

United States 12 Month Oil Fund, LP  
Form S-1  
February 24, 2009

As filed with the Securities and Exchange Commission on February 24, 2009

**Registration No. 333-**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM S-1**

**REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933  
UNITED STATES 12 MONTH OIL FUND, LP**

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	6770 (Primary Standard Industrial Classification Code Number)	26-0431897 (I.R.S. Employer Identification Number)
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United States Commodity Funds LLC  
1320 Harbor Bay Parkway, Suite 145  
Alameda, California 94502  
510.522.3336  
(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive  
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.  x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.  o

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## **CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Proposed Offering Price Per Unit <sup>(1)</sup>	Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee
United States 12 Month Oil Fund, LP	100,000,000 Units	\$ 27.70	\$2,770,000,000	\$ 108,861

<sup>(1)</sup> Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(d) under the Securities Act of 1933.

**This prospectus contains a combined prospectus under Rule 429 of the Securities Act of 1933, which relates to File No. 333-144348. Accordingly, upon effectiveness, this registration statement shall act as a post-effective amendment to File No. 333-144348.**

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION  
DATED FEBRUARY 24, 2009

**United States 12 Month Oil Fund, LP**  
**107,300,000 Units**

United States 12 Month Oil Fund, LP, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca. United States 12 Month Oil Fund, LP is referred to as US12OF throughout this document. The investment objective of US12OF is to have the changes in percentage terms of the units' net asset value reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts on light, sweet crude oil as traded on the New York Mercantile Exchange, consisting of the near month contract to expire and the contracts for the following eleven months, for a total of 12 consecutive months' contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contracts that are the next month contract to expire and the contracts for the following eleven consecutive months, less US12OF's expenses. When calculating the daily movement of the average price of the 12 contracts each contract month will be equally weighted.

This is a best efforts offering. US12OF will continuously offer creation baskets consisting of 100,000 units to authorized purchasers through ALPS Distributors, Inc., which is the marketing agent. A list of US12OF's current authorized purchasers is available from the marketing agent. Authorized purchasers will pay a transaction fee of \$1,000 for each order placed to create one or more baskets. This is a continuous offering and will not terminate until all of the registered units have been sold. Our units are listed on the NYSE Arca under the symbol USL .

Authorized purchasers may purchase creation baskets of 100,000 units. The per unit price of units on a particular day will be the total net asset value of US12OF calculated shortly after the close of the NYSE Arca on that day divided by the number of issued and outstanding units.

Authorized purchasers are the only persons that may place orders to create and redeem baskets. An authorized purchaser is under no obligation to create or redeem baskets, and an authorized purchaser is under no obligation to offer to the public units of any baskets it does create. Authorized purchasers that do offer to the public units from the baskets they create will do so at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the NYSE Arca, the net asset value of US12OF at the time the authorized purchaser purchased the creation basket and the net asset value of the units at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the crude oil futures contract market and the market for other crude oil interests. The prices of units offered by authorized purchasers are expected to fall between US12OF's net asset value and the trading price of the units on the NYSE Arca at the time of sale. The difference between the price paid by authorized purchasers as underwriters and the price paid to such authorized purchasers by investors will

be deemed underwriting compensation. Units initially comprising the same basket but offered by authorized purchasers to the public at different times may have different offering prices. Units trade in the secondary market on the NYSE Arca. Units may trade in the secondary market at prices that are lower or higher relative to their net asset value per unit. The amount of the discount or premium in the trading price relative to the net asset value per unit may be influenced by various factors, including the number of investors who seek to purchase or sell units in the secondary market and the liquidity of the crude oil futures contract market and the market for other crude oil interests. Authorized purchasers are not required to sell any specific number or dollar amount of units.

**US12OF is not a mutual fund registered under the Investment Company Act of 1940 and is not subject to regulation under such Act.**

Some of the risks of investing in US12OF include:

Investing in crude oil interests subjects US12OF to the risks of the crude oil industry which could result in large fluctuations in the price of US12OF's units.

If certain correlations do not exist, then investors may not be able to use US12OF as a cost-effective way to invest indirectly in crude oil or as a hedge against the risk of loss in oil-related transactions.

US12OF does not expect to make cash distributions.

US12OF and its general partner may have conflicts of interest, which may permit them to favor their own interests to your detriment.

**Investing in US12OF involves other significant risks. See What Are the Risk Factors Involved with an Investment in US12OF? beginning on page 11.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION ( SEC ) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OFFERED IN THIS PROSPECTUS, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE COMMODITY FUTURES TRADING COMMISSION ( CFTC ) HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS POOL NOR HAS IT PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.**

**This prospectus is in two parts: a disclosure document and a statement of additional information. These parts are bound together, and both contain important information.**

	Per Unit	Per Basket
Price of the units*	\$ 25.29	\$ 2,529,000

\*Based on closing net asset value on February 23, 2009. The price may vary based on net asset value on a particular day.

**The date of this prospectus is [ ], 2009.**

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**COMMODITY FUTURES TRADING COMMISSION  
RISK DISCLOSURE STATEMENT**

**YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN A COMMODITY POOL. IN SO DOING, YOU SHOULD BE AWARE THAT FUTURES AND OPTIONS TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL.**

**FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 94 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, ON PAGE 6.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, BEGINNING ON PAGE 11.**

**YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY POOL MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION TO THE POOL AND ITS PARTICIPANTS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE POOL MAY BE EFFECTED.**

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Until [ ] (25 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

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## PROSPECTUS SUMMARY

*This is only a summary of the prospectus and, while it contains material information about US12OF and its units, it does not contain or summarize all of the information about US12OF and the units contained in this prospectus that is material and/or which may be important to you. You should read this entire prospectus, including *What Are the Risk Factors Involved with an Investment in US12OF?* beginning on page 11, before making an investment decision about the units.*

### Overview of US12OF

United States 12 Month Oil Fund, LP, a Delaware limited partnership ( US12OF or Us or We ), is a commodity pool that issues units that may be purchased and sold on the NYSE Arca. Prior to November 25, 2008, US12OF's units traded on the American Stock Exchange. US12OF was organized as a limited partnership under Delaware law on June 27, 2007. US12OF is operated pursuant to the Amended and Restated Agreement of Limited Partnership dated December 4, 2007 ( LP Agreement ), which is included as Appendix B. It is managed and controlled by its general partner, United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) ( General Partner ). The General Partner is a single member limited liability company formed in Delaware on May 10, 2005 that is registered as a commodity pool operator ( CPO ) with the Commodity Futures Trading Commission ( CFTC ) and is a member of the National Futures Association ( NFA ). US12OF pays the General Partner a management fee of 0.60% of NAV on all of its assets.

The net assets of US12OF consist primarily of investments in futures contracts for light, sweet crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the New York

Mercantile Exchange ( NYMEX ), ICE Futures (formerly, the International Petroleum Exchange) or other U.S. and foreign exchanges (collectively, Oil Futures Contracts ) and other oil interest such as cash-settled options on Oil Futures Contracts, forward contracts for oil, and over-the-counter transactions that are based on the price of oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, Other Oil Interests ). For convenience and unless otherwise specified, Oil Futures Contracts and Other Oil Interests collectively are referred to as oil interests in this prospectus. The General Partner is authorized by US12OF in its sole judgment to employ, establish the terms of employment for, and terminate commodity trading advisors or futures commission merchants.

The investment objective of US12OF is to have the changes in percentage terms of its units net asset value ( NAV ) reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts on light, sweet crude oil as traded on the NYMEX (the Benchmark Oil Futures Contracts ), consisting of the near month contract to expire and the contracts for the following eleven months, for a total of 12 consecutive months contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contracts that are the next month contract to expire and the contracts for the following eleven consecutive months, less US12OF s expenses. When calculating the daily movement of the average price of the 12 contracts each contract month will be equally weighted. It is not the intent of US12OF to be operated in a fashion such that its NAV will equal, in dollar terms, the spot price of light, sweet crude oil or any particular futures contract based on light, sweet crude oil.

The General Partner believes that holding futures contracts whose expiration dates are spread out over a 12 month period of time will cause the total return of such a portfolio to vary compared to a portfolio that holds only a single month s contract (such as the near month contract). In particular, the General Partner believes that the total return of a portfolio holding contracts with a range of expiration months will be impacted differently by the price relationship between different contract months of the same commodity future compared to the total return of a portfolio consisting of the near month contract. For example, in cases in which the near month contract s price is higher than the price of contracts that expire later in time (a situation known as backwardation in the futures markets), then absent the impact of the overall movement in crude oil prices the value of the near month contract would tend to rise as it approaches expiration. Conversely, in cases in which the near month contract s price is lower than the price of contracts that expire later in time (a situation known as contango in the futures markets), then absent the impact of the overall movement in crude oil prices the value of the near month contract would tend to decline as it approaches expiration. The

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total return of a portfolio that owned the near month contract and rolled forward each month by selling the near month contract as it approached expiration and purchasing the next month to expire would be positively impacted by a backwardation market, and negatively impacted by a contango market. Depending on the exact price relationship of the different month s prices, portfolio expenses, and the overall movement of crude oil prices, the impact of backwardation and contango could have a major impact on the total return of such a portfolio over time. The General Partner believes that based on historical evidence a portfolio that held futures contracts with a range of expiration dates spread out over a 12 month period of time would typically be impacted less by the positive effect of backwardation and the negative effect of contango compared to a portfolio that held contracts of a single near month. As a result, absent the impact of any other factors, a portfolio of 12 different monthly contracts would tend to have a lower total return than a near month only portfolio in a backwardation market and a higher total return in a contango market. However, there can be no assurance that such historical relationships would provide the same or similar results in the future.

As a specific benchmark, the General Partner endeavors to place US12OF s trades in Oil Futures Contracts and Other Oil Interests and otherwise manage US12OF s investments so that A will be within plus/minus 10 percent of B, where:



A is the average daily change in US12OF's NAV for any period of 30 successive valuation days, i.e., any trading day as of which US12OF calculates its NAV, and

B is the average daily change in the average of the prices of the Benchmark Oil Futures Contracts over the same period.

The composition of the Benchmark Oil Futures Contracts is changed or rolled by selling the near month contract during one day and buying the contract which at that time is the thirteenth month contract. For example, the Benchmark Oil Futures Contracts on June 1 of any given year would include the near month contract that would expire in July, and the next eleven contract months, which would be August of the current year through June of the following year, for a total of 12 months. When the July contract is within two weeks of expiration, the Benchmark would no longer make use of the July contract of the current year and would instead add the July contract of the next year. The Benchmark Oil Futures Contracts would remain 12 consecutive contract months but they would now consist of the August contract of the current year through the July contract of the next year.

The General Partner believes that market arbitrage opportunities will cause US12OF's unit price on the NYSE Arca to closely track US12OF's NAV per unit. The General Partner further believes that the prices of the Benchmark Oil Futures Contracts have historically closely tracked the spot prices of light, sweet crude oil. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between US12OF's NAV and the Benchmark Oil Futures Contracts, will be that the changes in the price of US12OF's units on the NYSE Arca will closely track, in percentage terms, the changes in the price of the spot price of a barrel of light, sweet crude oil, less US12OF's expenses.

US12OF invests in oil interests to the fullest extent possible without being leveraged or unable to satisfy its current or potential margin or collateral obligations with respect to its investments in Oil Futures Contracts and Other Oil Interests. The primary focus of the General Partners is the investment in Oil Futures Contracts and the management of US12OF's investments in short-term obligations of the United States of two years or less ( Treasuries ), cash and/or cash equivalents for margining purposes and as collateral.

The General Partner employs a neutral investment strategy intended to track the changes in the price of the Benchmark Oil Futures Contracts regardless of whether these prices go up or go down. US12OF's neutral investment strategy is designed to permit investors generally to purchase and sell US12OF's units for the purpose of investing indirectly in crude oil in a cost-effective manner, and/or to permit participants in the crude oil or other industries to hedge the risk of losses in their crude oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in crude oil and/or the risks involved in hedging may exist. In addition, an investment in US12OF involves the risk that the changes in the price of US12OF's units will not accurately track the changes in the average of the prices of the Benchmark Oil Futures Contracts. For example, US12OF also invests in Treasuries, cash and/or cash equivalents to be used to meet its current or potential margin or collateral requirements with

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respect to its investments in Oil Futures Contracts and Other Oil Interests. US12OF does not expect there to be any meaningful correlation between the performance of US12OF's investments in Treasuries/cash/cash equivalents and the changes in the price of light, sweet crude oil. While the level of interest earned on or the market price of these investments may in some respect correlate to changes in the price of crude oil, this correlation is not anticipated as part of US12OF's efforts to meet its objectives. This and certain risk factors discussed in this prospectus may cause a lack of correlation between changes in US12OF's NAV and changes in the price of light, sweet crude oil.

US12OF creates and redeems units only in blocks called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. An Authorized

Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. Blocks are generally created when there is sufficient demand for units that the market price per unit is at a premium to the NAV per unit. Authorized Purchasers will then sell such units, which will be listed on the NYSE Arca, to the public at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the NYSE Arca, the NAV of US12OF at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the Oil Futures Contracts market and the market for Other Oil Interests. The prices of units offered by Authorized Purchasers are expected to fall between US12OF's NAV and the trading price of the units on the NYSE Arca at the time of sale. Similarly, baskets are generally redeemed when the market price per unit is at a discount to the NAV per unit. Retail investors seeking to purchase or sell units on any day are expected to effect such transactions in the secondary market, on the NYSE Arca, at the market price per unit, rather than in connection with the creation or redemption of baskets.

All proceeds from the sale of Creation Baskets are invested as quickly as possible in the investments described in this prospectus. Investments are held through US12OF's custodian, Brown Brothers Harriman & Co. ( Custodian ) or through accounts with US12OF's commodity futures brokers. There is no stated maximum time period for US12OF's operations and the fund will continue until all units are redeemed or the fund is liquidated pursuant to the terms of the LP Agreement.

There is no specified limit on the maximum amount of Creation Baskets that can be sold. At some point, accountability levels and position limits on certain of the futures contracts in which US12OF intends to invest may practically limit the maximum amount of Creation Baskets that will be sold if the General Partner determines that the other investment alternatives available to US12OF at that time will not enable it to meet its stated investment objective. In this regard, the General Partner also manages the United States Oil Fund, LP ( USOF ) that currently invests in near-month and next month to expire futures contracts for light, sweet crude oil primarily traded on the NYMEX. Any futures contracts held by USOF will be aggregated with the ones held by US12OF in determining NYMEX accountability levels and position limits.

Units may also be purchased and sold by individuals and entities that are not Authorized Purchasers in smaller increments than Creation Baskets on the NYSE Arca. However, these transactions are effected at bid and ask prices established by specialist firm(s). Like any listed security, units of US12OF can be purchased and sold at any time a secondary market is open.

In managing US12OF's assets, the General Partner does not use a technical trading system that issues buy and sell orders. The General Partner instead employs quantitative methodologies whereby each time one or more baskets are purchased or redeemed, the General Partner will purchase or sell Oil Futures Contracts and Other Oil Interests with an aggregate market value that approximates the amount of Treasuries and/or cash received or paid upon the purchase or redemption of the basket(s).

*Note to Secondary Market Investors:* The units can be directly purchased from or redeemed by US12OF only in Creation Baskets or Redemption Baskets, respectively, and only by Authorized Purchasers. Each Creation Basket and Redemption Basket consists of 100,000 units and is expected to be worth millions of dollars. Individual investors, therefore, will not be able to directly purchase units from or redeem units with US12OF. Some of the information contained in this prospectus, including information about buying and redeeming units directly from and to US12OF is only relevant to Authorized Purchasers. Units are listed and

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traded on the NYSE Arca and may be purchased and sold as individual units. Individuals interested in purchasing units in the secondary market should contact their broker. Units purchased or sold through a broker may be subject to commissions.

**Except when aggregated in Redemption Baskets, units are not redeemable securities. There is no guarantee that units will trade at or near the per-unit NAV.**

## The Units

The units are registered as securities under the Securities Act of 1933 ( 1933 Act ) and do not provide dividend rights or conversion rights and there will not be sinking funds. The units may only be redeemed when aggregated in Redemption Baskets as discussed under Creation and Redemption of Units and limited partners have limited voting rights as discussed under Who is the General Partner? Cumulative voting is neither permitted nor required and there are no preemptive rights. As discussed in the LP Agreement, upon liquidation of US12OF, its assets will be distributed pro rata to limited partners based upon the number of units held. Each limited partner will receive its share of the assets in cash or in kind, and the proportion of such share that is received in cash may vary from partner to partner, as the General Partner in its sole discretion may decide.

This is a continuous offering under Rule 415 of the 1933 Act and will terminate when all of the registered units have been sold. It is anticipated that when all registered units have been sold pursuant to this registration statement, additional units will be registered in subsequent registration statements. As discussed above, the minimum purchase requirement for Authorized Purchasers is a Creation Basket, which consists of 100,000 units. Under the plan of distribution, US12OF does not require a minimum purchase amount for investors who purchase units from Authorized Purchasers. There are no arrangements to place funds in an escrow, trust, or similar account.

## US12OF s Investments in Oil Interests

A brief description of the principal types of oil interests in which US12OF may invest is set forth below.

A futures contract is a standardized contract traded on a futures exchange that calls for the future delivery of a specified quantity of a commodity at a specified time and place. Some futures exchanges also list similar contracts that are financially settled but are based on a percentage of the standard size contracts. In the commodity futures market, a series of consecutive monthly contracts traded together, or whose returns are calculated together, is commonly referred to as a strip (some examples would be a six month strip , a twelve month strip , or, if all twelve months fell in the same year, a calendar strip ).

A forward contract is a supply contract between principals, not traded on an exchange, to buy or sell a specified quantity of a commodity at or before a specified date at a specified price.

A spot contract is a cash market transaction in which the buyer and seller agree to the immediate purchase and sale of a commodity, usually with a two-day settlement. Spot contracts are not uniform and are not exchange-traded.

An option on a futures contract, forward contract or a commodity on the spot market gives the buyer of the option the right, but not the obligation, to buy or sell a futures contract, forward contract or a commodity as applicable, at a specified price on or before a specified date. Options on futures contracts are standardized contracts traded on an exchange, while options on forward contracts and commodities on the spot market, referred to collectively in this prospectus as over-the-counter options, generally are individually negotiated, principal-to-principal contracts not traded on an exchange.

Over-the-counter contracts (such as swap contracts) generally involve an exchange of a stream of payments between the contracting parties. Over-the-counter contracts generally are not uniform and not exchange-traded.

Except when aggregated in Redemption Baskets, units are not redeemable securities. There is no guarantee that u

A more detailed description of oil interests and other aspects of the crude oil and crude oil interest markets can be found later in this prospectus.

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**As noted, US12OF invests primarily in Oil Futures Contracts, including those traded on the New York Mercantile Exchange. US12OF expressly disclaims any association with such Exchange or endorsement of US12OF by such Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.**

## **Principal Investment Risks of an Investment in US12OF**

An investment in US12OF involves a degree of risk. Some of the risks you may face are summarized below. A more extensive discussion of these risks appears beginning on page 11.

