

INCYTE CORP  
Form 10-Q  
April 30, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number: 0-27488

**INCYTE CORPORATION**

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(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3136539**  
(IRS Employer  
Identification No.)

**1801 Augustine Cut-Off**

**Wilmington, DE 19803**  
(Address of principal executive offices)

**19803**  
(Zip Code)

**(302) 498-6700**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was 179,042,841 as of April 23, 2015.

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(in thousands, except number of shares and par value)

	<b>March 31, 2015 (unaudited)</b>	<b>December 31, 2014*</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 421,822	\$ 452,297
Marketable securities available-for-sale	163,602	147,966
Restricted investments	500	500
Accounts receivable	69,604	57,933
Inventory	2,414	358
Deferred income taxes	6,025	19,641
Prepaid expenses and other current assets	28,178	20,519
<b>Total current assets</b>	<b>692,145</b>	<b>699,214</b>
Restricted investments	13,875	14,000
Long term investment	39,829	
Inventory	17,021	19,078
Property and equipment, net	80,667	81,790
Other assets, net	19,087	15,987
<b>Total assets</b>	<b>\$ 862,624</b>	<b>\$ 830,069</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 26,586	\$ 24,462
Accrued compensation	24,324	34,422
Interest payable	4,443	1,841
Accrued and other current liabilities	70,048	62,270
Deferred revenue collaborative agreements	12,857	12,880
Convertible senior notes	87,337	85,640
<b>Total current liabilities</b>	<b>225,595</b>	<b>221,515</b>
Convertible senior notes	610,210	603,478
Other liabilities	52,910	54,552
Deferred income taxes	6,025	19,641
Deferred revenue collaborative agreements	9,297	12,511
<b>Total liabilities</b>	<b>904,037</b>	<b>911,697</b>

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Stockholders' deficit:

Preferred stock, \$0.001 par value; 5,000,000 shares authorized; none issued or outstanding as of March 31, 2015 and December 31, 2014

Common stock, \$0.001 par value; 400,000,000 shares authorized; 173,386,941

and 170,876,619 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively

	173	171
Additional paid-in capital	1,760,033	1,701,904
Accumulated other comprehensive income	2,258	1,815
Accumulated deficit	(1,803,877)	(1,785,518)
Total stockholders' deficit	(41,413)	(81,628)
Total liabilities and stockholders' deficit	\$ 862,624	\$ 830,069

\* The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date.

See accompanying notes.

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**INCYTE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Product revenues, net	\$ 115,330	\$ 69,651
Product royalty revenues	15,673	9,826
Contract revenues	28,214	10,214
Other revenues	58	101
<b>Total revenues</b>	<b>159,275</b>	<b>89,792</b>
Costs and expenses:		
Cost of product revenues	2,974	168
Research and development	118,365	75,585
Selling, general and administrative	44,871	36,974
<b>Total costs and expenses</b>	<b>166,210</b>	<b>112,727</b>
Loss from operations	(6,935)	(22,935)
Interest and other income, net	1,630	735
Interest expense	(12,687)	(11,443)
Debt exchange expense on senior note conversions		(265)
<b>Loss before provision for income taxes</b>	<b>(17,992)</b>	<b>(33,908)</b>
Provision for income taxes	367	49
<b>Net loss</b>	<b>\$ (18,359)</b>	<b>\$ (33,957)</b>
Basic and diluted net loss per share	\$ (0.11)	\$ (0.21)
Shares used in computing basic and diluted net loss per share	172,070	165,357

See accompanying notes.

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**INCYTE CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(in thousands)

(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net loss	\$ (18,359)	\$ (33,957)
Other comprehensive income:		
Unrealized gains on restricted investments and marketable securities, net of tax	443	47
Other comprehensive income	443	47
Comprehensive loss	\$ (17,916)	\$ (33,910)

See accompanying notes.

