authority to a third party.

Potential Conflicts of Interest

If there are any potential conflicts of interest in connection with voting a client proxy, the Chief Compliance Officer will, if he determines it is necessary, advise the relevant portfolio manager as to how he or she should vote the proxy.

Examples of potential conflicts of interest include situations in which:

- The proxy company or one of its benefit plans has an institutional separate account relationship with Caymus or a large investment in one of our affiliated hedge funds.
- We have a material business relationship with a proponent of a proxy proposal, participants in a proxy contest or directors or nominee directors of a portfolio company.
- One of our employees has a personal interest in the outcome of a particular proxy proposal.

Recordkeeping

Our firm maintains the following records relating to proxy voting:

- Copies of our proxy voting policies and procedures and any amendments.
- Proxy statements received for client securities.
- Records of proxy votes cast on behalf of our clients.

- Records of written requests from clients and investors in our Caymus-controlled funds for proxy voting information and our written responses to any such written or oral requests.
- Any documents that our employees prepared that were material to deciding how to vote proxies or that memorialize the basis for a proxy vote.
- Documentation of exceptions to our proxy voting policies.

Upon request, any of our clients or any of the investors in our clients can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on its behalf.

In some situations, as explained above, we may not have the authority to vote on certain unaffiliated clients' securities. In these cases, clients may not contact us with questions about a particular proxy solicitation.

15. Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

Caymus Capital Partners has never been the subject of a bankruptcy petition.