Unlike mutual funds, commodity pools or other investment pools that actively manage their investments in an attempt to realize income and gains from their investing activities and distribute such income and gains to their investors, US12OF generally does not distribute cash to limited partners or other unitholders. You should not invest in US12OF if you will need cash distributions from US12OF to pay taxes on your share of income and gains of US12OF, if any, or for any other reason.

There is the risk that the changes in the price of US12OF's units on the NYSE Arca will not closely track the changes in the spot price of light, sweet crude oil. This could happen if the price of units traded on the NYSE Arca does not correlate closely with US12OF's NAV; the changes in US12OF's NAV do not closely correlate with the changes in the average of the prices of the Benchmark Oil Futures Contracts; or the changes in the average of the prices of the Benchmark Oil Futures Contracts do not closely correlate with the changes in the cash or spot price of light, sweet crude oil. This is a risk because if these correlations do not exist, then investors may not be able to use US12OF as a cost-effective way to invest indirectly in crude oil or as a hedge against the risk of loss in crude oil-related transactions.

US12OF seeks to have the changes in its units' NAV in percentage terms track changes in the prices of the Benchmark Oil Futures Contracts in percentage terms rather than profit from speculative trading of oil interests. The General Partner therefore endeavors to manage US12OF's positions in oil interests so that US12OF's assets are, unlike those of other commodity pools, not leveraged (*i.e.*, so that the aggregate value of US12OF's unrealized losses from its investments in such oil interests at any time will not exceed the value of US12OF's assets). There is no assurance that the General Partner will successfully implement this investment strategy. If the General Partner permits US12OF to become leveraged, you could lose all or substantially all of your investment if US12OF's trading positions suddenly turn unprofitable. These movements in price may be the result of factors outside of the General Partner's control and may not be anticipated by the General Partner.

Investors may choose to use US12OF as a means of investing indirectly in crude oil and there are risks involved in such investments. Among other things, the crude oil industry experiences numerous operating risks. These operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases. Crude oil operations are also subject to various U.S. federal, state and local regulations that materially affect operations. Investors, including those who directly participate in the crude oil market, may choose to use US12OF as a vehicle to hedge against the risk of loss and there are risks involved in hedging activities. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedgor's opportunity to benefit from a favorable market movement.

US12OF invests primarily in Oil Futures Contracts, and particularly in Oil Futures Contracts traded on the NYMEX.

US12OF invests primarily in Oil Futures Contracts that are traded in the United States. However, a portion of US12OF's trades may take place in markets and on exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes US12OF to credit risk. Trading in non-U.S. markets also leaves US12OF susceptible to fluctuations in the value of the local currency against the U.S. dollar.

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US12OF may also invest in Other Oil Interests, many of which are negotiated contracts that are not as liquid as Oil Futures Contracts and expose US12OF to credit risk that its counterparty may not be able to satisfy its obligations to US12OF.

US12OF pays fees and expenses that are incurred regardless of whether it is profitable.

You will have no rights to participate in the management of US12OF and will have to rely on the duties and judgment of the General Partner to manage US12OF.

The structure and operation of US12OF may involve conflicts of interest. For example, a conflict may arise because the General Partner and its principals and affiliates may trade for themselves. In addition, the General Partner has sole current authority to manage the investments and operations, which may create a conflict with the unitholders' best interests. The General Partner may also have a conflict to the extent that its trading decisions may be influenced by the effect they would have on other commodity pools that it manages, or any other commodity pool the General Partner may form and manage in the future.

For additional risks, see [What Are the Risk Factors Involved with an Investment in US12OF?](#)

## **Principal Offices of US12OF and the General Partner**

US12OF's principal office is located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The telephone number is 510.522.3336. The General Partner's principal office is also located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502.

## **Financial Condition of US12OF**

US12OF's NAV is determined as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time on each NYSE Arca trading day.

## **Breakeven Analysis**

The breakeven analysis below indicates the approximate dollar returns and percentage required for the redemption value of a hypothetical \$50.00 initial investment in a single unit to equal the amount invested twelve months after the investment was made. This breakeven analysis refers to the redemption of baskets by Authorized Purchasers and is not related to any gains an individual investor would have to achieve in order to break even. The breakeven analysis is an approximation only.

Assumed initial selling price per unit	\$ 50.00
Management Fee (0.60%) <sup>(1)</sup>	\$ 0.30
Creation Basket Fee <sup>(2)</sup>	\$ (0.01 )
Estimated Brokerage Fee (0.03%) <sup>(3)</sup>	\$ 0.02
Interest Income (0.30%) <sup>(4)</sup>	\$ (0.15 )

Registration Fees <sup>(5)</sup>	\$ 0.31	
NYMEX Licensing Fee <sup>(6)</sup>	\$ 0.02	
Independent Directors and Officers Fees <sup>(7)</sup>	\$ 0.07	
Fees and expenses associated with tax accounting and reporting <sup>(8)</sup>	\$ 0.25	
Amount of trading income (loss) required for the redemption value at the end of one year to equal the initial selling price of the unit	\$ 0.81	
Percentage of initial selling price per unit	1.62	%

(1) US12OF is contractually obligated to pay the General Partner a management fee based on daily net assets and paid monthly of 0.60% per annum on average net assets.

(2) Authorized Purchasers are required to pay a Creation Basket fee of \$1,000 for each order they place to create one or more baskets. An order must be at least one basket, which is 100,000 units. This breakeven analysis assumes a hypothetical investment in a single unit so the Creation Basket fee is \$.01 (1,000/100,000).

(3) This amount is based on the actual brokerage fees for US12OF calculated on an annual basis.

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(4) US12OF will earn interest on funds it will deposit with the futures commission merchant and the Custodian and it estimates that the interest rate will be 0.30% based on the current interest rate on three-month Treasury Bills as of February 11, 2009. The actual rate may vary.

(5) The fee to register 100,000,000 units with the SEC and the Financial Industry Regulatory Authority ( FINRA ) is \$184,361 (the SEC s fee is \$108,861 and FINRA s fee is \$75,500). The number in the break-even table assumes US12OF has \$30 million in assets.

(6) Assuming the aggregate assets of US12OF and certain other funds formed by the General Partner are \$1,000,000,000 or less, the NYMEX licensing fee is 0.04%. For more information see Fees of US12OF.

(7) The foregoing assumes that the assets of US12OF are aggregated with those of certain other funds formed by the General Partner, that the aggregate fees to be paid to the independent directors for 2008 equals \$282,000, that the allocable portion of the fees borne by US12OF will equal 15 percent of the aggregate assets of US12OF and certain other funds formed by the General Partner, or \$41,400, and that US12OF will have \$30 million in assets.

(8) US12OF assumed the aggregate costs attributable to tax accounting and reporting to be \$150,000. This estimate is based on the experience of the General Partner in its management of similar funds. The number in the break-even table assumes US12OF has \$30 million in assets.

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# The Offering

### Offering

US12OF is offering Creation Baskets consisting of 100,000 units through ALPS Distributors, Inc. ( Marketing Agent ) as marketing agent to Authorized Purchasers. Authorized Purchasers may purchase Creation Baskets consisting of 100,000 units at US12OF s NAV.

### Use of Proceeds:

The General Partner applies substantially all of US12OF s assets toward trading in Oil Futures Contracts and other oil interests and investing in Treasuries, cash and/or cash equivalents. The General Partner will deposit a portion of US12OF s net assets with the futures commission merchant, UBS Securities LLC, or other custodian to be used to meet its current or potential margin or collateral requirements in connection with its investment in Oil Futures Contracts. US12OF uses only Treasuries, cash and/or cash equivalents to satisfy these requirements. The General Partner expects that all entities that will hold or trade US12OF s assets will be based in the United States and will be

subject to United States regulations. Approximately 5% to 20% of US12OF's assets are normally committed as margin for Oil Futures Contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The remaining portion of US12OF's assets, of which the General Partner expects to be the vast majority, will be held in Treasuries, cash and/or cash equivalents by its custodian, Brown Brothers Harriman & Co. ( Custodian ) or posted as collateral to support US12OF's investments in oil interests. All interest income earned on these investments is retained for US12OF's benefit.

NYSE Arca Symbol:

USL

Creation and Redemption:

Authorized Purchasers pay a \$1,000 fee for each order to create or redeem one or more Creation Baskets or Redemption Baskets. Authorized Purchasers are not required to sell any specific number or dollar amount of units. The per unit price of units offered in Creation Baskets on any day after the effective date of the registration statement relating to this prospectus is the total NAV of US12OF calculated shortly after the close of the NYSE Arca on that day divided by the number of issued and outstanding units.

Withdrawal:

As discussed in the LP Agreement, if the General Partner gives at least fifteen (15) days' written notice to a limited partner, then the General Partner may for any reason, in its sole discretion, require any such limited partner to withdraw entirely from the partnership or to withdraw a portion of its partner capital account. If the General Partner does not give at least fifteen (15) days' written notice to a limited partner, then it may only require withdrawal of all or any portion of the capital account of any limited partner in the following circumstances:

(i)

the unitholder made a misrepresentation to the General Partner in connection with its purchase of units; or  
(ii)

the limited partner's ownership of units would result in the violation of any law or regulation applicable to the partnership or a partner.

Registration Clearance and Settlement:

Individual certificates will not be issued for the units. Instead, units will be represented by one or more global certificates, which will be deposited by the Custodian with the Depository Trust Company ( DTC ) and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the units outstanding at any time. Unitholders are limited to (1) participants in DTC such as banks, brokers, dealers and trust companies ( DTC Participants ), (2) those who maintain, either directly or indirectly, a custodial

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relationship with a DTC Participant ( Indirect Participants ), and (3) those banks, brokers, dealers, trust companies and others who hold interests in the units through DTC Participants or Indirect Participants, in each case who satisfy the requirements for transfers of units. DTC Participants acting on behalf of investors holding units through such participants' accounts in DTC will follow the delivery practice applicable to securities eligible for DTC's Same-Day Funds Settlement System. Units will be credited to DTC Participants' securities accounts following confirmation of receipt of payment.

The administrator, Brown Brothers Harriman & Co. ( Administrator ) has been appointed registrar and transfer agent for the purpose of registering and transferring units. The General Partner will recognize transfer of units only if such transfer is done in accordance with the LP Agreement, including the delivery of a transfer application.

Net Asset Value:

The NAV is calculated by taking the current market value of US12OF's total assets and subtracting any liabilities. Under US12OF's current operational procedures, the Administrator calculates the NAV of US12OF's units as of the earlier of 4:00 p.m. New York time on each American Stock Exchange trading day, or the close of the New York Stock Exchange each day. The NYSE Arca currently calculates an approximate net asset value every 15 seconds

throughout each day US12OF's units are traded on the NYSE Arca for as long as the NYMEX's main pricing mechanism is open.

**Fund Expenses:**

US12OF pays the General Partner a management fee of 0.60% of NAV on its average net assets. Brokerage fees for Treasuries, Oil Futures Contracts, and Other Oil Interests are estimated to be 0.03% and will be paid to unaffiliated brokers. US12OF also pays any licensing fees for the use of intellectual property, registration fees paid to the SEC, the Financial Industry Regulatory Authority (FINRA), or other regulatory agency in connection with this and subsequent offers and sales of the units and the legal, printing, accounting and other expenses associated with such registrations. The license fee paid to the NYMEX is 0.04% of NAV for the first \$1,000,000 of assets and 0.02% of NAV after the first \$1,000,000 of assets. The assets of US12OF are aggregated with those of other funds formed or to be formed by the General Partner for the purpose of calculating the NYMEX license fee. US12OF also is responsible for the fees and expenses, which may include directors and officers liability insurance, of the independent directors of the General Partner in connection with their activities with respect to US12OF. These director fees and expenses may be shared with other funds managed by the General Partner. These fees and expenses, in total, amounted to \$282,000 for 2008, and US12OF's portion was \$1,762, though this amount may change in future years. The General Partner, and not US12OF, is responsible for payment of the fees of US12OF's Marketing Agent, Administrator and Custodian. US12OF and/or the General Partner may be required to indemnify the Marketing Agent, Administrator or Custodian under certain circumstances. US12OF also pays the fees and expenses associated with its tax accounting and reporting requirements with the exception of certain initial implementation services fees and base services fees which are paid by the General Partner.

**Termination Events:**

US12OF shall continue in effect from the date of its formation in perpetuity, unless sooner terminated upon the occurrence of any one or more of the following events: the death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of a General Partner who is the sole remaining General Partner, unless a majority in interest of limited partners within ninety (90) days after such event elects to continue the partnership and appoints a

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successor general partner; or the affirmative vote of a majority in interest of the limited partners subject to certain conditions. Upon termination of the partnership, the affairs of the partnership shall be wound up and all of its debts and liabilities discharged or otherwise provided for in the order of priority as provided by law. The fair market value of the remaining assets of the partnership shall then be determined by the General Partner. Thereupon, the assets of the partnership shall be distributed pro rata to the partners in accordance with their units.

**Authorized Purchasers:**

US12OF has entered into agreements with several Authorized Purchasers. A current list of Authorized Purchasers is available from the Marketing Agent. Authorized Purchasers purchase or redeem Creation Baskets or Redemption Baskets, respectively, from or to US12OF. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner.

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## **What Are the Risk Factors Involved with an Investment in US12OF?**



*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this prospectus as well as information found in our periodic reports, which include US12OF's financial statements and the related notes.*

## **Risks Associated With Investing Directly or Indirectly in Crude Oil**

### **Investing in oil interests subjects US12OF to the risks of the crude oil industry and this could result in large fluctuations in the price of US12OF's units.**

US12OF is subject to the risks and hazards of the crude oil industry because it invests in oil interests. The risks and hazards that are inherent in the oil industry may cause the price of oil to widely fluctuate. If US12OF's units accurately track the percentage changes in the Benchmark Oil Futures Contracts or the spot price of light, sweet crude oil, then the price of its units may also fluctuate.

The risks of crude oil drilling and production activities include the following:

no commercially productive crude oil or natural gas reservoirs will be found;  
crude oil and natural gas drilling and production activities may be shortened, delayed or canceled;  
the ability of an oil producer to develop, produce and market reserves may be limited by:

title problems,  
political conflicts, including war,  
weather conditions,  
compliance with governmental requirements,  
refinery capacity, and

mechanical difficulties or shortages or delays in the delivery of drilling rigs and other equipment;  
decisions of the cartel of oil producing countries (e.g., OPEC, the Organization of the Petroleum Exporting Countries), to produce more or less oil;  
increases in oil production due to price rises may make it more economical to extract oil from additional sources and may later temper further oil price increases; and  
economic activity of users, as certain economies expand oil consumption (e.g., China, India) and as economies contract (in a recession or depression), oil demand and prices fall.

The crude oil industry experiences numerous operating risks. These operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases.

Crude oil operations also are subject to various U.S. federal, state and local regulations that materially affect operations. Matters regulated include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells and pooling of properties and taxation. At various times, regulatory agencies have imposed price controls and limitations on production. In order to conserve supplies of crude oil and natural gas, these agencies have restricted the rates of flow of crude oil and natural gas wells below actual production capacity. Federal, state, and local laws regulate production, handling, storage, transportation and disposal of crude oil and natural gas, by-products from crude oil and natural gas and other substances and materials produced or used in connection with crude oil and natural gas operations.

### **The impact of environmental and other governmental laws and regulations may affect the price of crude oil.**

Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, and operate and abandon oil wells. Other laws have prevented exploration and drilling of oil in certain environmentally sensitive federal lands and waters. Several environmental laws that have a direct or an

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indirect impact on the price of crude oil include, but are not limited to, the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

**The price of US12OF s units may be influenced by factors such as the short-term supply and demand for crude oil and the short-term supply and demand for US12OF s units. This may cause the units to trade at a price that is above or below US12OF s NAV per unit. Accordingly, changes in the price of units may substantially vary from the changes in the spot price of light, sweet crude oil. If this variation occurs, then you may not be able to effectively use US12OF as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.**

While it is expected that the trading prices of the units will fluctuate in accordance with the changes in US12OF s NAV, the prices of units may also be influenced by other factors, including the short-term supply and demand for crude oil and the units. There is no guarantee that the units will not trade at appreciable discounts from, and/or premiums to, US12OF s NAV. This could cause the changes in the price of the units to substantially vary from the changes in the spot price of light, sweet crude oil. This may be harmful to you because if changes in the price of units vary substantially from changes in the Benchmark Oil Futures Contract or the spot price light, sweet of crude oil, then you may not be able to effectively use US12OF as a way to hedge the risk of losses in your crude oil-related transactions or as a way to indirectly invest in crude oil.

**Changes in US12OF s NAV may not correlate with changes in the price of the Benchmark Oil Futures Contracts. If this were to occur, you may not be able to effectively use US12OF as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.**

The General Partner endeavors to invest US12OF s assets as fully as possible in short-term Oil Futures Contracts and Other Oil Interests so that the changes in percentage terms in the NAV closely correlate with the changes in percentage terms in the price of the Benchmark Oil Futures Contracts. However, changes in US12OF s NAV may not correlate with the changes in the price of the Benchmark Oil Futures Contracts for several reasons as set forth below:

US12OF (i) may not be able to buy/sell the exact amount of Oil Futures Contracts and Other Oil Interests to have a perfect correlation with NAV; (ii) may not always be able to buy and sell Oil Futures Contracts or Other Oil Interests at the market price; (iii) may not experience a perfect correlation between the spot price of light, sweet crude oil and the underlying investments in Oil Futures Contracts, Other Oil Interests and Treasuries, cash and cash equivalents; and (iv) is required to pay fees, including brokerage fees and the management fee, which will have an effect on the correlation.

The impact of environmental and other governmental laws and regulations may affect the price of crude oil.8

Short-term supply and demand for light, sweet crude oil may cause the changes in the market price of the Benchmark Oil Futures Contracts to vary from the changes in US12OF's NAV if US12OF has fully invested in Oil Futures Contracts that do not reflect such supply and demand and it is unable to replace such contracts with Oil Futures Contracts that do reflect such supply and demand. In addition, there are also technical differences between the two markets, *e.g.*, one is a physical market while the other is a futures market traded on exchanges, that may cause variations between the spot price of oil and the prices of related futures contracts.

US12OF plans to buy only as many Oil Futures Contracts and Other Oil Interests that it can to get the changes in percentage terms of the NAV as close as possible to the changes in percentage terms in the price of the Benchmark Oil Futures Contracts. The remainder of its assets will be invested in Treasuries, cash and/or cash equivalents and will be used to satisfy initial margin and additional margin requirements, if any, and to otherwise support its investments in oil interests. Investments in Treasuries, cash and/or cash equivalents, both directly and as margin, will provide rates of return that will vary from changes in the value of the spot price of light, sweet crude oil and the price of the Benchmark Oil Futures Contract.