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## INCYTE CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net loss	\$ (18,359)	\$ (33,957)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of debt discounts	11,835	9,623
Stock-based compensation	17,558	15,347
Debt exchange expense on senior note conversions		265
Excess tax provision (benefit) from stock based compensation	(3,833)	31
Changes in operating assets and liabilities:		
Accounts receivable	(11,671)	(11,020)
Prepaid expenses and other assets	(194)	(4,899)
Inventory	1	(506)
Accounts payable	2,124	(1,152)
Accrued and other liabilities	1,190	(2,208)
Deferred revenue – collaborative agreements	(3,237)	(3,218)
Net cash used in operating activities	(4,586)	(31,694)
<b>Cash flows from investing activities:</b>		
Long term investment	(39,829)	
Capital expenditures	(3,553)	(2,663)
Purchases of marketable securities	(34,467)	(45,114)
Maturities of marketable securities	19,274	90
Net cash used in investing activities	(58,575)	(47,687)
<b>Cash flows from financing activities:</b>		
Release of restricted investments	125	
Proceeds from issuance of common stock under stock plans	29,180	44,833
Direct financing arrangement repayments	(452)	
Excess tax provision (benefit) from stock based compensation	3,833	(31)
Cash paid in connection with exchange of 4.75% convertible senior notes due 2015		(265)
Net cash provided by financing activities	32,686	44,537
Net decrease in cash and cash equivalents	(30,475)	(34,844)
Cash and cash equivalents at beginning of period	452,297	471,429
Cash and cash equivalents at end of period	\$ 421,822	\$ 436,585
<b>Supplemental Schedule of Cash Flow Information</b>		
Interest paid	\$ 839	\$
Incomes taxes paid	\$ 13	\$
Reclassification to additional paid in capital in connection with exchange of 4.75% convertible senior notes due 2015	\$	\$ 4,446

See accompanying notes.





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**INCYTE CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

(Unaudited)

**1. Organization and business**

Incyte Corporation ( Incyte, we, us, or our ) is a biopharmaceutical company focused on developing and commercializing proprietary therapeutics, primarily for oncology. Our pipeline includes compounds in various stages, ranging from preclinical to late stage development, and a commercialized product, JAKAFI® (ruxolitinib). Our operations are treated as one operating segment.

**2. Summary of significant accounting policies**

***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed consolidated balance sheet as of March 31, 2015 and the condensed consolidated statements of operations, comprehensive loss and cash flows for the three months ended March 31, 2015 and 2014, are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The condensed consolidated balance sheet at December 31, 2014 has been derived from audited financial statements.

Although we believe that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Results for any interim period are not necessarily indicative of results for any future interim period or for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

*Principles of Consolidation.* The condensed consolidated financial statements include the accounts of Incyte Corporation and our wholly owned subsidiaries, including Incyte Holdings Corporation, Incyte International Holdings Sarl, and Incyte Europe Sarl. All inter-company accounts,

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transactions, and profits have been eliminated in consolidation.

*Foreign Currency Translation.* Operations in non-U.S. entities are recorded in the functional currency of each entity. For financial reporting purposes, the functional currency of an entity is determined by a review of the source of an entity's most predominant cash flows. The results of operations for any non-U.S. dollar functional currency entities are translated from functional currencies into U.S. dollars using the average currency rate during each month, which approximates the results that would be obtained using actual currency rates on the dates of individual transactions. Assets and liabilities are translated using currency rates at the end of the period. Adjustments resulting from translating the financial statements of our foreign entities that use their local currency as the functional currency into the U.S. dollars are reflected as a component of other comprehensive income (loss). Transaction gains and losses are recorded in interest and other income, net in the condensed consolidated statements of operations. To date, both the translation gains or losses in other comprehensive income and the transaction gains or losses in interest and other income, net have been immaterial.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Concentrations of Credit Risk.* Cash, cash equivalents, marketable securities, trade receivables and restricted investments are financial instruments which potentially subject us to concentrations of credit risk. The estimated fair value of financial instruments approximates the carrying value based on available market information. We primarily invest our excess available funds in notes and bills issued by the U.S. government and its agencies and corporate debt securities and, by policy, limit the amount of credit exposure to any one issuer and to any one type of investment, other than securities issued or guaranteed by the U.S. government. Our receivables mainly relate to our product sales of JAKAFI and collaborative agreements with pharmaceutical companies. We have not

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experienced any significant credit losses on cash, cash equivalents, marketable securities, trade receivables or restricted investments to date and do not require collateral on receivables.

*Cash and Cash Equivalents.* Cash and cash equivalents are held in U.S. banks or in custodial accounts with banks. Cash equivalents are defined as all liquid investments and money market funds with maturity from date of purchase of 90 days or less that are readily convertible into cash.

*Marketable Securities Available-for-Sale.* All marketable securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, based on quoted market prices and observable inputs, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' deficit. We classify marketable securities that are available for use in current operations as current assets on the condensed consolidated balance sheets. Realized gains and losses and declines in value judged to be other than temporary for available-for-sale securities are included in Interest and other income, net. The cost of securities sold is based on the specific identification method.

*Accounts Receivable.* As of March 31, 2015 and December 31, 2014, we had no allowance for doubtful accounts. We provide an allowance for doubtful accounts based on experience and specifically identified risks. Accounts receivable are carried at fair value and charged off against the allowance for doubtful accounts when we determine that recovery is unlikely and we cease collection efforts.

*Inventory.* Inventories are determined at the lower of cost or market value with cost determined under the specific identification method and may consist of raw materials, work in process and finished goods. We began capitalizing inventory in mid-November 2011 once the U.S. Food and Drug Administration (FDA) approved JAKAFI as the related costs were expected to be recoverable through the commercialization of the product. Costs incurred prior to approval of JAKAFI have been recorded as research and development expense in our statements of operations. As a result, cost of product revenues for the next 18 to 21 months will reflect a lower average per unit cost of materials.

The raw materials and work-in-process inventory is not subject to expiration and the shelf life for finished goods inventory is 36 months from the start of manufacturing of the finished goods. We evaluate for potential excess inventory by analyzing current and future product demand relative to the remaining product shelf life. We build demand forecasts by considering factors such as, but not limited to, overall market potential, market share, market acceptance and patient usage. We classify inventory as current on the condensed consolidated balance sheets when we expect inventory to be consumed for commercial use within the next twelve months.

*Variable Interest Entities.* We perform an initial and on-going evaluation of the entities with which we have variable interests, such as equity ownership, in order to identify entities that (i) do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support or (ii) in which the equity investors lack an essential characteristic of a controlling financial interest as variable interest entities (VIE or VIEs). If an entity is identified as a VIE, we perform an assessment to determine whether we have both (i) the power to direct activities that most significantly impact the VIE's economic performance and (ii) have the obligation to absorb losses from or the right to receive benefits of the VIE that could potentially be significant to the VIE. If both of these criteria are satisfied, we are identified as the primary beneficiary of the VIE. As of March 31, 2015, there were no entities in which we held a variable interest which we determined to be VIEs.

*Equity Method Investments.* In circumstances where we have the ability to exercise significant influence over the operating and financial policies of a company in which we have an investment, the investment is accounted for either (i) under the equity method of accounting or (ii) at

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fair value by electing the fair value option under U.S. GAAP. In assessing whether we exercise significant influence, we consider the nature and magnitude of our investment, any voting and protective rights we hold, any participation in the governance of the other company, and other relevant factors such as the presence of a collaboration or other business relationship. Under the equity method of accounting, we record within our results of operations our share of income or loss of the investee company. Under the fair value option, our investment is carried at fair value and all changes in fair value are reported in our results of operations.

*Property and Equipment.* Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets (generally three to five years). Leasehold improvements are amortized over the shorter of the estimated useful life of the assets or lease term.

Management continually reviews the estimated useful lives of technologically sensitive equipment and believes that those estimates appropriately reflect the current useful life of our assets. In the event that a currently unknown significantly advanced technology became commercially available, we would re-evaluate the value and estimated useful lives of our existing equipment, possibly having a material impact on the financial statements.

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*Lease Accounting.* We account for operating leases by recording rent expense on a straight-line basis over the expected life of the lease, commencing on the date we gain possession of leased property. We include tenant improvement allowances and rent holidays received from landlords and the effect of any rent escalation clauses as adjustments to straight-line rent expense over the expected life of the lease.