In addition, because US12OF will incur certain expenses in connection with its investment activities, and will hold most of its assets in more liquid short-term securities for margin and other liquidity

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purposes and for redemptions that may be necessary on an ongoing basis, the General Partner will not be able to fully invest US12OF's assets in Oil Futures Contracts or Other Oil Interests and there cannot be perfect correlation between changes in US12OF's NAV and the changes in the price of the Benchmark Oil Futures Contracts.

As US12OF grows, there may be more or less correlation. For example, if US12OF only has enough money to buy three Benchmark Futures Contracts and it needs to buy four contracts to track the price of crude oil then the correlation will be lower, but if it buys 20,000 Benchmark Oil Futures Contracts and it needs to buy 20,001 contracts then the correlation will be higher. At certain asset levels, US12OF may be limited in its ability to purchase the Benchmark Oil Futures Contracts or other Oil Futures Contracts due to accountability levels imposed by the relevant exchanges. To the extent that US12OF invests in these other Oil Futures Contracts or Other Oil Interests, the correlation with the Benchmark Oil Futures Contracts may be lower. If US12OF is required to invest in other Oil Futures Contracts and Other Oil Interests that are less correlated with the Benchmark Oil Futures Contracts, US12OF would likely invest in over-the-counter contracts to increase the level of correlation of US12OF's assets.

Over-the-counter contracts entail certain risks described below under **Over-the-Counter Contract Risk**.

US12OF will invest in equal amounts of each of the Benchmark Oil Futures Contracts. Certain months of these futures contracts may have less liquidity and availability than other months of these future contracts. The inability to purchase and hold the Benchmark Oil Futures Contracts in equal amounts may cause less correlation between the units' NAV and the average of the prices of the Benchmark Oil Futures Contracts.

US12OF may not be able to buy the exact number of Oil Futures Contracts and Other Oil Interests to have a perfect correlation with the Benchmark Oil Futures Contracts if the purchase price of Oil Futures Contracts required to be fully invested in such contracts is higher than the proceeds received for the sale of a Creation Basket on the day the basket was sold. In such case, US12OF could not invest the entire proceeds from the purchase of the Creation Basket in such futures contracts (for example, assume US12OF receives \$4,000,000 for the sale of a Creation Basket and assume that the average of the prices of an Oil Futures Contracts for light, sweet crude oil that reflects the prices of the Benchmark Oil Futures Contracts is \$65.94, then US12OF could only invest in Oil Futures Contracts with an aggregate value of \$3,956,700), US12OF would be required to invest a percentage of the proceeds in Treasuries to be deposited as margin with the futures commission merchant through which the contract was purchased. The remainder of the purchase price for the Creation Basket would remain invested in Treasuries, cash and/or cash equivalents as determined by the General Partner from time to time based on factors such as potential calls for margin or anticipated redemptions. If the trading market for Oil Futures Contracts is suspended or closed, US12OF may not be able to purchase these investments at the last reported price for such investments.

US12OF may make use of mini contracts as a way of investing a dollar amount in contracts that may more closely match the dollar amount of net assets of the fund. However, even the use of mini contracts does not

Changes in US12OF's NAV may not correlate with changes in the price of the Benchmark Oil Futures Contracts. If

completely eliminate the risk that US12OF will not be able to buy or sell the exact number of Futures Contracts necessary. In addition there is a risk that because of the size and relative liquidity of such contracts when compared to standard size Futures Contracts such as the Benchmark Futures Contracts, the price of a smaller contract for a particular month may not equate to the Benchmark Futures Contract for the same month, which could cause the change in the US12OF's per unit price and NAV to vary from changes in the average price of the Benchmark Futures Contracts.

If changes in US12OF's NAV do not correlate with changes in the price of the Benchmark Oil Futures Contracts, then investing in US12OF may not be an effective way to hedge against oil-related losses or indirectly invest in oil.

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**The Benchmark Futures Contracts may not correlate with the spot price of light, sweet crude oil and this could cause the changes in the price of the units to substantially vary from the changes in the spot price of light, sweet crude oil. If this were to occur, then you may not be able to effectively use US12OF as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.**

When using the Benchmark Oil Futures Contracts as a strategy to track the spot price of light, sweet crude oil, at best the correlation between changes in prices of such oil interests and the spot price of crude oil can be only approximate. The degree of imperfection of correlation depends upon circumstances such as variations in the speculative oil market, supply of and demand for such oil interests and technical influences in oil futures trading. If there is a weak correlation between the oil interests and the spot price of light, sweet crude oil, then the price of units may not accurately track the price of crude oil and you may not be able to effectively use US12OF as a way to hedge the risk of losses in your crude oil-related transactions or as a way to indirectly invest in crude oil.

**US12OF may experience a loss if it is required to sell Treasuries at a price lower than the price at which they were acquired.**

The value of Treasuries generally moves inversely with movements in interest rates. If US12OF is required to sell Treasuries at a price lower than the price at which they were acquired, US12OF will experience a loss. This loss may adversely impact the price of the units and may decrease the correlation between the price of the units, the price of the Benchmark Oil Futures Contracts and Other Oil Interests, and the spot price of light, sweet crude oil.

**Certain of US12OF's investments could be illiquid which could cause large losses to investors at any time or from time to time.**

At any given time, US12OF may own 12 different monthly crude oil contracts which have differing expiration schedules. The amount of liquidity in the crude oil futures market for each of those months will vary. In some cases certain of those months may have relatively small amounts of open interest and daily trading volume. As a result, US12OF may not always be able to liquidate its positions in its investments at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its crude oil production or exports, or in another major export, can also make it difficult to liquidate a position. Alternatively, limits imposed by futures exchanges or other regulatory organizations, such as accountability levels, position limits and price fluctuation limits, may contribute to a lack of liquidity with respect to some commodity interests.

The Benchmark Futures Contracts may not correlate with the spot price of light, sweet crude oil and this could caus

Unexpected market illiquidity may cause major losses to investors at any time or from time to time. In addition, US12OF does not intend at this time to establish a credit facility, which would provide an additional source of liquidity and instead will rely only on the Treasuries, cash and/or cash equivalents that it holds. The anticipated large value of the positions in Oil Futures Contracts that the General Partner will acquire or enter into for US12OF increases the risk of illiquidity. Other Oil Interests that US12OF invests in, or in negotiated over-the-counter contracts, may have a greater likelihood of being illiquid since they are contracts between two parties that take into account not only market risk, but also the relative credit, tax, and settlement risks under such contracts. Such contracts also have limited transferability that results from such risks and the contract's express limitations.

Because both Oil Futures Contracts and Other Oil Interests may be illiquid, US12OF's oil interests may be more difficult to liquidate at favorable prices in periods of illiquid markets and losses may be incurred during the period in which positions are being liquidated.

**If the nature of hedgers and speculators in futures markets has shifted such that crude oil purchasers are the predominant hedgers in the market, US12OF might have to reinvest at higher futures prices or choose Other Oil Interests.**

The changing nature of the hedgers and speculators in the crude oil market will influence whether futures prices are above or below the expected future spot price. In order to induce speculators to take the corresponding long side of the same futures contract, crude oil producers must generally be willing to sell futures contracts at prices that are below expected future spot prices. Conversely, if the predominant hedgers in the futures market are the purchasers of the crude oil who purchase futures contracts to hedge against a rise in

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prices, then speculators will only take the short side of the futures contract if the futures price is greater than the expected future spot price of crude oil. This can have significant implications for US12OF when it is time to reinvest the proceeds from a maturing Oil Futures Contract into a new Oil Futures Contract.

**While US12OF does not intend to take physical delivery of oil under its Oil Futures Contracts, physical delivery under such contracts impacts the value of the contracts.**

While it is not the current intention of US12OF to take physical delivery of crude oil under its Oil Futures Contracts, futures contracts are not required to be cash-settled and it is possible to take delivery under some of these contracts. Storage costs associated with purchasing crude oil could result in costs and other liabilities that could impact the value of Oil Futures Contracts or Other Oil Interests. Storage costs include the time value of money invested in crude oil as a physical commodity plus the actual costs of storing the crude oil less any benefits from ownership of crude oil that are not obtained by the holder of a futures contract. In general, Oil Futures Contracts have a one-month delay for contract delivery and the back month (the back month is any future delivery month other than the spot month) includes storage costs. To the extent that these storage costs change for crude oil while US12OF holds Oil Futures Contracts or Other Oil Interests, the value of the Oil Futures Contracts or Other Oil Interests, and therefore US12OF's NAV, may change as well. Because it holds Futures Contracts that will mature up to 13 months later than the spot or current month, US12OF's NAV will be impacted more from the changes in storage costs than would the NAV of a fund that holds more current futures contracts.

Certain of US12OF's investments could be illiquid which could cause large losses to investors at any time or from time

**The price relationship between the near month contract and the other monthly contracts that compose the Benchmark Oil Futures Contracts will vary and may impact both the total return over time of US12OF's NAV, as well as the degree to which its total return tracks other crude oil price indices' total returns.**

The Benchmark Futures Contracts consist of the near month contract to expire and the contracts for the following eleven months, except during the last two weeks of the current month when the near month contract is sold and replaced by the futures contract for the thirteenth month following the current month. In the event of a crude oil futures market where near month contracts trade at a higher price than the price of contracts that expire later in time, a situation described as "backwardation" in the futures market, then absent the impact of the overall movement in crude oil prices the value of the benchmark contract would tend to rise as it approaches expiration. As a result the total return of the Benchmark Oil Futures Contract would tend to track higher. Conversely, in the event of a crude oil futures market where near month contracts trade at a lower price than the price of contracts that expire later in time, a situation described as "contango" in the futures market, then absent the impact of the overall movement in crude oil prices the value of the benchmark contract would tend to decline as it approaches expiration. As a result the total return of the Benchmark Futures Contract would tend to track lower. When compared to total return of other price indices, such as the spot price of crude oil, the impact of backwardation and contango may lead the total return of US12OF's NAV to vary significantly. In the event of a prolonged period of contango, and absent the impact of rising or falling oil prices, this could have a significant negative impact on US12OF's NAV and total return. Furthermore, a portfolio that consists of twelve different monthly contracts, ranging in a "strip" from the first month to the twelfth month, will be impacted differently by contango and backwardation than a portfolio that consists of just the first month contract.

**Because US12OF's portfolio will typically hold as many as 12 different oil futures contracts at all times, it may be more expensive for US12OF to buy or sell futures contracts for its portfolio.**

Because US12OF will typically hold as many as 12 different futures contracts at any one time, the cost of trading a large number of different contracts could be greater than the cost of trading the same dollar amount using just one contract. In addition, the bid/ask spread for buying these different contracts could also on average be greater than the bid/ask spread for buying a single futures contract month. This could make it more expensive for US12OF to invest compared to investing in a single monthly contract. Wider bid/ask spreads and/or higher commission or brokerage costs would negatively impact an investor's investment returns in US12OF.

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**Because US12OF's portfolio will typically hold as many as 12 different oil futures contracts at all times, firms that make a market in the units will also need to hold multiple contracts when hedging their inventories of units and when creating or redeeming baskets. This could lead to the units of US12OF trading at wider bid/ask spreads in the secondary market than an exchange traded security holding oil futures that uses a fewer number of futures contracts at any given time.**

Brokerage firms or other market participants that make a secondary market in the units of US12OF may do so by simultaneously hedging their positions by being long, or short, the same future contracts that US12OF holds in its portfolio. The cost to brokerage firms or other market participants in putting on and taking off these hedges is one of the factors that determine the size of the bid/ask spread they quote on a security such as US12OF. Because US12OF will typically hold as many as 12 different futures contracts at any one time, the brokerage firms or other market participants will also find themselves having to trade a number of different contracts as well. The cost of trading a large number of different contracts may be greater than the cost of trading the same dollar amount using just one contract. As a result, the bid/ask spread for US12OF may be wider than the bid/ask spread for an exchange traded security investing in a fewer number of futures contracts at any given time. The wider bid/ask spread may negatively impact an investor's investment returns in US12OF.

**Regulation of the commodity interests and energy markets is extensive and constantly changing; future regulatory developments are impossible to predict but may significantly and adversely affect US12OF.**

The regulation of commodity interest transactions in the United States is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the energy markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on US12OF is impossible to predict, but could be substantial and adverse.

**If you are investing in US12OF for purposes of hedging, you might be subject to several risks including the possibility of losing the benefit of favorable market movement.**

Participants in the crude oil or in other industries may use US12OF as a vehicle to hedge the risk of losses in their crude oil-related transactions. There are several risks in connection with using US12OF as a hedging device. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedgor's opportunity to benefit from a favorable market movement. In a hedging transaction, the hedgor may be concerned that the hedged item will increase in price, but must recognize the risk that the price may instead decline and if this happens he will have lost his opportunity to profit from the change in price because the hedging transaction will result in a loss rather than a gain. Thus, the hedgor foregoes the opportunity to profit from favorable price movements.

In addition, if the hedge is not a perfect one, the hedgor can lose on the hedging transaction and not realize an offsetting gain in the value of the underlying item being hedged.

When using futures contracts as a hedging technique, at best, the correlation between changes in prices of futures contracts and of the items being hedged can be only approximate. The degree of imperfection of correlation depends upon circumstances such as: variations in speculative markets, demand for futures and for crude oil products, technical influences in futures trading, and differences between anticipated energy costs being hedged and the instruments underlying the standard futures contracts available for trading. Even a well-conceived hedge may be unsuccessful to some degree because of unexpected market behavior as well as the expenses associated with creating the hedge.

In addition, using an investment in US12OF as a hedge for changes in energy costs (*e.g.*, investing in crude oil, heating oil, gasoline, natural gas or other fuels, or electricity) may not correlate because changes in the spot price of crude oil may vary from changes in energy costs because the spot price may not be at the same rate as changes in the price of other energy products, and, in any case, the price of crude oil does not reflect the refining, transportation, and other costs that may impact the hedgor's energy costs.

Because US12OF's portfolio will typically hold as many as 12 different oilfutures contracts at all times, fir28 that m

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**An investment in US12OF may provide you little or no diversification benefits. Thus, in a declining market, US12OF may have no gains to offset your losses from other investments, and you may suffer losses on your investment in US12OF at the same time you incur losses with respect to other asset classes.**

Historically, Oil Futures Contracts and Other Oil Interests have generally been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is a low statistically valid relationship between the performance of futures and other commodity interest transactions, on the one hand, and stocks or bonds, on the other hand. However, there can be no assurance that such non-correlation will continue during future periods.

If, contrary to historic patterns, US12OF's performance were to move in the same general direction as the financial markets, you will obtain little or no diversification benefits from an investment in the units. In such a case, US12OF may have no gains to offset your losses from other investments, and you may suffer losses on your investment in US12OF at the same time you incur losses with respect to other investments.

Variables such as drought, floods, weather, embargoes, tariffs and other political events may have a larger impact on crude oil prices and crude oil-linked instruments, including Oil Futures Contracts and Other Oil Interests, than on traditional securities. These additional variables may create additional investment risks that subject US12OF's investments to greater volatility than investments in traditional securities.

Non-correlation should not be confused with negative correlation, where the performance of two asset classes would be opposite of each other. There is no historic evidence that the spot price of crude oil and prices of other financial assets, such as stocks and bonds, are negatively correlated. In the absence of negative correlation, US12OF cannot be expected to be automatically profitable during unfavorable periods for the stock market, or vice versa.

## **US12OF's Operating Risks**

**US12OF is not a registered investment company so you do not have the protections of the Investment Company Act of 1940.**

US12OF is not an investment company subject to the Investment Company Act of 1940. Accordingly, you do not have the protections afforded by that statute which, for example, requires investment companies to have a majority of disinterested directors and regulates the relationship between the investment company and its investment manager.

**The General Partner is leanly staffed and relies heavily on key personnel to manage trading activities.**

In managing and directing the day-to-day activities and affairs of US12OF, the General Partner relies heavily on Mr. Nicholas Gerber, Mr. John Love and Mr. John Hyland. If Mr. Gerber, Mr. Love, or Mr. Hyland were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of US12OF. Furthermore, Mr. Gerber, Mr. Love and Mr. Hyland currently are involved in the management of USOF, the United States Natural Gas Fund, LP ( USNG ), the United States Gasoline Fund, LP ( UGA ) and the United States Heating Oil Fund, LP ( USHO ) (collectively, the Related Public Funds ). The General Partner is currently in the process of registering two other exchange traded security funds, United States Short Oil Fund, LP ( USSO ), and United States 12 Month Natural Gas Fund, LP ( US12NG ). Mr. Gerber is also employed by Ameristock Corporation, a registered



investment adviser that manages a public mutual fund. It is estimated that Mr. Gerber will spend approximately 50% of his time on US12OF and Related Public Fund matters. Mr. Hyland will spend approximately 85% of his time on US12OF and Related Public Fund matters. To the extent that the General Partner establishes additional funds, even greater demands will be placed on Mr. Gerber, Mr. Love and Mr. Hyland, as well as the other officers of the General Partner, including Mr. Howard Mah, the Chief Financial Officer, and its Board of Directors.

**Accountability levels, position limits, and daily price fluctuation limits set by the exchanges have the potential to cause a tracking error, which could cause the price of units to substantially vary from the price of the Benchmark Futures Contracts and prevent you from being able to effectively use US12OF as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.**

U.S. designated contract markets such as the NYMEX have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by US12OF is not)

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may hold, own or control. For example, the current accountability level for investments at any one time in the Benchmark Oil Futures Contracts is 20,000. While this is not a fixed ceiling, it is a threshold above which the NYMEX may exercise greater scrutiny and control over an investor, including limiting an investor to holding no more than 20,000 Benchmark Oil Futures Contracts. With regard to position limits, the NYMEX limits an investor from holding more than 3,000 net futures in the last 3 days of trading in the near month contract to expire.

In addition to accountability levels and position limits, the NYMEX also sets daily price fluctuation limits on futures contracts. The daily price fluctuation limit establishes the maximum amount that the price of futures contract may vary either up or down from the previous day's settlement price. Once the daily price fluctuation limit has been reached in a particular futures contract, no trades may be made at a price beyond that limit.

For example, the NYMEX imposes a \$10.00 per barrel (\$10,000 per contract) price fluctuation limit for Benchmark Oil Futures Contracts. This limit is initially based off of the previous trading day's settlement price. If any Benchmark Oil Futures Contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes it begins at the point where the limit was imposed and the limit is reset to be \$10.00 per barrel in either direction of that point. If another halt were triggered, the market would continue to be expanded by \$10.00 per barrel in either direction after each successive five-minute trading halt. There is no maximum price fluctuation limit during any one trading session.

All of these limits may potentially cause a tracking error between the price of the units and the price of the Benchmark Oil Futures Contracts. This may in turn prevent you from being able to effectively use US12OF as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.

US12OF is not limiting the size of the offering and is committed to utilizing substantially all of its proceeds to purchase Oil Futures Contracts and Other Oil Interests. If US12OF encounters accountability levels, position limits, or price fluctuation limits for Oil Futures Contracts on the NYMEX, it may then, if permitted under applicable regulatory requirements, purchase Oil Futures Contracts on the ICE Futures (formerly, the International Petroleum Exchange) or other exchanges that trade listed crude oil futures. The Oil Futures Contracts available on the ICE Futures are

The General Partner is leanly staffed and relies heavily on key personnel to manage trading activities. 25

comparable to the contracts on the NYMEX, but they may have different underlying commodities, sizes, deliveries, and prices. In addition, the Oil Futures Contracts available on the ICE Futures may be subject to accountability levels and position limits.

**There are technical and fundamental risks inherent in the trading system the General Partner intends to employ.**

The General Partner's trading system is quantitative in nature and it is possible that the General Partner might make a mathematical error. In addition, it is also possible that a computer or software program may malfunction and cause an error in computation.

**To the extent that the General Partner uses spreads and straddles as part of its trading strategy, there is the risk that the NAV may not closely track the changes in the Benchmark Oil Futures Contracts.**

Spreads combine simultaneous long and short positions in related futures contracts that differ by commodity (e.g., long crude oil and short gasoline), by market (long WTI crude futures, short Brent crude futures), or by delivery month (long December, short November). Spreads gain or lose value as a result of relative changes in price between the long and short positions. Spreads often reduce risk to investors, because the contracts tend to move up or down together. However, both legs of the spread could move against an investor simultaneously, in which case the spread would lose value. Certain types of spreads may face unlimited risk because the short contract can increase by an unlimited amount and the investor would have to take delivery or offset at any price.

A commodity straddle takes both long and short option positions in the same commodity in the same market and delivery month simultaneously. The buyer of a straddle profits if either the long or the short leg of the straddle moves further than the combined cost of both options. The seller of a straddle profits if both the long and short positions do not trade beyond a range equal to the combined premium for selling both options.

If the General Partner were to utilize a spread or straddle position and the spread performed differently than expected, the results could impact US12OF's tracking error. This could affect US12OF's investment

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objective of having is NAV closely track the changes in the Benchmark Oil Futures Contracts. Additionally, a loss on a spread position would negatively impact US12OF's absolute return.

**US12OF and the General Partner may have conflicts of interest, which may permit them to favor their own interests to your detriment.**

US12OF and the General Partner may have inherent conflicts to the extent the General Partner attempts to maintain US12OF's asset size in order to preserve its fee income and this may not always be consistent with US12OF's objective of having the value of its unit's NAV track changes in the Benchmark Oil Futures Contracts. The General Partner's officers, directors and employees do not devote their time exclusively to US12OF. These persons are directors, officers or employees of other entities that may compete with US12OF for their services. They could have a conflict between their responsibilities to US12OF and to those other entities.

Accountability levels, position limits, and daily price fluctuation limits set by the exchanges have the potential to cause

In addition, the General Partner's principals, officers, directors or employees may trade futures and related contracts for their own account. A conflict of interest may exist if their trades are in the same markets and at the same time as US12OF trades using the clearing broker to be used by US12OF. A potential conflict also may occur if the General Partner's principals, officers, directors or employees trade their accounts more aggressively or take positions in their accounts which are opposite, or ahead of, the positions taken by US12OF.

The General Partner has sole current authority to manage the investments and operations of US12OF, and this may allow it to act in a way that furthers its own interests which may create a conflict with your best interests. Limited partners have limited voting control, which will limit the ability to influence matters such as amendment of the LP Agreement, change in US12OF's basic investment policy, dissolution of this fund, or the sale or distribution of US12OF's assets.

The General Partner serves as the general partner to each of US12OF and the Related Public Funds, and will serve as the general partner for USSO and US12NG, if such other funds offer their securities to the public or begin operations. The General Partner may have a conflict to the extent that its trading decisions for US12OF may be influenced by the effect they would have on the other funds it manages. These trading decisions may be influenced since the General Partner also serves as the general partner for all of the funds, and is required to meet all of the funds' investment objectives as well as US12OF's. If the General Partner believes that a trading decision it made on behalf of US12OF might (i) impede its other funds from reaching their investment objectives, or (ii) improve the likelihood of meeting its other funds' objectives, then the General Partner may choose to change its trading decision for US12OF, which could either impede or improve the opportunity for US12OF to meet its investment objective. In addition, the General Partner is required to indemnify the officers and directors of its other funds if the need for indemnification arises. This potential indemnification will cause the General Partner's assets to decrease. If the General Partner's other sources of income are not sufficient to compensate for the indemnification, then the General Partner may terminate and you could lose your investment.

**Unitholders may only vote on the removal of the General Partner and limited partners have only limited voting rights. Unitholders and limited partners will not participate in the management of US12OF and do not control the General Partner so they will not have influence over basic matters that affect US12OF.**

Unitholders that have not applied to become limited partners have no voting rights, other than to remove the General Partner. Limited partners will have limited voting rights with respect to US12OF's affairs. Unitholders may remove the General Partner only if 66 2/3% of the unitholders elect to do so. Unitholders and limited partners will not be permitted to participate in the management or control of US12OF or the conduct of its business. Unitholders and limited partners must therefore rely upon the duties and judgment of the General Partner to manage US12OF's affairs.

**The General Partner may manage a large amount of assets and this could affect US12OF's ability to trade profitably.**

Increases in assets under management may affect trading decisions. In general, the General Partner does not intend to limit the amount of assets of US12OF that it may manage. The more assets the General Partner

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manages, the more difficult it may be for it to trade profitably because of the difficulty of trading larger positions without adversely affecting prices and performance and of managing risk associated with larger positions.

**US12OF could terminate at any time and cause the liquidation and potential loss of your investment and could upset the overall maturity and timing of your investment portfolio.**

US12OF may terminate at any time, regardless of whether US12OF has incurred losses, subject to the terms of the LP Agreement. In particular, unforeseen circumstances, including the death, adjudication of incompetence, bankruptcy, dissolution, or removal of the General Partner could cause US12OF to terminate unless a majority interest of the limited partners within 90 days of the event elects to continue the partnership and appoints a successor general partner, or the affirmative vote of a majority interest of the limited partners subject to conditions. However, no level of losses will require the General Partner to terminate US12OF. US12OF's termination would cause the liquidation and potential loss of your investment. Termination could also negatively affect the overall maturity and timing of your investment portfolio.

**Limited partners may not have limited liability in certain circumstances, including potentially having liability for the return of wrongful distributions.**

Under Delaware law, a limited partner might be held liable for our obligations as if it were a General Partner if the limited partner participates in the control of the partnership's business and the persons who transact business with the partnership think the limited partner is the General Partner.

A limited partner will not be liable for assessments in addition to its initial capital investment in any of our capital securities representing limited partnership interests. However, a limited partner may be required to repay to us any amounts wrongfully returned or distributed to it under some circumstances. Under Delaware law, we may not make a distribution to limited partners if the distribution causes our liabilities (other than liabilities to partners on account of their partnership interests and nonrecourse liabilities) to exceed the fair value of our assets. Delaware law provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution violated the law will be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution.

**With adequate notice, a limited partner may be required to withdraw from the partnership for any reason.**

If the General Partner gives at least fifteen (15) days' written notice to a limited partner, then the General Partner may for any reason, in its sole discretion, require any such limited partner to withdraw entirely from the partnership or to withdraw a portion of its partner capital account. The General Partner may require withdrawal even in situations where the limited partner has complied completely with the provisions of the LP Agreement.

**US12OF's existing units are, and any units US12OF issues in the future will be, subject to restrictions on transfer. Failure to satisfy these requirements will preclude you from being able to have all the rights of a limited partner.**

No transfer of any unit or interest therein may be made if such transfer would (a) violate the then applicable federal or state securities laws or rules and regulations of the SEC, any state securities commission, the CFTC or any other governmental authority with jurisdiction over such transfer, or (b) cause US12OF to be taxable as a corporation or affect US12OF's existence or qualification as a limited partnership. In addition, investors may only become limited partners if they transfer their units to purchasers that meet certain conditions outlined in the LP Agreement, which provides that each record holder or limited partner or unitholder applying to become a limited partner (each a record holder) may be required by the General Partner to furnish certain information, including that holder's nationality,

citizenship or other related status. A transferee who is not a U.S. resident may not be eligible to become a record holder or a limited partner if its ownership would subject US12OF to the risk of cancellation or forfeiture of any of its assets under any federal, state or local law or regulation. All purchasers of US12OF's units, who wish to become limited partners or record holders, and receive cash distributions, if any, or have certain other rights, must deliver an executed transfer application in which the purchaser or transferee must certify that, among other things, he, she or it agrees to be bound by US12OF's LP Agreement and is eligible to purchase US12OF's securities. Any transfer of units will not be recorded by the transfer agent or recognized by us unless a completed transfer application is delivered

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to the General Partner or the Administrator. A person purchasing US12OF's existing units, who does not execute a transfer application and certify that the purchaser is eligible to purchase those securities acquires no rights in those securities other than the right to resell those securities. Whether or not a transfer application is received or the consent of the General Partner obtained, our units will be securities and will be transferable according to the laws governing transfers of securities. See Transfer of Units.

### **US12OF does not expect to make cash distributions.**

The General Partner has not previously made any cash distributions and intends to re-invest any realized gains in additional oil interests rather than distributing cash to limited partners. Therefore, unlike mutual funds, commodity pools or other investment pools that actively manage their investments in an attempt to realize income and gains from their investing activities and distribute such income and gains to their investors, US12OF generally does not expect to distribute cash to limited partners. You should not invest in US12OF if you will need cash distributions from US12OF to pay taxes on your share of income and gains of US12OF, if any, or for any other reason. Although US12OF does not intend to make cash distributions, the income earned from its investments held directly or posted as margin may reach levels that merit distribution, e.g., at levels where such income is not necessary to support its underlying investments in Crude Oil Interests and investors adversely react to being taxed on such income without receiving distributions that could be used to pay such tax. If this income becomes significant then cash distributions may be made.

### **There is a risk that US12OF will not earn trading gains sufficient to compensate for the fees and expenses that it must pay and as such US12OF may not earn any profit.**

US12OF pays brokerage charges of approximately 0.03% (including futures commission merchant fees of \$3.50 per buy or sell), any licensing fees for the use of intellectual property, registration fees with the SEC, FINRA, or other regulatory agency in connection with offers and sales of the units subsequent to the initial offering of the units including the legal, printing, accounting and other expenses associated therewith. US12OF also pays the fees and expenses, including directors and officers liability insurance, of the independent directors, management fees of 0.60% of NAV on its average net assets, tax accounting and reporting costs and over-the-counter spreads and extraordinary expenses (*i.e.*, expenses not in the ordinary course of business, including the indemnification of any person against liabilities and obligations to the extent permitted by law and required under the LP Agreement and under agreements entered into by the General Partner on US12OF's behalf and the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expenses and the settlement of claims and litigation) that can not be quantified. These fees and expenses must be paid in all cases regardless of whether US12OF's activities are profitable. Accordingly, US12OF must earn trading gains sufficient to compensate for these fees and expenses before it can earn any profit.

US12OF's existing units are, and any units US12OF issues in the future will be, subject to restrictions on transfer. F

**US12OF has historically depended upon its affiliates to pay all its expenses. If this offering of units does not raise sufficient funds to pay US12OF's future expenses and no other source of funding of expenses is found, US12OF may be forced to terminate and investors may lose all or a part of their investment.**

Prior to the offering of units that commenced on December 6, 2007, all of US12OF's expenses were funded by the General Partner and its affiliates. These payments by the General Partner and its affiliates were designed to allow US12OF the ability to commence the public offering of its units. US12OF now directly pays certain of these fees and expenses. The General Partner will continue to pay other fees and expenses, as set forth in the LP Agreement. If the General Partner and US12OF are unable to raise sufficient funds to cover their expenses or locate any other source of funding, US12OF may be forced to terminate and investors may lose all or part of their investment.

**US12OF may incur higher fees and expenses upon renewing existing or entering into new contractual relationships.**

The clearing arrangements between the clearing brokers and US12OF generally are terminable by the clearing brokers once the clearing broker has given US12OF notice. Upon termination, the General Partner may be required to renegotiate or make other arrangements for obtaining similar services if US12OF intends to continue trading in Oil Futures Contracts or Other Oil Interests at its present level of capacity. The services of any clearing broker may not be available, or even if available, these services may not be available on the terms as favorable as those of the expired or terminated clearing arrangements.

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**US12OF may miss certain trading opportunities because it will not receive the benefit of the expertise of independent trading advisors.**

The General Partner does not employ trading advisors for US12OF; however, it reserves the right to employ them in the future. The only advisor to US12OF is the General Partner. A lack of independent trading advisors may be disadvantageous to US12OF because it will not receive the benefit of a trading advisor's expertise.

**An unanticipated number of redemption requests during a short period of time could have an adverse effect on the NAV of US12OF.**

If a substantial number of requests for redemption of Redemption Baskets are received by US12OF during a relatively short period of time, US12OF may not be able to satisfy the requests from US12OF's assets not committed to trading. As a consequence, it could be necessary to liquidate positions in US12OF's trading positions before the time that the trading strategies would otherwise dictate liquidation.

**The failure or bankruptcy of a clearing broker could result in a substantial loss of US12OF's assets.**

Under CFTC regulations, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of a substantial loss of their funds in the event of that clearing broker's bankruptcy. In that event, the

US12OF has historically depended upon its affiliates to pay all its expenses. If this offering of units does not raise sufficient

clearing broker's customers, such as US12OF, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers.

The bankruptcy of a clearing broker could result in the complete loss of US12OF's assets posted with the clearing broker; however, the vast majority of US12OF's assets are held in Treasuries, cash and/or cash equivalents with US12OF's custodian and would not be impacted by the bankruptcy of a clearing broker. US12OF also may be subject to the risk of the failure of, or delay in performance by, any exchanges and markets and their clearing organizations, if any, on which commodity interest contracts are traded.

From time to time, the clearing brokers may be subject to legal or regulatory proceedings in the ordinary course of their business. A clearing broker's involvement in costly or time-consuming legal proceedings may divert financial resources or personnel away from the clearing broker's trading operations, which could impair the clearing broker's ability to successfully execute and clear US12OF's trades.

### **The failure or insolvency of US12OF's custodian could result in a substantial loss of US12OF's assets.**

As noted above, the vast majority of US12OF's assets are held in Treasuries, cash and/or cash equivalents with US12OF's custodian. The insolvency of the custodian could result in a complete loss of US12OF's assets held by that custodian, which, at any given time, would likely comprise a substantial portion of US12OF's total assets.

### **Third parties may infringe upon or otherwise violate intellectual property rights or assert that the General Partner has infringed or otherwise violated their intellectual property rights, which may result in significant costs and diverted attention.**

Third parties may utilize US12OF's intellectual property or technology, including the use of its business methods, trademarks and trading program software, without permission. The General Partner has a patent pending for US12OF's business method and it is registering its trademarks. US12OF does not currently have any proprietary software. However, if it obtains proprietary software in the future, then any unauthorized use of US12OF's proprietary software and other technology could also adversely affect its competitive advantage. US12OF may have difficulty monitoring unauthorized uses of its patents, trademarks, proprietary software and other technology. Also, third parties may independently develop business methods, trademarks or proprietary software and other technology similar to that of the General Partner or claim that the General Partner has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, the General Partner may have to litigate in the future to protect its trade secrets, determine the validity and scope of other parties' proprietary rights, defend itself against claims that it has infringed or otherwise violated other parties' rights, or defend itself against claims that its rights are invalid. Any litigation of this type, even if the General Partner is successful and regardless of the merits, may result in significant costs, divert its resources from US12OF, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements.

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**The success of US12OF depends on the ability of the General Partner to accurately implement trading systems, and any failure to do so could subject US12OF to losses on such transactions.**

The General Partner uses mathematical formulas built into a generally available spreadsheet program to decide whether it should buy or sell oil interests each day. Specifically, the General Partner uses the spreadsheet to make mathematical calculations and to monitor positions in oil interests and Treasuries and correlations to the spot price of light, sweet crude oil. The General Partner must accurately process the spreadsheets' outputs and execute the transactions called for by the formulas. In addition, US12OF relies on the General Partner to properly operate and maintain its computer and communications systems. Execution of the formulas and operation of the systems are subject to human error. Any failure, inaccuracy or delay in implementing any of the formulas or systems and executing US12OF's transactions could impair its ability to achieve US12OF's investment objective. It could also result in decisions to undertake transactions based on inaccurate or incomplete information. This could cause substantial losses on transactions.

**US12OF may experience substantial losses on transactions if the computer or communications system fails.**

US12OF's trading activities, including its risk management, depend on the integrity and performance of the computer and communications systems supporting them. Extraordinary transaction volume, hardware or software failure, power or telecommunications failure, a natural disaster or other catastrophe could cause the computer systems to operate at an unacceptably slow speed or even fail. Any significant degradation or failure of the systems that the General Partner uses to gather and analyze information, enter orders, process data, monitor risk levels and otherwise engage in trading activities may result in substantial losses on transactions, liability to other parties, lost profit opportunities, damages to the General Partner's and US12OF's reputations, increased operational expenses and diversion of technical resources.

**If the computer and communications systems are not upgraded, US12OF's financial condition could be harmed.**

The development of complex computer and communications systems and new technologies may render the existing computer and communications systems supporting US12OF's trading activities obsolete. In addition, these computer and communications systems must be compatible with those of third parties, such as the systems of exchanges, clearing brokers and the executing brokers. As a result, if these third parties upgrade their systems, the General Partner will need to make corresponding upgrades to continue effectively its trading activities. US12OF's future success will depend on US12OF's ability to respond to changing technologies on a timely and cost-effective basis.

**US12OF depends on the reliable performance of the computer and communications systems of third parties, such as brokers and futures exchanges, and may experience substantial losses on transactions if they fail.**

US12OF depends on the proper and timely function of complex computer and communications systems maintained and operated by the futures exchanges, brokers and other data providers that the General Partner uses to conduct trading activities. Failure or inadequate performance of any of these systems could adversely affect the General Partner's ability to complete transactions, including its ability to close out positions, and result in lost profit opportunities and significant losses on commodity interest transactions. This could have a material adverse effect on revenues and materially reduce US12OF's available capital. For example, unavailability of price quotations from third parties may make it difficult or impossible for the General Partner to use its proprietary software that it relies upon to conduct its trading activities. Unavailability of records from brokerage firms may make it difficult or impossible for the General Partner to accurately determine which transactions have been executed or the details, including price and time, of any transaction executed. This unavailability of information also may make it difficult or impossible for the General Partner to reconcile its records of transactions with those of another party or to accomplish settlement of executed transactions.



**The occurrence of a terrorist attack, or the outbreak, continuation or expansion of war or other hostilities could disrupt US12OF's trading activity and materially affect US12OF's profitability.**

The operations of US12OF, the exchanges, brokers and counterparties with which US12OF does business, and the markets in which US12OF does business could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities. The terrorist attacks of September 11, 2001 and the war in Iraq, global anti-terrorism initiatives and political unrest in the Middle East and Southeast Asia continue to fuel this concern.