Capital leases are reflected as a liability at the inception of the lease based on the present value of the minimum lease payments or, if lower, the fair value of the property. Assets under capital leases are recorded in property and equipment, net on the condensed consolidated balance sheets and depreciated in a manner similar to other property and equipment.

Certain construction projects may be accounted for as direct financing arrangements, whereby we record, over the construction period, the full cost of the asset in property and equipment, net on the condensed consolidated balance sheets. A corresponding liability is also recorded, net of leasehold improvements paid for by us, and is amortized over the expected lease term through monthly rental payments using the effective interest method.

*Income Taxes.* We account for income taxes using the asset and liability approach which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts reportable for income tax purposes. In addition, we follow the guidance related to accounting for uncertainty in income taxes. This guidance creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before it is recognized in the financial statements.

*Financing Costs Related to Long-term Debt.* Costs associated with obtaining long-term debt are deferred and amortized over the term of the related debt using the effective interest method. Such costs are included in other assets, net on the condensed consolidated balance sheets.

*Grant Accounting.* Grant amounts received from government agencies for operations are deferred and are amortized into income over the service period of the grant. Grant amounts received for purchases of capital assets are deferred and amortized into interest and other income, net over the useful life of the related capital assets. Such amounts are recorded in other liabilities on the condensed consolidated balance sheets.

*Net Loss Per Share.* Our basic and diluted losses per share are calculated by dividing the net loss by the weighted average number of shares of common stock outstanding during all periods presented. Options to purchase stock and shares issuable upon the conversion of convertible debt are included in diluted earnings per share calculations, unless the effects are anti-dilutive.

*Accumulated Other Comprehensive Income (Loss).* Accumulated other comprehensive income (loss) consists of unrealized gains or losses on marketable securities and restricted cash and investments.

*Revenue Recognition.* Revenues are recognized when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the price is fixed or determinable and (4) collectability is reasonably assured. Revenues are deferred for fees received before earned or until no further obligations exist. We exercise judgment in determining that collectability is reasonably assured or that services have been delivered in accordance with the arrangement. We assess whether the fee is fixed or determinable based on the payment terms

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associated with the transaction and whether the sales price is subject to refund or adjustment. We assess collectability based primarily on the customer's payment history and on the creditworthiness of the customer.

### Product Revenues

Our product revenues consist of U.S. sales of JAKAFI and are recognized once we meet all four revenue recognition criteria described above. In November 2011, we began shipping JAKAFI to our specialty pharmacy customers, which in turn dispense JAKAFI to patients in fulfillment of prescriptions.

We recognize revenues for product received by our specialty pharmacy customers net of allowances for customer credits, including estimated rebates, chargebacks, discounts, returns, distribution service fees, patient assistance programs, and Medicare Part D coverage gap reimbursements. Product shipping and handling costs are included in cost of product revenues.

*Customer Credits:* Our specialty pharmacy customers are offered various forms of consideration, including allowances, service fees and prompt payment discounts. We expect our specialty pharmacy customers will earn prompt payment discounts and, therefore, we deduct the full amount of these discounts from total product sales when revenues are recognized. Service fees are also deducted from total product sales as they are earned.

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*Rebates:* Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program. Rebate amounts are based upon contractual agreements or legal requirements with public sector (e.g. Medicaid) benefit providers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or legal requirements with public sector benefit providers. The accrual for rebates is based on statutory discount rates and expected utilization as well as historical data we have accumulated since product launch. Our estimates for expected utilization of rebates are based on data received from our specialty pharmacy customers. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for known prior quarters' unpaid rebates. If actual future rebates vary from estimates, we may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

*Chargebacks:* Chargebacks are discounts that occur when contracted customers purchase directly from a specialty pharmacy, or an intermediary distributor. Contracted customers, which currently consist primarily of Public Health Service institutions, non-profit clinics, and Federal government entities purchasing via the Federal Supply Schedule, generally purchase the product at a discounted price. The specialty pharmacy or distributor, in turn, charges back to us the difference between the price initially paid by the specialty pharmacy or distributor and the discounted price paid to the specialty pharmacy or distributor by the customer. The accrual for chargebacks is based on the estimated contractual discounts on the inventory levels on hand in our distribution channel. If actual future chargebacks vary from estimates, we may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