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## **Risk of Leverage and Volatility**

**If the General Partner permits US12OF to become leveraged, you could lose all or substantially all of your investment if US12OF's trading positions suddenly turn unprofitable.**

Commodity pools' trading positions in futures contracts or other commodity interests are typically required to be secured by the deposit of margin funds that represent only a small percentage of a futures contract's (or other commodity interests') entire market value. This feature permits commodity pools to leverage their assets by purchasing or selling futures contracts (or other commodity interests) with an aggregate value in excess of the commodity pool's assets. While this leverage can increase the pool's profits, relatively small adverse movements in the price of the pool's futures contracts can cause significant losses to the pool. While the General Partner has not and does not intend to leverage US12OF's assets, it is not prohibited from doing so under the LP Agreement or otherwise.

**The price of crude oil is volatile which could cause large fluctuations in the price of units.**

Movements in the price of crude oil may be the result of factors outside of the General Partner's control and may not be anticipated by the General Partner. For example, price movements for barrels of oil are influenced by, among other things:

- changes in interest rates;
- actions by oil producing countries such as the OPEC countries;
- governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies;
- weather and climate conditions;
- changing supply and demand relationships, including but not limited to increased demand by other countries such as China;
- changes in balances of payment and trade;
- U.S. and international rates of inflation;
- currency devaluations and revaluations;
- U.S. and international political and economic events; and
- changes in philosophies and emotions of market participants.

## **Over-the-Counter Contract Risk**

### **Over-the-counter transactions are subject to little, if any, regulation.**

A portion of US12OF's assets may be used to trade over-the-counter crude oil interest contracts, such as forward contracts or swap or spot contracts. Over-the-counter contracts are typically traded on a principal-to-principal basis through dealer markets that are dominated by major money center and investment banks and other institutions and are essentially unregulated by the CFTC. You therefore do not receive the protection of CFTC regulation or the statutory scheme of the Commodity Exchange Act in connection with this trading activity by US12OF. The markets for over-the-counter contracts rely upon the integrity of market participants in lieu of the additional regulation imposed by the CFTC on participants in the futures markets. The lack of regulation in these markets could expose US12OF in certain circumstances to significant losses in the event of trading abuses or financial failure by participants.

### **US12OF will be subject to credit risk with respect to counterparties to over-the-counter contracts entered into by US12OF or held by special purpose or structured vehicles.**

US12OF also faces the risk of non-performance by the counterparties to the over-the-counter contracts. Unlike in futures contracts, the counterparty to these contracts is generally a single bank or other financial institution, rather than a clearing organization backed by a group of financial institutions. As a result, there will be greater counterparty credit risk in these transactions. A counterparty may not be able to meet its obligations to US12OF, in which case US12OF could suffer significant losses on these contracts.

If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, US12OF may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. US12OF may obtain only limited recovery or may obtain no recovery in such circumstances.

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### **US12OF may be subject to liquidity risk with respect to its over-the-counter contracts.**

Over-the-counter contracts may have terms that make them less marketable than Oil Futures Contracts. Over-the-counter contracts are less marketable because they are not traded on an exchange, do not have uniform terms and conditions, and are entered into based upon the creditworthiness of the parties and the availability of credit support, such as collateral, and in general, they are not transferable without the consent of the counterparty. These conditions diminish the ability to realize the full value of such contracts.

## **Risk of Trading in International Markets**

### **Trading in international markets would expose US12OF to credit and regulatory risk.**

The General Partner invests primarily in Oil Futures Contracts, a significant portion of which will be on United States exchanges including the NYMEX. However, a portion of US12OF's trades may take place on markets and exchanges

outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. None of the CFTC, NFA, or any domestic exchange regulates activities of any foreign boards of trade or exchanges, including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws.

Similarly, the rights of market participants, such as US12OF, in the event of the insolvency or bankruptcy of a non-U.S. market or broker are also likely to be more limited than in the case of U.S. markets or brokers. As a result, in these markets, US12OF has less legal and regulatory protection than it does when it trades domestically.

In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes US12OF to credit risk. Trading in non-U.S. markets also leaves US12OF susceptible to swings in the value of the local currency against the U.S. dollar.

Additionally, trading on non-U.S. exchanges is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets.

### **International trading activities subject US12OF to foreign exchange risk.**

The price of any non-U.S. Oil Futures Contract, options on any non-U.S. Oil Futures Contract or other non-U.S. Other Oil Interest and, therefore, the potential profit and loss on such contract, may be affected by any variance in the foreign exchange rate between the time the order is placed and the time it is liquidated, offset or exercised. As a result, changes in the value of the local currency relative to the U.S. dollar may cause losses to US12OF even if the contract traded is profitable.

### **US12OF s international trading could expose it to losses resulting from non-U.S. exchanges that are less developed or less reliable than United States exchanges.**

Some non-U.S. exchanges also may be in a more developmental stage so that prior price histories may not be indicative of current price dynamics. In addition, US12OF may not have the same access to certain positions on foreign trading exchanges as do local traders, and the historical market data on which the General Partner bases its strategies may not be as reliable or accessible as it is for U.S. exchanges.

## **Tax Risk**

Please refer to [U.S. Federal Income Tax Considerations](#) for information regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of units.

### **Your tax liability may exceed the amount of distributions, if any, on your units.**

Cash or property will be distributed at the sole discretion of the General Partner. The General Partner has not and does not intend to make cash or other distributions with respect to units. You will be required to pay U.S. federal income tax and, in some cases, state, local, or foreign income tax, on your allocable share of US12OF s taxable income, without regard to whether you receive distributions or the amount of any distributions. Therefore, your tax liability with respect to your units may exceed the amount of cash or value of property (if any) distributed.

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**Your allocable share of taxable income or loss may differ from your economic income or loss on your units.**

Due to the application of the assumptions and conventions applied by US12OF in making allocations for tax purposes and other factors, your allocable share of US12OF's income, gain, deduction or loss may be different than your economic profit or loss from your units for a taxable year. This difference could be temporary or permanent and, if permanent, could result in your being taxed on amounts in excess of your economic income.

**Items of income, gain, deduction, loss and credit with respect to units could be reallocated if the IRS does not accept the assumptions and conventions applied by US12OF in allocating those items, with potential adverse consequences for you.**

The U.S. tax rules pertaining to partnerships are complex and their application to large, publicly traded partnerships such as US12OF is in many respects uncertain. US12OF will apply certain assumptions and conventions in an attempt to comply with the intent of the applicable rules and to report taxable income, gains, deductions, losses and credits in a manner that properly reflects unitholders' economic gains and losses. These assumptions and conventions may not fully comply with all aspects of the Internal Revenue Code ( Code ) and applicable Treasury Regulations, however, and it is possible that the U.S. Internal Revenue Service will successfully challenge our allocation methods and require us to reallocate items of income, gain, deduction, loss or credit in a manner that adversely affects you. If this occurs, you may be required to file an amended tax return and to pay additional taxes plus deficiency interest.

**We could be treated as a corporation for federal income tax purposes, which may substantially reduce the value of your units.**

US12OF has received an opinion of counsel that, under current U.S. federal income tax laws, US12OF will be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, provided that (i) at least 90 percent of US12OF's annual gross income consists of qualifying income as defined in the Code, (ii) US12OF is organized and operated in accordance with its governing agreements and applicable law and (iii) US12OF does not elect to be taxed as a corporation for federal income tax purposes. Although the General Partner anticipates that US12OF has satisfied and will continue to satisfy the qualifying income requirement for all of its taxable years, that result cannot be assured. US12OF has not requested and will not request any ruling from the IRS with respect to its classification as a partnership not taxable as a corporation for federal income tax purposes. If the IRS were to successfully assert that US12OF is taxable as a corporation for federal income tax purposes in any taxable year, rather than passing through its income, gains, losses and deductions proportionately to unitholders, US12OF would be subject to tax on its net income for the year at corporate tax rates. In addition, although the General Partner does not currently intend to make distributions with respect to units, any distributions would be taxable to unitholders as dividend income. Taxation of US12OF as a corporation could materially reduce the after-tax return on an investment in units and could substantially reduce the value of your units.

**PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE POSSIBLE TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN UNITS; SUCH TAX CONSEQUENCES MAY**

## DIFFER IN RESPECT OF DIFFERENT INVESTORS.

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## THE OFFERING

### What is US12OF?

US12OF is a Delaware limited partnership organized on June 27, 2007. US12OF maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. US12OF is a commodity pool. It operates pursuant to the terms of the LP Agreement, which grants full management control to the General Partner.

US12OF is a publicly traded limited partnership which seeks to have the changes in percentage terms of its units NAV track the changes in percentage terms in the price of light, sweet crude oil as traded in the United States. US12OF invests in a mixture of listed crude oil futures contracts, other non-listed oil related investments, Treasuries, cash and cash equivalents. US12OF began trading on the American Stock Exchange on December 6, 2007. As of December 31, 2008, US12OF had total net assets of \$6,247,578 and had outstanding units of 200,000.

### Who is the General Partner?

Our sole General Partner is United States Commodity Funds LLC, a single member limited liability company that was formed in the state of Delaware on May 10, 2005. Prior to June 13, 2008 the General Partner was known as Victoria Bay Asset Management, LLC. It maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The General Partner is a wholly-owned subsidiary of Wainwright Holdings, Inc., a Delaware corporation ( Wainwright ). Mr. Nicholas Gerber (discussed below) controls Wainwright by virtue of his ownership of Wainwright s shares. Wainwright is a holding company that also owns an insurance company organized under Bermuda law (currently being liquidated) and a registered investment adviser firm named Ameristock Corporation. The General Partner is a member of the NFA and is registered with the CFTC as of December 1, 2005. The General Partner s registration as a CPO with the NFA was approved on December 1, 2005.

The General Partner also manages the Related Public Funds. USOF is a commodity pool and issues units traded on the NYSE Arca. The investment objective of USOF is for the changes in percentage terms of its units NAV to reflect the changes in percentage terms in the spot price of light, sweet crude oil as traded in the United States. USOF may invest in a mixture of listed crude oil futures contracts, other non-listed oil related investments, Treasuries, cash and cash equivalents. USOF began trading on April 10, 2006. As of December 31, 2008, USOF had total net assets of \$2,569,623,931 and had outstanding units of 74.9 million. USOF employs an investment strategy in its operations that is similar to the investment strategy of US12OF, except that its benchmark is a single futures month s contract, the near month contract for light, sweet crude oil delivered to Cushing, Oklahoma.

USNG is a commodity pool and issues units traded on the NYSE Arca. The investment objective of USNG is for the changes in percentage terms of its units NAV to reflect the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana, as measured by the changes in the price of the futures contract on natural gas traded on the NYMEX, less USNG s expenses. USNG may invest in a mixture of listed natural gas futures contracts, other non-listed natural gas futures contracts, other non-listed natural gas-related investments, Treasuries, cash and cash equivalents. USNG began trading on April 18, 2007. As of December 31, 2008, USNG had total net assets of \$695,714,510 and had outstanding units of 29.3 million. USNG employs an investment strategy in its operations that

is similar to the investment strategy of US12OF, except its benchmark is the near month contract for natural gas delivered at the Henry Hub, Louisiana.

UGA is a commodity pool and issues units traded on the NYSE Arca. The investment objective of UGA is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms of the price of unleaded gasoline delivered to the New York harbor, as measured by the changes in the price of the futures contract on gasoline traded on the NYMEX, less UGA's expenses. UGA may invest in a mixture of listed gasoline futures contracts, other non-listed gasoline futures contracts, other non-listed gasoline-related investments, Treasuries, cash and cash equivalents. UGA began trading on February 26, 2008. As of December 31, 2008, UGA had total net assets of \$20,209,419 and had outstanding units of 500,000. UGA employs an investment strategy in its operations that is similar to the investment strategy of US12OF, except that its benchmark is the near month contract for unleaded gasoline traded on the NYMEX.

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USHO is a commodity pool and issues units traded on the NYSE Arca. The investment objective of USHO is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms of the price of heating oil for delivery to the New York harbor, as measured by the changes in the price of the futures contract on heating oil traded on the NYMEX, less USHO's expenses. USHO may invest in a mixture of listed heating oil futures contracts, other non-listed heating oil futures contracts, other non-listed heating oil-related investments, Treasuries, cash and cash equivalents. USHO began trading on April 9, 2008. As of December 31, 2008, USHO had total net assets of \$4,387,898 and had outstanding units of 100,000. USHO employs an investment strategy in its operations that is similar to the investment strategy of US12OF, except that its benchmark is the near month contract for heating oil delivered to the New York harbor.

The General Partner is currently in the process of registering the units of two other exchange traded security funds, USSO and US12NG. USSO will be a publicly traded limited partnership which seeks to have the changes in percentage terms of its units' NAV inversely reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of the futures contract on light, sweet crude oil as traded on the NYMEX that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire, less USSO's expenses. US12NG will be a publicly traded limited partnership which seeks to have the changes in percentage terms of its units' NAV track the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana, as measured by the changes in the average of the prices of 12 futures contracts on natural gas traded on the NYMEX, consisting of the near month contract to expire and the contracts for the following eleven months, for a total of 12 consecutive months' contracts.

The General Partner is required to evaluate the credit risk of US12OF to the futures commission merchant, oversee the purchase and sale of US12OF's units by certain Authorized Purchasers, review daily positions and margin requirements of US12OF, and manage US12OF's investments. The General Partner also pays the fees of the Marketing Agent, the Administrator, and the Custodian.

Limited partners have no right to elect the General Partner on an annual or any other continuing basis. If the General Partner voluntarily withdraws, however, the holders of a majority of its outstanding limited partner interests (excluding for purposes of such determination interests owned by the withdrawing General Partner and its affiliates) may elect its successor. The General Partner may not be removed as general partner except upon approval by the affirmative vote of the holders of at least 66 2/3 percent of our outstanding limited partnership interests (excluding limited partnership interests owned by the General Partner and its affiliates), subject to the satisfaction of certain conditions set forth in the LP Agreement.

The business and affairs of our General Partner are managed by a board of directors, which is comprised of four management directors some of whom are also its executive officers (the Management Directors ) and three independent directors who meet the independent director requirements established by the NYSE Arca and the Sarbanes-Oxley Act of 2002. Notwithstanding the foregoing, the Management Directors have the authority to manage the General Partner pursuant to its Limited Liability Company Agreement. The General Partner has an audit committee which is made up of the three independent directors (Peter M. Robinson, Gordon L. Ellis, and Malcolm R. Fobes III). The audit committee is governed by an audit committee charter that is posted on US12OF's website. Gordon L. Ellis and Malcolm R. Fobes III meet the financial sophistication requirements of the NYSE Arca and the audit committee charter.

Mr. Nicholas Gerber and Mr. Howard Mah serve as executive officers of the General Partner. US12OF has no executive officers. Its affairs are generally managed by the General Partner. The following individuals serve as Management & Directors of the General Partner.

**Nicholas Gerber** has been the President and CEO of the General Partner since June 9, 2005 and a Management Director of the General Partner since May 10, 2005. He maintains his main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. Mr. Gerber has acted as a portfolio manager for US12OF and the Related Public Funds since April 2006. Mr. Gerber will act as a portfolio manager for USSO and US12NG. He has been listed with the CFTC as a Principal of the General Partner since November 29,

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2005, and registered with the CFTC as an Associated Person of the General Partner on December 1, 2005. Currently, Mr. Gerber manages US12OF and the Related Public Funds. He will also manage USSO and US12NG.

Mr. Gerber has also served as Vice President/Chief Investment Officer of Lyon's Gate Reinsurance Company, Ltd. since June of 2003. Mr. Gerber has an extensive background in securities portfolio management and in developing investment funds that make use of indexing and futures contracts. He is also the founder of Ameristock Corporation, a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since March 1995. Since August 1995, Mr. Gerber has been the portfolio manager of the Ameristock Mutual Fund, Inc. a mutual fund registered under the Investment Company Act of 1940, focused on large cap U.S. equities that, as of December 31, 2008, had approximately \$188 million in assets. He has also been a Trustee for the Ameristock ETF Trust since June 2006, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. In these roles, Mr. Gerber has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Gerber has passed the Series 3 examination for associated persons. He holds an MBA in finance from the University of San Francisco and a BA from Skidmore College. Mr. Gerber is 46 years old.

**Howard Mah** has been a Management Director of the General Partner since May 10, 2005, Secretary of the General Partner since June 9, 2005, and Chief Financial Officer of the General Partner since May 23, 2006. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005. In these roles, Mr. Mah is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USSO and US12NG. Mr. Mah also serves as the General Partner's Chief Compliance Officer. He received a Bachelor of Education from the University of Alberta, in 1986 and an MBA from the University of San Francisco in 1988. He has been Secretary and Chief Compliance Officer of the Ameristock ETF Trust since February 2007, Chief Compliance Officer of Ameristock Corporation since January 2001, a tax & finance consultant in private practice since January 1995, Secretary of Ameristock Mutual Fund since June 1995 and Ameristock Focused Value Fund from December 2000 to January 2005, Chief Compliance Officer of Ameristock Mutual Fund since August 2004 and the

Co-Portfolio Manager of the Ameristock Focused Value Fund from December 2000 to January 2005. Mr. Mah is 44 years old.

**Andrew F. Ngim** has been a Management Director of the General Partner since May 10, 2005 and Treasurer of the General Partner since June 9, 2005. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005. As Treasurer of the General Partner, Mr. Ngim is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USSO and US12NG. He received a Bachelor of Arts from the University of California at Berkeley in 1983. Mr. Ngim has been Ameristock Corporation's Managing Director since January 1999 and co-portfolio manager of Ameristock Corporation since January 2000, Trustee of the Ameristock ETF Trust since February 2007, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. Mr. Ngim is 48 years old.

**Robert L. Nguyen** has been a Management Director of the General Partner since May 10, 2005. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005 and registered with the CFTC as an Associated Person on November 9, 2007. As a Management Director of the General Partner, Mr. Nguyen is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USSO and US12NG. He received a Bachelor of Science from California State University Sacramento in 1981. Mr. Nguyen has been the Managing Principal of Ameristock Corporation since January 2000. Mr. Nguyen is 49 years old.

The following individuals provide significant services to US12OF but are employed by the entities noted below.

**John P. Love** has acted as the Portfolio Operations Manager for US12OF and the Related Public Funds since January 2006 and is expected to be the Portfolio Operations Manager for USSO and US12NG. Mr. Love is also employed by the General Partner. He has been listed with the CFTC as a Principal of the General Partner since January 17, 2006. Mr. Love also served as the operations manager of Ameristock Corporation

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from October 2002 to January 2007, where he was responsible for back office and marketing activities for the Ameristock Mutual Fund and Ameristock Focused Value Fund and for the firm in general. Mr. Love holds a Series 3 license and registered with the CFTC as an Associated Person of the General Partner on December 1, 2005. He holds a BFA in cinema-television from the University of Southern California. Mr. Love is 37 years old.

**John T. Hyland, CFA** acts as a Portfolio Manager and as the Chief Investment Officer for the General Partner. Mr. Hyland is employed by the General Partner. He registered with the CFTC as an Associated Person of the General Partner on December 1, 2005, and has been listed with the CFTC as a Principal of the General Partner since January 17, 2006. Mr. Hyland became the Portfolio Manager for USOF, USNG, US12OF, UGA and USHO in April 2006, April 2007, December 2007, February 2008 and April 2008, respectively, and as Chief Investment Officer of the General Partner since January 2008, acts in such capacity on behalf of US12OF and the Related Public Funds. He is also expected to become the Portfolio Manager for USSO and US12NG. As part of his responsibilities for US12OF and the Related Public Funds, Mr. Hyland handles day-to-day trading, helps set investment policies, and oversees US12OF and the Related Public Funds activities with their futures commission brokers, custodian-administrator, and marketing agent. Mr. Hyland has an extensive background in portfolio management and research with both equity and fixed income securities, as well as in the development of new types of complex investment funds. In July 2001, Mr. Hyland founded Towerhouse Capital Management, LLC, a firm that provides portfolio management and new fund development expertise to non-U.S. institutional investors. Mr. Hyland has been, and remains, a Principal and Portfolio Manager for Towerhouse. From July 2001 to January 2002, Mr. Hyland was the Director of Global Property Securities Research for Roulac International, where he worked on the development of a hedge fund focused on global



real estate stocks. Mr. Hyland received his Chartered Financial Analyst ( CFA ) designation in 1994. From 1993 until 2003, Mr. Hyland was on the Board of Directors of the Security Analysts of San Francisco ( SASF ), a not-for-profit organization of investment management professionals. He served as the president of the SASF from 2001-2002. Mr.

Hyland is a member of the CFA Institute (formerly AIMR). He is also a member of the National Association of Petroleum Investment Analysts, a not-for-profit organization of investment professionals focused on the oil industry. He serves as an arbitrator for the Financial Industry Regulatory Authority ( FINRA ) as part of their dispute resolution program. He is a graduate of the University of California, Berkeley and received a BA in political science/international relations in 1982. Mr. Hyland is 49 years old.

The following individuals serve as independent directors of the General Partner.

**Peter M. Robinson** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of US12OF and the Related Public Funds and will serve on behalf of US12NG and USSO, if such funds commence operations. He has been listed with the CFTC as a Principal of the General Partner since December 2005. Mr. Robinson has been employed as a Research Fellow with the Hoover Institution since 1993. Mr. Robinson graduated from Dartmouth College in 1979 and Oxford University in 1982. Mr. Robinson spent six years in the White House, serving from 1982 to 1983 as chief speechwriter to Vice President George Bush and from 1983 to 1988 as special assistant and speechwriter to President Ronald Reagan. After the White House, Mr. Robinson received an MBA from the Stanford University Graduate School of Business. Mr. Robinson then spent a year in New York City with Fox Television. He spent a second year in Washington, D.C., with the Securities and Exchange Commission, where he served as the director of the Office of Public Affairs, Policy Evaluation, and Research. Mr. Robinson has also written three books and has been published in the *New York Times*, *Red Herring*, and *Forbes ASAP* and he is the editor of *Can Congress Be Fixed?: Five Essays on Congressional Reform* (Hoover Institution Press, 1995). Mr. Robinson is 51 years old.

**Gordon L. Ellis** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of US12OF and the Related Public Funds and will serve on behalf of US12NG and USSO, if such funds commence operations. Mr. Ellis has been Chairman of International Absorbents, Inc. since July 1988, President and Chief Executive Officer since November 1996 and a Class I Director of the company since July 1985. Mr. Ellis is also a director of Absorption Corp., International Absorbents, Inc.'s wholly-owned subsidiary. Mr. Ellis is a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective

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as of February 3, 2004 and is currently winding down its operations and liquidating following such sale. Mr. Ellis is a Professional Engineer, a Certified Director, and holds an MBA in international finance. Mr. Ellis is 62 years old.

**Malcolm R. Fobes III** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of US12OF and the Related Public Funds and will serve on behalf of US12NG and USSO, if such funds commence operations. Mr. Fobes is the founder, Chairman and Chief Executive Officer of Berkshire Capital Holdings, Inc., a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since 1997. Since 1997, Mr. Fobes has been the Chairman and President of The Berkshire Funds, a mutual fund investment company registered under the Investment Company Act of 1940. Mr. Fobes also serves as portfolio manager of the Berkshire Focus Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in the electronic technology industry. From April 2000 to July 2006, Mr. Fobes also served as co-portfolio manager of The Wireless Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in companies engaged in the development, production, or

distribution of wireless-related products or services. In these roles, Mr. Fobes has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Fobes was also contributing editor of *Start a Successful Mutual Fund: The Step-by-Step Reference Guide to Make It Happen* (JV Books, 1995). Prior to forming Berkshire Capital Holdings, Inc., Mr. Fobes was employed by various technology-related companies, including Adobe Systems, Inc., a leading provider of digital publishing and imaging software technologies. Mr. Fobes holds a B.S. degree in Finance and Economics from San Jose State University in California. Mr. Fobes is 44 years old.

The following are individual Principals, as that term is defined in CFTC Rule 3.1, for the General Partner: Melinda Gerber, the Gerber Family Trust, Howard Mah, Andrew Ngim, Robert Nguyen, Peter Robinson, Gordon Ellis, Malcolm Fobes, John Love, and John Hyland. These individuals are principals due to their positions, however, Nicholas Gerber and Melinda Gerber are also principals due to their controlling stake in Wainwright. None of the principals owns or has any other beneficial interest in US12OF. Nicholas Gerber and John Hyland make trading and investment decisions for US12OF. Nicholas Gerber, John Love, and John Hyland execute trades on behalf of US12OF. In addition, Nicholas Gerber, John Love, John Hyland, Robert Nguyen, Ray Allen and Kathryn Rooney are registered with the CFTC as Associated Persons of the General Partner and are NFA Associate Members.

## Executive Compensation and Fees to the General Partner

US12OF is contractually obligated to pay the General Partner a management fee based on daily net assets and paid monthly of 0.60% per annum on average net assets.

The following table sets forth compensation earned during the year ended December 31, 2008, by the Directors of the General Partner. US12OF's portion of the aggregate fees paid to the Directors for the calendar year 2008 was \$349.50.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Plan	All Other Compensation	Total <sup>(1)</sup>
<b>Management Directors</b>							
Nicholas Gerber	\$0	NA	NA	NA	\$ 0	\$ 0	\$0
Andrew F. Ngim	\$0	NA	NA	NA	\$ 0	\$ 0	\$0
Howard Mah	\$0	NA	NA	NA	\$ 0	\$ 0	\$0
Robert L. Nguyen	\$0	NA	NA	NA	\$ 0	\$ 0	\$0
<b>Independent Directors</b>							
Peter M. Robinson	\$52,000	NA	NA	NA	\$ 0	\$ 35,000	\$87,000
Gordon L. Ellis	\$52,000	NA	NA	NA	\$ 0	\$ 35,000	\$87,000
Malcolm R. Fobes III	\$73,000	NA	NA	NA	\$ 0	\$ 35,000	\$87,000

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(1)

Payments made under this column represent cash payments made in lieu of directors' and officers' insurance coverage. Such payments were made only to the Independent Directors of the General Partner for their service on the Board of the General Partner on behalf of US12OF and the Related Public Funds.

## Market Price of Units

US12OF's units have traded on the NYSE Arca under the symbol USL since November 25, 2008. Prior to trading on the NYSE Arca, US12OF's units previously traded on the AMEX under the symbol USL since its initial public offering on December 6, 2007. The following table sets forth the range of reported high and low sales prices of the units as reported on AMEX and NYSE Arca, as applicable, for the periods indicated below.

	High	Low
Fiscal Year 2008		
First quarter	\$ 63.03	\$ 50.19
Second quarter	\$ 85.76	\$ 57.30
Third quarter	\$ 89.24	\$ 55.08
Fourth quarter	\$ 60.16	\$ 27.09

	High	Low
Fiscal Year 2007		
First quarter	\$	\$
Second quarter	\$	\$
Third quarter	\$	\$
Fourth quarter	\$ 54.84	\$ 49.78

As of December 31, 2008, US12OF had 540 holders of units.

## Prior Performance of the General Partner and Affiliates

The General Partner is currently the General Partner of US12OF and the Related Public Funds.

US12OF began trading on the American Stock Exchange on December 6, 2007 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, US12OF's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, the total amount of money raised by US12OF from Authorized Purchasers was \$23,231,434; the total number of Authorized Purchasers was 2; the number of baskets purchased by Authorized Purchasers was 5; and the aggregate amount of units purchased was 500,000.

Since the offering of US12OF units to the public on December 6, 2007 to December 31, 2008, the simple average daily change in the Benchmark Oil Futures Contract was -0.315%, while the simple average daily change in the NAV of US12OF over the same time period was -0.323%. The average daily difference was 0.007% (or 0.7 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Oil Futures Contract, the average error in daily tracking by the NAV was 0.024%, meaning that over this time period US12OF's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

USOF began trading on the American Stock Exchange on April 10, 2006 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USOF's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, the total amount of money raised by USOF from Authorized Purchasers was \$18,578,175,329; the total number of Authorized Purchasers was 14; the number of baskets purchased by Authorized Purchasers was 2,923; and the aggregate amount of units purchased was 292,300,000.

Since the offering of USOF units to the public on April 10, 2006 to December 31, 2008, the simple average daily change in the benchmark oil futures contract was -0.074%, while the simple average daily change in the NAV of USOF over the same time period was -0.066%. The average daily difference was 0.008% (or 0.8 basis point,

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where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark oil futures contract, the average error in daily tracking by the NAV was 2.345%, meaning that over this time period USOF's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

USNG began trading on the American Stock Exchange on April 18, 2007 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USNG's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, the total amount of money raised by USNG from Authorized Purchasers was \$4,150,671,803; the total number of Authorized Purchasers was 7; the number of baskets purchased by Authorized Purchasers was 1,077; and the aggregate amount of units purchased was 107,700,000.

Since the offering of USNG units to the public on April 18, 2007 to December 31, 2008, the simple average daily change in the benchmark futures contract was -0.507%, while the simple average daily change in the NAV of USNG over the same time period was -0.505%. The average daily difference was -0.002% (or -0.2 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark futures contract, the average error in daily tracking by the NAV was 0.346%, meaning that over this time period USNG's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

UGA began trading on the American Stock Exchange on February 26, 2008 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, UGA's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, the total amount of money raised by UGA from Authorized Purchasers was \$46,114,901; the total number of Authorized Purchasers was 4; the number of baskets purchased by Authorized Purchasers was 13; and the aggregate amount of units purchased was 1,300,000.

Since the offering of UGA units to the public on February 26, 2008 to December 31, 2008, the simple average daily change in the benchmark futures contract was -0.386%, while the simple average daily change in the NAV of UGA over the same period was -0.383%. The average daily difference was -0.003% (or -0.3% basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark futures contract, the average error in daily tracking by the NAV was -0.605%, meaning that over this time period UGA's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

USHO began trading on the American Stock Exchange on April 9, 2008 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USHO's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, the total amount of money raised by USHO from Authorized Purchasers was \$17,557,271; the total number of Authorized Purchasers was 4; the number of baskets purchased by Authorized Purchasers was 4; and the aggregate amount of units purchased was 400,000.

Since the offering of USHO units to the public on April 9, 2008 to December 31, 2008, the simple average daily change in the benchmark futures contract was -0.720%, while the simple average daily change in the NAV of USHO over the same time period was -0.715%. The average daily difference was -0.005% (or -0.5 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark futures contract, the average error in daily tracking by the NAV was -0.681%, meaning that over this time period USHO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

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For more information on the performance of US12OF and the Related Public Funds, see the Performance Tables below.

## PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

### Performance of US12OF

#### Experience in Raising and Investing in Funds through December 31, 2008

Dollar Amount Offered in US12OF Offering*:	\$ 550,000,000
Dollar Amount Raised in US12OF Offering:	\$ 23,232,434
Offering Expenses*:	
SEC registration fee**:	\$ 16,885
FINRA fee**:	\$ 75,500
Listing fee**:	\$ 5,000
Auditor's fees and expenses**:	\$ 35,700
Legal fees and expenses**:	\$ 213,235
Printing expenses:	\$ 23,755
Length of US12OF Offering:	Continuous

\* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

\*\* These expenses were paid for by the General Partner.

### Compensation to the General Partner and Other Compensation

#### Expenses Paid by US12OF through December 31, 2008 in dollar terms (unaudited):

Expense	Amount in Dollar Terms
Amount Paid to General Partner in US12OF Offering:	\$ 57,978
Amount Paid in Portfolio Brokerage Commissions in US12OF Offering:	\$ 3,217
Other Amounts Paid in US12OF Offering:	\$ 119,032
Total Expenses Paid in US12OF Offering:	\$ 180,226
Expenses Waived in US12OF Offering:	\$ (97,019 )
Net Expenses Paid or Accrued in US12OF Offering:	\$ 83,207

*Expenses Paid by US12OF through December 31, 2008 as a Percentage of Average Daily Net Assets (unaudited):*

Expenses in US12OF Offering:	Amount As a Percentage of Average Daily Net Assets
General Partner:	0.60% annualized
Amount Paid in Portfolio Brokerage Commissions in US12OF Offering:	0.03% annualized
Other Amounts Paid in US12OF Offering:	0.23% annualized
Total Expenses Paid in US12OF Offering:	0.86% annualized
Expenses Waived in US12OF Offering:	(1.00)% annualized
Net Expenses Paid in US12OF Offering:	0.86% annualized
US12OF Performance:	
Name of Commodity Pool:	US12OF
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	December 6, 2007
Aggregate Gross Capital Subscriptions (from inception through December 31, 2008):	\$23,231,434
Total Net Assets as of December 31, 2008:	\$6,247,578
Initial NAV per Unit as of Inception:	\$50.00
NAV per Unit as of December 31, 2008:	\$31.24
Worst Monthly Percentage Draw-down:	Oct 2008 (29.59%)
	June 2008    December
Worst Peak-to-Valley Draw-down:	2008 (62.83%)

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## COMPOSITE PERFORMANCE DATA FOR US12OF

### PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of return	
	2007	2008
January		(2.03)%
February		10.48%
March		(0.66)%
April		11.87%
May		15.47%
June		11.59%
July		(11.39)%
August		(6.35)%
September		(13.12)%
October		(29.59)%
November		(16.17)%
December	8.46%*	(12.66)%
Annual Rate of Return	8.46%	(42.39)%

\*

Partial from December 6, 2007

**PERFORMANCE OF THE RELATED PUBLIC FUNDS****USOF:****Experience in Raising and Investing in Funds through December 31, 2008**

Dollar Amount Offered:	\$23,384,630,000
Dollar Amount Raised:	\$18,578,175,328
Offering Expenses*:	
SEC registration fee**:	\$1,522,485
FINRA fee**:	\$528,000
Listing fee**:	\$5,000
Auditor's fees and expenses**:	\$193,350
Legal fees and expenses**:	\$1,506,565
Printing expenses:	\$292,126
Length of offering:	Continuous

\* Amounts are for organizational and offering expenses incurred in connection with the offerings from April 10, 2006 through December 31, 2008.

Through December 31, 2006, these expenses were paid for by an affiliate of the General Partner in connection with \*\*the initial public offering. Following December 31, 2006, USOF has borne the expenses related to the offering of its units.

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TABLE OF CONTENTS**Compensation to the General Partner and Other Compensation**

*Expenses Paid by USOF through December 31, 2008 in dollar terms (unaudited):*

Expenses in USOF Offering:	Amount in Dollar Terms
Amount Paid to General Partner in USOF Offering:	\$ 9,141,311
Amount Paid in Portfolio Brokerage Commissions in USOF Offering:	\$ 3,271,301
Other Amounts Paid in USOF Offering:	\$ 4,002,391
Total Expenses Paid in USOF Offering:	\$ 16,415,003

*Expenses Paid by USOF through December 31, 2008 as a Percentage of Average Daily Net Assets (unaudited):*

Expenses in USOF Offering:	Amount As a Percentage of Average Daily Net Assets
Amount Paid to General Partner in USOF Offering:	0.48% annualized 0.17% annualized

Amount Paid in Portfolio Brokerage Commissions in USOF Offering:	
Other Amounts Paid in USOF Offering:	0.21% annualized
Total Expenses Paid in USOF Offering:	0.86% annualized
USOF Performance	
Name of Commodity Pool:	USOF
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	April 10, 2006
Aggregate Gross Capital Subscriptions (from inception through December 31, 2008):	\$18,578,175,328
Total Net Assets as of December 31, 2008:	\$2,569,623,931*
Initial NAV Per Unit as of Inception:	\$67.39
NAV per Unit as of December 31, 2008:	\$34.31
Worst Monthly Percentage Draw-down:	Oct 2008 (31.57)%
Worst Peak-to-Valley Draw-down:	Jun 08 Dec 08 (69.72)%

\* Inclusive of transactions recorded on a trade date + 1 basis.

## COMPOSITE PERFORMANCE DATA FOR USOF

### PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of return		
	2006	2007	2008
January		(6.55 )%	(4.00 )%
February		5.63 %	11.03 %
March		4.61 %	0.63 %
April	3.47%*	(4.26 )%	12.38 %
May	(2.91 )%	(4.91 )%	12.80 %
June	3.16 %	9.06 %	9.90 %
July	(0.50 )%	10.57 %	(11.72 )%
August	(6.97 )%	(4.95 )%	(6.75 )%
September	(11.72 )%	12.11 %	(12.97 )%
October	(8.45 )%	16.98 %	(31.57 )%
November	4.73 %	(4.82 )%	(20.65 )%
December	(5.21 )%	8.67 %	(22.16 )%
Annual Rate of Return	(23.03 )%	46.17 %	(54.75 )%

\* Partial from April 10, 2006



**USNG:****Experience in Raising and Investing in Funds through December 31, 2008**

Dollar Amount Offered in USNG Offering*:	\$ 7,631,500,000
Dollar Amount Raised in USNG Offering:	\$ 4,150,671,803
Offering Expenses*:	
SEC registration fee**:	\$ 340,557
FINRA fee*:	\$ 226,500
Listing fee**:	\$ 5,000
Auditor's fees and expenses**:	\$ 206,850
Legal fees and expenses**:	\$ 686,695
Printing expenses:	\$ 56,130
Length of USNG Offering:	Continuous

\* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

\*\* These expenses were paid for by the General Partner.