*Medicare Part D Coverage Gap:* Medicare Part D prescription drug benefit mandates manufacturers to fund 50% of the Medicare Part D insurance coverage gap for prescription drugs sold to eligible patients. Our estimates for the expected Medicare Part D coverage gap are based on historical invoices received and in part from data received from our specialty pharmacy customers. Funding of the coverage gap is generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for known prior quarters. If actual future funding varies from estimates, we may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

*Co-payment Assistance:* Patients who have commercial insurance and meet certain eligibility requirements may receive co-payment assistance. We accrue a liability for co-payment assistance based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Royalty Revenues

Royalty revenues on commercial sales for ruxolitinib (marketed as JAKAVI® outside the United States) by Novartis Pharmaceutical International Ltd. (Novartis) are based on net sales of licensed products in licensed territories as provided by Novartis. We recognize royalty revenues in the period the sales occur.

Cost of Product Revenues

Cost of product revenues includes all JAKAFI related costs that are recoverable through the commercialization of the product. Beginning in October 2014, we became obligated to pay tiered, low single digit royalties under our collaboration and license agreement to Novartis on all future sales of JAKAFI in the United States which are included in cost of product revenues.



Contract and License Revenues

Under agreements involving multiple deliverables, services and/or rights to use assets that we entered into prior to January 1, 2011, the multiple elements are divided into separate units of accounting when certain criteria are met, including whether the delivered items have stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. When separate units of accounting exist, consideration is allocated among the separate elements based on their respective fair values. The determination of fair value of each element is based on objective evidence from historical sales of the individual elements by us to other customers. If such evidence of fair value for each undelivered element of the arrangement does not exist, all revenue from the arrangement is deferred until such time that evidence of fair value for each undelivered element does exist or until all elements of the arrangement are delivered. When elements are specifically tied to a separate earnings process, revenue is recognized when the specific performance obligation tied to the element is completed. When revenues for an element are not specifically tied to a separate earnings process, they are recognized ratably over the term of the agreement. We assess whether a substantive milestone exists at the inception of our agreements. For all milestones within our arrangements that are considered substantive, we recognize revenue upon the achievement of the associated milestone. If a milestone is not considered substantive, we would recognize the applicable milestone payment over the remaining period of performance under the arrangement. As of March 31, 2015, all remaining potential milestones under our collaborative arrangements are considered substantive.

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On January 1, 2011, updated guidance on the recognition of revenues for agreements with multiple deliverables became effective and applies to any agreements we may enter into on or after January 1, 2011. This updated guidance (i) relates to whether multiple deliverables exist, how the deliverables in a revenue arrangement should be separated and how the consideration should be allocated; (ii) requires companies to allocate revenues in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (iii) eliminates the use of the residual method and requires companies to allocate revenues using the relative selling price method. During the three months ended March 31, 2015 and 2014, we did not enter into any agreements that are subject to this updated guidance. If we enter into an agreement with multiple deliverables after January 1, 2011 or amend existing agreements, this updated guidance could have a material effect on our financial statements.

Our collaborations often include contractual milestones, which typically relate to the achievement of pre-specified development, regulatory and commercialization events. These three categories of milestone events reflect the three stages of the life-cycle of our drugs, which we describe in more detail in the following paragraphs.

The regulatory review and approval process, which includes preclinical testing and clinical trials of each drug candidate, is lengthy, expensive and uncertain. Securing approval by the FDA requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish a drug candidate's safety and efficacy. The approval process takes many years, requires the expenditure of substantial resources, involves post-marketing surveillance and may involve ongoing requirements for post-marketing studies. Before commencing clinical investigations of a drug candidate in humans, we must submit an Investigational New Drug application ( IND ), which must be reviewed by the FDA.

The steps generally required before a drug may be marketed in the United States include preclinical laboratory tests, animal studies and formulation studies, submission to the FDA of an IND for human clinical testing, performance of adequate and well-controlled clinical trials in three phases, as described below, to establish the safety and efficacy of the drug for each indication, submission of a new drug application ( NDA ) or biologics license application ( BLA ) to the FDA for review and FDA approval of the NDA or BLA.

Similar requirements exist within foreign regulatory agencies as well. The time required satisfying the FDA requirements or similar requirements of foreign regulatory agencies may vary substantially based on the type, complexity and novelty of the product or the targeted disease.

Preclinical testing includes laboratory evaluation of product pharmacology, drug metabolism, and toxicity, which includes animal studies, to assess potential safety and efficacy as well as product chemistry, stability, formulation, development, and testing. The results of the preclinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND. The FDA may raise safety concerns or questions about the conduct of the clinical trials included in the IND, and any of these concerns or questions must be resolved before clinical trials can proceed. We cannot be sure that submission of an IND will result in the FDA allowing clinical trials to commence. Clinical trials involve the administration of the investigational drug or the marketed drug to human subjects under the supervision of qualified investigators and in accordance with good clinical practices regulations covering the protection of human subjects. Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Phase I usually involves the initial introduction of the investigational drug into healthy volunteers to evaluate its safety, dosage tolerance, absorption, metabolism, distribution and excretion. Phase II usually involves clinical trials in a limited patient population to evaluate dosage tolerance and optimal dosage, identify possible adverse effects and safety risks, and evaluate and gain preliminary evidence of the efficacy of the drug for specific indications. Phase III clinical trials usually further evaluate clinical efficacy and safety by testing the drug in its final form in an expanded patient population, providing statistical evidence of efficacy and safety, and providing an adequate basis for labeling. We cannot guarantee that Phase I, Phase II or Phase III testing will be completed successfully within any specified period of time, if at all. Furthermore, we, the institutional review board for a trial, or the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable

health risk.

Generally, the milestone events contained in our collaboration agreements coincide with the progression of our drugs from development, to regulatory approval and then to commercialization. The process of successfully discovering a new development candidate, having it approved and successfully commercialized is highly uncertain. As such, the milestone payments we may earn from our partners involve a significant degree of risk to achieve. Therefore, as a drug candidate progresses through the stages of its life-cycle, the value of the drug candidate generally increases.

*Research and Development Costs.* Our policy is to expense research and development costs as incurred. We often contract with clinical research organizations ( CROs ) to facilitate, coordinate and perform agreed upon research and development of a new

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drug. To ensure that research and development costs are expensed as incurred, we record monthly accruals for clinical trials and preclinical testing costs based on the work performed under the contract.

These CRO contracts typically call for the payment of fees for services at the initiation of the contract and/or upon the achievement of certain clinical trial milestones. In the event that we prepay CRO fees, we record the prepayment as a prepaid asset and amortize the asset into research and development expense over the period of time the contracted research and development services are performed. Most professional fees, including project and clinical management, data management, monitoring, and medical writing fees are incurred throughout the contract period. These professional fees are expensed based on their percentage of completion at a particular date. Our CRO contracts generally include pass through fees. Pass through fees include, but are not limited to, regulatory expenses, investigator fees, travel costs, and other miscellaneous costs, including shipping and printing fees. We expense the costs of pass through fees under our CRO contracts as they are incurred, based on the best information available to us at the time. The estimates of the pass through fees incurred are based on the amount of work completed for the clinical trial and are monitored through correspondence with the CROs, internal reviews and a review of contractual terms. The factors utilized to derive the estimates include the number of patients enrolled, duration of the clinical trial, estimated patient attrition, screening rate and length of the dosing regimen. CRO fees incurred to set up the clinical trial are expensed during the setup period. Under our clinical trial collaboration agreements and clinical trial agreements, we may be reimbursed for certain development costs incurred. Such costs are recorded as a reduction of research and development expense in the period in which the related expense is incurred.