**Compensation to the General Partner and Other Compensation**

*Expenses Paid by USNG through December 31, 2008 in dollar terms (unaudited):*

Expense	Amount in Dollar Terms
Amount Paid to General Partner in USNG Offering:	\$ 5,613,585
Amount Paid in Portfolio Brokerage Commissions in USNG Offering:	\$ 1,218,485
Other Amounts Paid in USNG Offering:	\$ 2,242,063
Total Expenses Paid in USNG Offering:	\$ 9,074,133

*Expenses Paid by USNG through December 31, 2008 as a Percentage of Average Daily Net Assets (unaudited):*

Expenses in USNG Offering:	Amount As a Percentage of Average Daily Net Assets
General Partner:	0.60% annualized
Amount Paid in Portfolio Brokerage Commissions in USNG Offering:	0.13% annualized
Other Amounts Paid in USNG Offering:	0.24% annualized
Total Expenses Paid in USNG Offering:	0.97% annualized
USNG Performance:	
Name of Commodity Pool:	USNG
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	April 18, 2007
Aggregate Subscriptions (from inception through December 31, 2008):	\$ 4,150,671,803
Total Net Assets as of December 31, 2008:	\$ 695,714,510
Initial NAV per Unit as of Inception:	\$50.00

NAV per Unit as of December 31, 2008:	\$23.27
Worst Monthly Percentage Draw-down:	July 2008 (32.13)%
Worst Peak-to-Valley Draw-down:	June 2008    December 2008 (62.86)%

TABLE OF CONTENTS**COMPOSITE PERFORMANCE DATA FOR USNG****PAST PERFORMANCE IS NOT NECESSARILY  
INDICATIVE OF FUTURE RESULTS**

Month	Rates of return	
	2007	2008
January		8.87 %
February		15.87 %
March		6.90 %
April	4.30%*	6.42 %
May	(0.84 )%	6.53 %
June	(15.90 )%	13.29 %
July	(9.68 )%	(32.13 )%
August	(13.37 )%	(13.92 )%
September	12.28 %	(9.67 )%
October	12.09 %	(12.34 )%
November	(16.16 )%	(6.31 )%
December	0.75 %	(14.32 )%
Annual Rate of Return (through December 31)	(27.64 )%	(35.68 )%

\*

Partial from April 17, 2007

**UGA:****Experience in Raising and Investing in Funds through December  
31, 2008**

Dollar Amount Offered in UGA Offering*:	\$ 1,500,000
Dollar Amount Raised in UGA Offering:	\$ 46,115,901
Offering Expenses*:	
SEC registration fee**:	\$ 58,520
FINRA fee**:	\$ 75,500
Listing fee**:	\$ 5,000
Auditor s fees and expenses**:	\$ 2,500
Legal fees and expenses**:	\$ 117,891
Printing expenses:	\$ 31,867

Length of UGA Offering: Continuous

\* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

\*\* These expenses were paid for by the General Partner.

## Compensation to the General Partner and Other Compensation

*Expenses Paid by UGA through December 31, 2008 in dollar terms (unaudited):*

Expense	Amount in Dollar Terms
Amount Paid to General Partner in UGA Offering:	\$ 97,932
Amount Paid in Portfolio Brokerage Commissions in UGA Offering:	\$ 16,173
Other Amounts Paid in UGA Offering:	\$ 31,324
Total Expenses Paid in UGA Offering:	\$ 158,773
Expenses Waived in UGA Offering:	\$ (126,348 )
Net Expenses Paid or Accrued:	\$ 146,530

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*Expenses Paid by UGA through December 31, 2008 as a Percentage of Average Daily Net Assets (unaudited):*

Expenses in USG Offering:	Amount As a Percentage of Average Daily Net Assets
General Partner:	0.60% annualized
Amount Paid in Portfolio Brokerage Commissions in UGA Offering:	0.10% annualized
Other Amounts Paid in UGA Offering:	0.97% annualized
Total Expenses Paid in UGA Offering:	1.67% annualized
Expenses Waived in UGA Offering:	(0.77)% annualized
Net Expenses Paid or Accrued in UGA Offering:	0.90% annualized
UGA Performance:	
Name of Commodity Pool:	UGA
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	February 26, 2008
Aggregate Subscriptions (from inception through December 31, 2008):	\$46,114,901
Total Net Assets as of December 31, 2008:	\$20,209,419
Initial NAV per Unit as of Inception:	\$50.00
NAV per Unit as of December 31, 2008:	\$20.21
Worst Monthly Percentage Draw-down:	Oct 2008 (38.48%)
Worst Peak-to-Valley Draw-down:	Jun 2008 Dec 2008 (69.02)

## COMPOSITE PERFORMANCE DATA FOR UGA

## PAST PERFORMANCE IS NOT NECESSARILY

## INDICATIVE OF FUTURE RESULTS

Month	Rates of return 2008
January	
February	(0.56)%*
March	(2.39 )%
April	10.94 %
May	15.60 %
June	4.80 %
July	(12.79 )%
August	(3.88 )%
September	(9.36 )%
October	(38.48 )%
November	(21.35 )%
December	(15.72 )%
Annual Rate of Return	(59.58 )%

\*

Partial from February 26, 2008

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## USHO:

### Experience in Raising and Investing in Funds through December 31, 2008

Dollar Amount Offered in USHO Offering*:	\$ 500,000
Dollar Amount Raised in USHO Offering:	\$ 17,557,271
Offering Expenses*:	
SEC registration fee**:	\$ 19,220
FINRA fee**:	\$ 50,500
Listing fee**:	\$ 5,000
Auditor s fees and expenses**:	\$ 2,500
Legal fees and expenses**:	\$ 126,859
Printing expenses:	\$ 21,255
Length of USHO Offering:	Continuous

\* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

\*\*

These expenses were paid for by the General Partner.

## Compensation to the General Partner and Other Compensation

*Expenses Paid by USHO through December 31, 2008 in dollar terms (unaudited):*

Expense	Amount in Dollar Terms
Amount Paid to General Partner in USHO Offering:	\$ 52,791
Amount Paid in Portfolio Brokerage Commissions in USHO Offering:	\$ 7,700
Other Amounts Paid in USHO Offering:	\$ 104,989
Total Expenses Paid in USHO Offering:	\$ 165,480
Expenses Waived in USHO Offering:	\$ (87,698 )
Net Expenses Paid or Accrued in USHO Offering:	\$ 77,782

*Expenses Paid by USHO through December 31, 2008 as a Percentage of Average Daily Net Assets (unaudited):*

Expenses in USHO Offering:	Amount As a Percentage of Average Daily Net Assets
General Partner:	0.60% annualized
Amount Paid in Portfolio Brokerage Commissions in USHO Offering:	0.09% annualized
Other Amounts Paid in USHO Offering:	1.19% annualized
Total Expenses Paid in USHO Offering:	1.88% annualized
Expenses Waived in USHO Offering:	(1.00)% annualized
Net Expenses Paid in USHO Offering:	0.88% annualized
USHO Performance:	
Name of Commodity Pool:	USHO
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	April 8, 2008
Aggregate Subscriptions (from inception through December 31, 2008):	\$17,557,271
Total Net Assets as of December 31, 2008:	\$4,387,898
Initial NAV per Unit as of Inception:	\$50.00
NAV per Unit as of December 31, 2008:	\$21.94
Worst Monthly Percentage Draw-down:	Oct 2008 (28.63)%
Worst Peak-to-Valley Draw-down:	June 2008    December 2008 (65.25)%

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**COMPOSITE PERFORMANCE DATA FOR USHO  
PAST PERFORMANCE IS NOT NECESSARILY  
INDICATIVE OF FUTURE RESULTS**

Month	Rates of return 2008
January	
February	
March	
April	2.84%*
May	15.93 %
June	5.91 %

July	(12.18 )%
August	(8.41 )%
September	(9.77 )%
October	(28.63 )%
November	(18.38 )%
December	(17.80 )%
Annual Rate of Return	(56.12 )%

\* Partial from April 8, 2008.

Draw-down: Losses experienced over a specified period. Draw-down is measured on the basis of monthly returns only and does not reflect intra-month figures.

Worst Monthly Percentage Draw-down: The largest single month loss sustained since inception of trading.

Worst Peak-to-Valley Draw-down: The largest percentage decline in the NAV per unit over the history of the fund. This need not be a continuous decline, but can be a series of positive and negative returns where the negative returns are larger than the positive returns. Worst Peak-to-Valley Draw-down represents the greatest percentage decline from any month-end NAV per unit that occurs without such month-end NAV per unit being equaled or exceeded as of a subsequent month-end. For example, if the NAV per unit declined by \$1 in each of January and February, increased by \$1 in March and declined again by \$2 in April, a peak-to-valley drawdown analysis conducted as of the end of April would consider that drawdown to be still continuing and to be \$3 in amount, whereas if the NAV per unit had increased by \$2 in March, the January-February drawdown would have ended as of the end of February at the \$2 level.

## Other Related Commodity Trading and Investment Management Experience

Ameristock Corporation is an affiliate of the General Partner and it is a California-based registered investment advisor registered under the Investment Advisors Act of 1940 that has been sponsoring and providing portfolio management services to mutual funds since 1995. Ameristock Corporation is the investment adviser to the Ameristock Mutual Fund, Inc., a mutual fund registered under the Investment Company Act of 1940 that focuses on large cap U.S. equities that as of December 31, 2008 had approximately \$188,835,336 in assets. Ameristock Corporation is also the investment advisor to the Ameristock ETF Trust, an open-end management investment company registered under the 1940 Act that seeks investment results that correspond to the performance of U.S. Treasury indices owned and compiled by Ryan Holdings LLC and Ryan ALM, Inc.

## How Does US12OF Operate?

The net assets of US12OF consist primarily of investments in futures contracts for light, sweet crude oil, but may also consist of other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, Oil Futures Contracts). US12OF may also invest in other crude oil-related investments such as cash-settled options on Oil Futures Contracts, forward contracts for crude oil, and over-the-counter transactions that are based on the price of crude oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the

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foregoing (collectively, Other Oil Interests). For convenience and unless otherwise specified, Oil Futures Contracts and Other Oil Interests collectively are referred to as oil interests in this prospectus.

US12OF invests in oil interests to the fullest extent possible without being leveraged or unable to satisfy its current or potential margin or collateral obligations with respect to its investments in Oil Futures Contracts and Other Oil Interests. The primary focus of the General Partner is the investment in Oil Futures Contracts and the management of its investments in short-term obligations of the United States of two years or less ( Treasuries ), cash and/or cash equivalents for margining purposes and as collateral.

The investment objective of US12OF is to have the changes in percentage terms of the units' net asset value reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts on light, sweet crude oil traded on the NYMEX (the Benchmark Oil Futures Contracts ) consisting of the near month contract to expire and the contracts for the following eleven months for a total of 12 consecutive months' contracts, except when the near month contract is within two weeks of expiration, in which case it is measured by the futures contracts that are the next month contract to expire and the contracts for the following eleven consecutive months, less US12OF's expenses. When calculating the daily movement of the average price of the 12 contracts each contract month is equally weighted.

The General Partner believes that holding futures contracts whose expiration dates are spread out over a 12 month period of time will cause the total return of such a portfolio to vary compared to a portfolio that holds only a single month's contract (such as the near month contract). In particular, the General Partner believes that the total return of a portfolio holding contracts with a range of expiration months will be impacted differently by the price relationship between different contract months of the same commodity future compared to the total return of a portfolio consisting of the near month contract. For example, in cases in which the near month contract's price is higher than the price of contracts that expire later in time (a situation known as backwardation in the futures markets), then absent the impact of the overall movement in crude oil prices the value of the near month contract would tend to rise as it approaches expiration. Conversely, in cases in which the near month contract's price is lower than the price of contracts that expire later in time (a situation known as contango in the futures markets), then absent the impact of the overall movement in crude oil prices the value of the near month contract would tend to decline as it approaches expiration. The total return of a portfolio that owned the near month contract and rolled forward each month by selling the near month contract as it approached expiration and purchasing the next month to expire would be positively impacted by a backwardation market, and negatively impacted by a contango market. Depending on the exact price relationship of the different month's prices, portfolio expenses, and the overall movement of crude oil prices, the impact of backwardation and contango could have a major impact on the total return of such a portfolio over time. The General Partner believes that based on historical evidence a portfolio that held futures contracts with a range of expiration dates spread out over a 12 month period of time would typically be impacted less by the positive effect of backwardation and the negative effect of contango compared to a portfolio that held contracts of a single near month. As a result, absent the impact of any other factors, a portfolio of 12 different monthly contracts would tend to have a lower total return than a near month only portfolio in a backwardation market and a higher total return in a contango market. However there can be no assurance that such historical relationships would provide the same or similar results in the future.

As a specific benchmark, the General Partner endeavors to place US12OF's trades in Oil Futures Contracts and Other Oil Interests and otherwise manage US12OF's investments so that A will be within plus/minus 10 percent of B, where:

A is the average daily change in US12OF's NAV for any period of 30 successive valuation days, i.e., any trading day as of which US12OF calculates its NAV, and

B is the average daily change in the average of the prices of the Benchmark Oil Futures Contracts over the same period.

The General Partner believes that market arbitrage opportunities cause daily changes in US12OF's unit price on the NYSE Arca to closely track daily changes in US12OF's NAV. The General Partner further believes that the daily changes in prices of the Benchmark Oil Futures Contracts have historically closely

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tracked the daily change in the spot prices of light, sweet crude oil. The General Partner believes that the net effect of these two relationships and the expected relationship described above between USOF's NAV and the Benchmark Oil Futures Contracts, will be that the daily changes in the price of US12OF's units on the NYSE Arca will closely track the daily changes in the spot price of a barrel of light, sweet crude oil, less US12OF's expenses. The following two graphs demonstrate the correlation between the daily changes in the NAV of US12OF and the daily changes in the Benchmark Oil Futures Contracts both since the initial public offering of US12OF's units on December 6, 2007 through December 31, 2008 and during the last thirty valuation days ended December 31, 2008.

## **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

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## **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

An investment in the units provides a means for diversifying an investor's portfolio or hedging exposure to changes in oil prices. An investment in the units allows both retail and institutional investors to easily gain exposure to the crude oil market in a cost-effective manner.

The Benchmark Oil Futures Contracts is changed or rolled from the near month contract and the eleven following months to expire to the next month to expire and the eleven following months over a one day period.

The General Partner believes that market arbitrage opportunities will cause changes in US12OF's unit price on the NYSE Arca to closely track changes in US12OF's NAV. The General Partner believes that changes in US12OF's NAV in percentage terms will closely track the changes in percentage terms in the Benchmark Oil Futures Contract in, less US12OF's expenses.

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These relationships are illustrated in the following diagram:

The General Partner employs a neutral investment strategy intended to track changes in the price of the Benchmark Oil Futures Contracts regardless of whether the price goes up or goes down. US12OF's neutral investment strategy is designed to permit investors generally to purchase and sell US12OF's units for the purpose of investing indirectly in oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in crude oil and/or the risks involved in hedging may exist. In addition, an



investment in US12OF involves the risk that the changes in the price of US12OF's units will not accurately track the changes in the Benchmark Oil Futures Contract.

US12OF's total portfolio composition is disclosed each business day that the NYSE Arca is open for trading, on US12OF's website at [www.unitedstates12monthoilfund.com](http://www.unitedstates12monthoilfund.com). The website disclosure of portfolio holdings is made daily and includes, as applicable, the name and value of each oil interest, the specific types of Other Oil Interests and characteristics of such Other Oil Interests, Treasuries, and amount of cash and/or cash equivalents held in US12OF's portfolio. US12OF's website is publicly accessible at no charge. US12OF's assets are held in segregation pursuant to the Commodity Exchange Act and CFTC regulations.

The units issued by US12OF may only be purchased by Authorized Purchasers and only in blocks of 100,000 units called Creation Baskets. The amount of the purchase payment for a Creation Basket is equal to the aggregate NAV of units in the Creation Basket. Similarly, only Authorized Purchasers may redeem units and only in blocks of 100,000 units called Redemption Baskets. The amount of the redemption proceeds for a Redemption Basket is equal to the aggregate NAV of the units in the Redemption Basket. The purchase price for Creation Baskets, and the redemption price for Redemption Baskets are the actual NAV calculated at the end of the business day when notice for a purchase or redemption is received by US12OF. The NYSE Arca publishes an approximate NAV intra-day based on the prior day's NAV and the current price of Benchmark Oil Futures Contracts, but the basket price is determined based on the actual NAV at the end of the day.

While US12OF issues units only in Creation Baskets, units may also be purchased and sold in much smaller increments on the NYSE Arca. These transactions, however, are effected at the bid and ask prices established by specialist firm(s). Like any listed security, units can be purchased and sold at any time a secondary market is open.

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The chart below illustrates the historical correlation between the Benchmark Oil Futures Contracts and certain other fuel-based commodity futures contracts in which US12OF may invest. These correlations are relevant because the General Partner endeavors to invest US12OF's assets in Oil Futures Contracts and Other Oil Interests so that daily changes in US12OF's NAV correlate as closely as possible with daily changes in the price of the Benchmark Oil Futures Contracts. If certain other fuel-based commodity futures contract do not closely correlate with the Oil Futures Contracts then their use could lead to greater tracking error. As noted, the General Partner also believes that the changes in the price of the Benchmark Oil Futures Contracts will closely correlate with changes in the spot price of light, sweet crude oil. Assuming that the units' value tracks the Benchmark Oil Futures Contracts as intended, the stated objective of US12OF for the units' NAV to reflect the performance of the spot price of light, sweet crude oil would be met if the trend reflected over the past ten years were to continue. However, there is no guarantee that such trend will continue.

The degree of correlation varies both among the different commodities and also varies over time. As such, the use of any energy related commodity to hedge a different energy commodity can only produce, at best, an imperfect hedge.

The following price graph is scaled so all contracts start at the same level at year end 1995, except for the current gasoline futures contract, whose price series began in 2005. To obtain the monthly average prices presented below, US12OF added the closing prices for every day in each month then divided that number by the total number of days in that month.

CL = crude light oil    HO = heating oil  
NG = natural gas      RB = unleaded gasoline reformulated    HU = unleaded gasoline

# PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

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### **What is US12OF's Investment Strategy?**

In managing US12OF's assets the General Partner does not use a technical trading system that issues buy and sell orders. The General Partner instead employs a quantitative methodology whereby each time a Creation Basket is sold, the General Partner purchases oil interests, such as an Oil Futures Contract for light, sweet crude oil traded on the NYMEX, that have an aggregate face amount that approximates the amount of Treasuries and/or cash received from the sale of the Creation Basket.

As an example, assume that a Creation Basket is sold by US12OF, and that US12OF's closing NAV per unit is \$50.00. In that case, US12OF would receive \$5,000,000 for the Creation Basket (\$50.00 NAV per unit times 100,000 units, and ignoring the Creation Basket fee of \$1,000). If one were to assume further that the General Partner wants to invest the entire proceeds from the Creation Basket in the Benchmark Oil Futures Contracts and that the market value of the Benchmark Futures Oil Contracts is \$59,950, US12OF would be unable to buy the exact number of Benchmark Oil Futures Contracts with an aggregate market value equal to \$5,000,000. Instead, US12OF would be able to purchase 83 Benchmark Oil Futures Contracts with an aggregate market value of \$4,975,850. Assuming a margin requirement equal to 10% of the value of the Benchmark Oil Futures Contracts which would require \$497,585 in Treasuries and cash with the futures commission merchant through which the Benchmark Oil Futures Contracts were purchased. The remainder of the proceeds from the sale of the Creation Basket, \$4,502,415, would remain invested in cash, cash equivalents, and Treasuries as determined by the General Partner from time to time based on factors such as potential calls for margin or anticipated redemptions.

The specific Oil Futures Contracts purchased depends on various factors, including a judgment by the General Partner as to the appropriate diversification of US12OF's investments in futures contracts with respect to the month of expiration, and the prevailing price volatility of particular contracts. In addition, US12OF may make use of a mixture of standard sized futures contracts as well as the smaller sized mini contracts. While the General Partner has made significant investments in NYMEX Oil Futures Contracts, as US12OF reaches certain position limits on the NYMEX, or for other reasons, it may invest in Oil Futures Contracts traded on other exchanges or invest in Other Oil Interests such as contracts in the over-the-counter market.

The General Partner does not anticipate letting its Oil Futures Contracts expire and taking delivery of the underlying commodity. Instead, the General Partner will close existing positions, *e.g.*, when it changes the Benchmark Oil Futures Contracts or it otherwise determines it would be appropriate to do so and reinvest the proceeds in new Oil Futures Contracts. Positions may also be closed out to meet orders for Redemption Baskets and in such case proceeds for such baskets will not be reinvested.

By remaining invested as fully as possible in Oil Futures Contracts or Other Oil Interests, the General Partner believes that the changes in percentage terms of US12OF's NAV will continue to closely track the changes in percentage terms in the prices of the futures contracts in which US12OF invests. The General Partner believes that certain arbitrage opportunities result in the price of the units traded on the NYSE Arca closely tracking the NAV of US12OF. Additionally, as discussed above, the General Partner has conducted research that indicates that Oil Futures Contracts traded on the NYMEX have closely tracked the spot price of the underlying oil. Based on these expected

interrelationships, the General Partner believes that the changes in the price of USOF's units as traded on the NYSE Arca will continue to closely track the changes in the spot price of light, sweet crude oil.

## What are Oil Futures Contracts?

Oil Futures Contracts are agreements between two parties. One party agrees to buy crude oil from the other party at a later date at a price and quantity agreed upon when the contract is made. Oil Futures Contracts are traded on futures exchanges, including the NYMEX. For example, the Benchmark Oil Futures Contracts are traded on the NYMEX in units of 1,000 barrels (a mini contract is 500 barrels). The price of crude oil futures contracts traded on the NYMEX are priced by floor brokers and other exchange members both through an open outcry of offers to purchase or sell the contracts and through an electronic, screen-based system that determines the price by matching electronically offers to purchase and sell.

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Certain typical and significant characteristics of Oil Futures Contracts are discussed below. Additional risks of investing in Oil Futures Contracts are included in *What are the Risk Factors Involved with an Investment in US12OF?*

*Impact of Accountability Levels, Position Limits and Price Fluctuation Limits.* Futures contracts include typical and significant characteristics. Most significantly, the CFTC and U.S. designated contract markets such as the NYMEX have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by US12OF is not) may hold, own or control. The net position is the difference between an individual or firm's open long contracts and open short contracts in any one commodity. In addition, most U.S. futures exchanges, such as the NYMEX, limit the daily price fluctuation for futures contracts. Currently, the ICE Futures imposes position limits and accountability levels on some of its Oil Futures Contracts but does not limit the maximum daily price fluctuation.

The accountability levels for the Benchmark Oil Futures Contract and other Oil Futures Contracts traded on the NYMEX are not a fixed ceiling, but rather a threshold above which the NYMEX may exercise greater scrutiny and control over an investor's positions. The current accountability level for any one month in the Benchmark Oil Futures Contracts is 10,000 contracts. In addition, the NYMEX imposes an accountability level for all months of 20,000 net futures contracts for investments in futures contracts for light, sweet crude oil. If US12OF and the Related Public Funds exceed these accountability levels for investments in the futures contract for light, sweet crude oil, the NYMEX will monitor US12OF's and the Related Public Fund's exposure and ask for further information on their activities including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of US12OF and the Related Public Funds. If deemed necessary by the NYMEX, it could also order US12OF to reduce its position back to the accountability level. In addition, the ICE Futures maintains the same accountability levels, position limits and monitoring authority for its light, sweet crude oil contract as the NYMEX. As of December 31, 2008, US12OF and the Related Public Funds held 57,735 Benchmark Oil Futures Contracts and 51,888 futures contracts for light, sweet oil crude oil traded on the NYMEX. As of December 31, 2008, US12OF held no Oil Futures Contracts traded on the ICE Futures.

If the NYMEX or ICE Futures orders US12OF to reduce its position back to the accountability level, or to an accountability level that the NYMEX or ICE Futures deems appropriate for US12OF, such an accountability level may impact the mix of investments in oil interests made by US12OF. To illustrate, assume that the price of the Benchmark Oil Futures Contract and the unit price of US12OF are each \$10, and that the NYMEX has determined that US12OF may not own more than 10,000 Benchmark Oil Futures Contracts. In such case, US12OF could invest

up to \$1 billion of its daily net assets in the Benchmark Oil Futures Contracts (i.e., \$10 per contract multiplied by 1,000 (a Benchmark Oil Futures Contract is a contract for 1,000 barrels of oil multiplied by 10,000 contracts) before reaching the accountability level imposed by the NYMEX. Once the daily net assets of the portfolio exceed \$1 billion in the Benchmark Oil Futures Contract, the portfolio may not be able to make any further investments in the Benchmark Oil Futures Contract, depending on whether the NYMEX imposes limits. If the NYMEX does impose limits at the \$1 billion level (or another level), US12OF anticipates that it will invest the majority of its assets above that level in a mix of other Oil Futures Contracts or Other Oil Interests.

In addition to accountability levels, the NYMEX and the ICE Futures impose position limits on contracts held in the last few days of trading in the near month contract to expire. It is unlikely that US12OF will run up against such position limits because US12OF's investment strategy is to close out its positions and roll from the near month contract to expire to the next month contract beginning two weeks from expiration of the contract.

U.S. futures exchanges, including the NYMEX, also limit the amount of price fluctuation for Oil Futures Contracts. For example, the NYMEX imposes a \$10.00 per barrel (\$10,000 per contract) price fluctuation limit for Benchmark Oil Futures Contracts. This limit is initially based off the previous trading day's settlement price. If any Benchmark Oil Futures Contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes it begins at the point where the limit was imposed and the limit is reset to be \$10.00 per barrel in either direction of that point. If another halt were triggered,

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the market would continue to be expanded by \$10.00 per barrel in either direction after each successive five-minute trading halt. There is no maximum price fluctuation limit during any one trading session.

US12OF anticipates that to the extent it invests in Oil Futures Contracts other than light, sweet crude oil contracts (such as futures contracts for Brent crude oil, natural gas, heating oil, and gasoline) and Other Oil Interests, it will enter into various non-exchange-traded derivative contracts to hedge the short-term price movements of such Oil Futures Contracts and Other Oil Interests against the current Benchmark Oil Futures Contracts.

Examples of the position and price limits imposed are as follows:

Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
NYMEX Light, Sweet Crude Oil (physically settled)	Any one month: 10,000 net futures/all months: 20,000 net futures, but not to exceed 3,000 contracts in the last three days of trading in the spot month.	\$10.00 per barrel (\$10,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$10.00 per barrel in either direction. If another halt were triggered, the market would continue to be expanded by \$10.00 per barrel in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one

		trading session.
NYMEX Light, Sweet Crude Oil (financially settled)	Any one month: 20,000 net futures/all months: 20,000 net futures, but not to exceed 2,000 contracts in the last three days of trading in the spot month.	There is no maximum daily price fluctuation limit.
ICE Brent Crude Futures (physically settled)	There are no position limits.	There is no maximum daily price fluctuation limit.
ICE West Texas Intermediate ( WTI ) Futures (financially settled)	Any one month: 10,000 net futures/all months: 20,000 net futures, but not to exceed 3,000 contracts in the last three days of trading in the spot month.	There is no maximum daily price fluctuation.

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Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
NYMEX Heating Oil (physically settled)	Any one month: 5,000 net futures/all months: 7,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	\$0.25 per gallon (\$10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by \$0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
NYMEX Gasoline (physically settled)	Any one month: 5,000 net futures/all months: 7,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	\$0.25 per gallon (\$10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by \$0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.

NYMEX Natural Gas (physically settled)	Any one month: 6,000 net futures/all months: 12,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	\$3.00 per mmBtu (\$30,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$3.00 per mmBtu in either direction. If another halt were triggered, the market would continue to be expanded by \$3.00 per mmBtu in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
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*Price Volatility.* Despite daily price limits, the price volatility of Oil Futures Contracts generally has been historically greater than that for traditional securities such as stocks and bonds. Price volatility often is greater day-to-day as opposed to intra-day. Oil Futures Contracts tend to be more volatile than stocks and bonds because price movements for crude oil are more currently and directly influenced by economic factors for which current data is available and are traded by crude oil futures traders throughout the day. These economic factors include changes in interest rates; governmental, agricultural, trade, fiscal, monetary and exchange

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control programs and policies; weather and climate conditions; changing supply and demand relationships; changes in balances of payments and trade; U.S. and international rates of inflation; currency devaluations and revaluations; U.S. and international political and economic events; and changes in philosophies and emotions of market participants.

Because US12OF invests a significant portion of its assets in Oil Futures Contracts, the assets of US12OF, and therefore the prices of US12OF units, may be subject to greater volatility than traditional securities.

*Marking-to-Market Futures Positions.* Oil Futures Contracts are marked to market at the end of each trading day and the margin required with respect to such contracts is adjusted accordingly. This process of marking-to-market is designed to prevent losses from accumulating in any futures account. Therefore, if US12OF's futures positions have declined in value, US12OF may be required to post additional variation margin to cover this decline. Alternatively, if US12OF futures positions have increased in value, this increase will be credited to US12OF's account.

## What is the Crude Oil Market and the Petroleum-Based Fuel Market?

US12OF may purchase Oil Futures Contracts traded on the NYMEX that are based on light, sweet crude oil. It may also purchase contracts on other exchanges, including the ICE Futures and the Singapore Exchange. The contracts provide for delivery of several grades of domestic and internationally traded foreign crudes, and, among other things, serve the diverse needs of the physical market. In Europe, Brent crude oil is the standard for futures contracts and is primarily traded on the ICE Futures. Brent crude oil is the price reference for two-thirds of the world's traded oil. The ICE Brent Futures is a deliverable contract with an option to cash settle which trades in units of 1,000 barrels (42,000 U.S. gallons). The ICE Futures also offers a WTI Futures contract which trades in units of 1,000 barrels. The WTI Futures contract is cash settled against the prevailing market price for U.S. light, sweet crude oil.

*Light, Sweet Crude Oil.* Light, sweet crudes are preferred by refiners because of their low sulfur content and relatively high yields of high-value products such as gasoline, diesel fuel, heating oil, and jet fuel. The price of light, sweet crude oil has historically exhibited periods of significant volatility. Demand for petroleum products by consumers, as well as agricultural, manufacturing and transportation industries, determines demand for crude oil by refiners. Since the precursors of product demand are linked to economic activity, crude oil demand will tend to reflect economic conditions. However, other factors such as weather also influence product and crude oil demand.

Crude oil supply is determined by both economic and political factors. Oil prices (along with drilling costs, availability of attractive prospects for drilling, taxes and technology, among other factors) determine exploration and development spending, which influence output capacity with a lag. In the short run, production decisions by OPEC also affect supply and prices. Oil export embargoes and the current conflict in Iraq represent other routes through which political developments move the market. It is not possible to predict the aggregate effect of all or any combination of these factors.

*Heating Oil.* Heating oil, also known as No. 2 fuel oil, accounts for 25% of the yield of a barrel of crude oil, the second largest cut from oil after gasoline. The heating oil futures contract, listed and traded on the NYMEX, trades in units of 42,000 gallons (1,000 barrels) and is based on delivery in the New York harbor, the principal cash market center. The price of heating oil has historically been volatile.

*Gasoline.* Gasoline is the largest single volume refined product sold in the U.S. and accounts for almost half of national oil consumption. The gasoline futures contract, listed and traded on the NYMEX, trades in units of 42,000 gallons (1,000 barrels) and is based on delivery at petroleum products terminals in the New York harbor, the major East Coast trading center for imports and domestic shipments from refineries in the New York harbor area or from the Gulf Coast refining centers. The price of gasoline has historically been volatile.

*Natural Gas.* Natural gas accounts for almost a quarter of U.S. energy consumption. The natural gas futures contract, listed and traded on the NYMEX, trades in units of 10,000 million British thermal units and is based on delivery at the Henry Hub in Louisiana, the nexus of 16 intra- and interstate natural gas pipeline

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systems that draw supplies from the region's prolific gas deposits. The pipelines serve markets throughout the U.S. East Coast, the Gulf Coast, the Midwest, and up to the Canadian border. The price of natural gas has historically been volatile.

## **Why Does US12OF Purchase and Sell Futures Contracts?**

US12OF's investment objective is to have the changes in percentage terms of its units' NAV reflect the changes in percentage terms of the Benchmark Oil Futures Contracts, less US12OF's expenses. US12OF invests primarily in Oil Futures Contracts. US12OF seeks to have its aggregate NAV approximate at all times the aggregate market value of the Oil Futures Contracts and Other Oil Interests it holds.

Other than investing in Oil Futures Contracts and Other Oil Interests, US12OF only invests in assets to support these investments in oil interests. At any given time, most of US12OF's investments are in Treasuries, cash and/or cash equivalents that serve as segregated assets supporting US12OF's positions in Oil Futures Contracts and Other Oil Interests. For example, the purchase of an Oil Futures Contract with a stated value of \$10 million would not require US12OF to pay \$10 million upon entering into the contract; rather, only a margin deposit, generally of 5% to 10% of the stated value of the Oil Futures Contract, would be required. To secure its Oil Futures Contract obligations,

US12OF would deposit the required margin with the futures commission merchant and would separately hold, through its Custodian, Treasuries, cash and/or cash equivalents in an amount equal to the balance of the current market value of the contract, which at the contract's inception would be \$10 million minus the amount of the margin deposit, or \$9.5 million (assuming a 5% margin).

As a result of the foregoing, typically 5% to 20% of US12OF's assets are held as margin in segregated accounts with a futures commission merchant. In addition to the Treasuries or cash it posts with the futures commission merchant for the Oil Futures Contracts it owns, US12OF holds, through the Custodian, Treasuries, cash and/or cash equivalents that can be posted as margin or as collateral to support its over-the-counter contracts. US12OF earns interest income from the Treasuries and/or cash equivalents that it purchases, and on the cash it holds through the Custodian. US12OF anticipates that the earned interest income will increase the NAV and limited partners' capital contribution accounts. US12OF reinvests the earned interest income, holds it in cash, or uses it to pay its expenses. If US12OF reinvests the earned interest income, it makes investments that are consistent with its investment objectives.

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## **What is the Flow of Units?**

## **What are the Trading Policies of US12OF?**

### **Liquidity**

US12OF invests only in Oil Futures Contracts and Other Oil Interests that are traded in sufficient volume to permit, in the opinion of the General Partner, ease of taking and liquidating positions in these financial interests. This can include both standard sized futures contracts as well as smaller sized mini contracts.

### **Spot Commodities**

While crude oil contracts traded on the NYMEX can be physically settled, US12OF does not intend to take or make physical delivery. US12OF may from time to time trade in Other Oil Interests, including contracts based on the spot price of crude oil.

### **Leverage**

While US12OF historical ratio of variation margin to total assets has generally ranged from 5% to 10%, the General Partner endeavors to have the value of US12OF's Treasuries, cash and cash equivalents, whether held by US12OF or posted as margin or collateral, at all times approximate the aggregate market value of its obligations under Oil Futures Contracts and Other Oil Interests.

### **Borrowings**

Borrowings are not used by US12OF, unless US12OF is required to borrow money in the event of physical delivery, US12OF trades in cash commodities, or for short-term needs created by unexpected redemptions. US12OF maintains the value of its Treasuries, cash and cash equivalents, whether held by US12OF or posted as margin or collateral, to at all times approximate the aggregate market value of its obligations under its Oil Futures Contracts and Other Oil



Interests. US12OF has not established and does not plan to establish credit lines.

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**Over-the-Counter Derivatives (Including Spreads and Straddles)**

In addition to Oil Futures Contracts, there are also a number of listed options on the Oil Futures Contracts on the principal futures exchanges. These contracts offer investors and hedgors another set of financial vehicles to use in managing exposure to the crude oil market. Consequently, US12OF may purchase options on crude oil futures contracts on these exchanges in pursuing its investment objective.

In addition to the Oil Futures Contracts and options on the Oil Futures Contracts, there also exists an active non-exchange-traded market in derivatives tied to crude oil. These derivatives transactions (also known as over-the-counter contracts) are usually entered into between two parties. Unlike most of the exchange-traded Oil Futures Contracts or exchange-traded options on the Oil Futures Contracts, each party to such contract bears the credit risk that the other party may not be able to perform its obligations under its contract.

Some crude oil-based derivatives transactions contain fairly generic terms and conditions and are available from a wide range of participants. Other crude oil-based derivatives have highly customized terms and conditions and are not as widely available. Many of these over-the-counter contracts are cash-settled forwards for the future delivery of crude oil- or petroleum-based fuels that have terms similar to the Oil Futures Contracts. Others take the form of swaps in which the two parties exchange cash flows based on pre-determined formulas tied to the crude oil spot price, forward crude oil price, the Benchmark Oil Futures Contract price, or other crude oil futures contract price. For example, US12OF may enter into over-the-counter derivative contracts whose value will be tied to changes in the difference between the crude oil spot price, the Benchmark Oil Futures Contract price, or some other futures contract price traded on the NYMEX or ICE Futures and the price of other Futures Contracts that may be invested in by US12OF.

To protect itself from the credit risk that arises in connection with such contracts, US12OF may enter into agreements with each counterparty that provide for the netting of its overall exposure to its counterparty, such as the agreements published by the International Swaps and Derivatives Association, Inc. US12OF also may require that the counterparty be highly rated and/or provide collateral or other credit support to address US12OF's exposure to the counterparty.

US12OF may employ spreads or straddles in its trading to mitigate the differences in its investment portfolio and its goal of tracking the price of the Benchmark Oil Futures Contract. US12OF would use a spread when it chooses to take simultaneous long and short positions in futures written on the same underlying asset, but with different delivery months. The effect of holding such combined positions is to adjust the sensitivity of US12OF to changes in the price relationship between futures contracts which will expire sooner and those that will expire later. US12OF would use such a spread if the General Partner felt that taking such long and short positions, when combined with the rest of its holdings, would more closely track the investment goals of US12OF, or if the General Partner felt it would lead to an overall lower cost of trading to achieve a given level of economic exposure to movements in crude oil prices. US12OF would enter into a straddle when it chooses to take an option position consisting of a long (or short) position in both a call option and put option. The economic effect of holding certain combinations of put options and call options can be very similar to that of owning the underlying futures contracts. US12OF would make use of such a straddle approach if, in the opinion