*Stock Compensation.* Share-based payment transactions with employees, which include stock options, restricted stock units ( RSUs ) and performance shares ( PSUs ), are recognized as compensation expense over the requisite service period based on their estimated fair values as well as expected forfeiture rates. The stock compensation process requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility over the option term and expected option lives, as well as expected forfeiture rates and the probability of PSUs vesting. The fair value of stock options, which are subject to graded vesting, are recognized as compensation expense over the requisite service period using the accelerated attribution method. The fair value of RSUs, which are generally subject to cliff vesting, are recognized as compensation expense over the requisite service period using the straight line attribution method. The fair value of PSUs are recognized as compensation expense beginning at the time in which the performance conditions are deemed probable of achievement, over the remaining requisite service period. We recorded \$17.6 million and \$15.3 million of stock compensation expense on our condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014, respectively.

**Recent Accounting Pronouncements**

In August 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-15, Presentation of Financial Statements Going Concern , to provide guidance on management s responsibility in evaluating whether there is substantial doubt about a company s ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company s ability to continue as a going concern within one year from the date the financial statements are issued. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We do not believe the pending adoption of ASU No. 2014-15 will have a material impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a five step approach to be applied to all contracts with customers. ASU No. 2014-09 also requires expanded disclosures about revenue recognition. On April 1, 2015, the FASB proposed to extend the effective date of ASU No. 2014-09 from reporting periods beginning after December 15, 2016 to reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods beginning after December 15, 2016. Once the proposal is formally issued, the public will have 30 days to comment, after which the proposal will be decided upon. We are currently analyzing the impact of ASU No. 2014-09 on our results of operations and, at this time, we are unable to determine the impact on the new standard, if any, on our

condensed consolidated financial statements.

**3. Fair value of financial instruments**

FASB accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability ( the exit price ) in an orderly transaction between market participants at the measurement date. The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. In determining fair value we use quoted prices and observable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of us. The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.

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Level 2 Valuations based on observable inputs and quoted prices in active markets for similar assets and liabilities.

Level 3 Valuations based on inputs that are unobservable and models that are significant to the overall fair value measurement.

Our marketable securities consist of investments in U.S. government agencies, corporate debt securities and non-agency mortgage-backed securities that are classified as available-for-sale.

At March 31, 2015 and December 31, 2014, our Level 2 corporate debt securities and mortgage-backed securities are valued using readily available pricing sources which utilize market observable inputs, including the current interest rate and other characteristics for similar types of instruments.

The following fair value hierarchy table presents information about each major category of our financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 (in thousands):

	Fair Value Measurement at Reporting Date Using:			Balance as of March 31, 2015
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 421,822	\$	\$	\$ 421,822
Corporate debt securities		160,180		160,180
Long term investment (Note 7)	39,829			39,829
Mortgage-backed securities		3,422		3,422
<b>Total assets</b>	<b>\$ 461,651</b>	<b>\$</b>	<b>\$</b>	<b>\$ 625,253</b>

The following fair value hierarchy table presents information about each major category of our financial assets measured at fair value on a recurring basis as of December 31, 2014 (in thousands):

	Fair Value Measurement at Reporting Date Using:			Balance as of December 31, 2014
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 452,297	\$	\$	\$ 452,297
Corporate debt securities		144,402		144,402
Mortgage-backed securities		3,564		3,564
<b>Total assets</b>	<b>\$ 452,297</b>	<b>\$</b>	<b>\$</b>	<b>\$ 600,263</b>

The following is a summary of our marketable security portfolio as of March 31, 2015 and December 31, 2014, respectively.

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	Amortized Cost	Net Unrealized Gains	Net Unrealized Losses	Estimated Fair Value
	(in thousands)			
<b>March 31, 2015</b>				
Corporate debt securities	\$ 160,008	\$ 172	\$	\$ 160,180
Mortgage backed securities	1,330	2,092		3,422
	\$ 161,338	\$ 2,264	\$	\$ 163,602
<b>December 31, 2014</b>				
Corporate debt securities	\$ 144,684	\$	\$ (282)	\$ 144,402
Mortgage backed securities	1,461	2,103		3,564
	\$ 146,145	\$ 2,103	\$ (282)	\$ 147,966

Our corporate debt securities generally have contractual maturity dates of between 12 to 18 months. Because of the potential for prepayment on mortgage-backed securities, they are not categorized by contractual maturity.

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**4. Concentration of Credit Risk**

In December 2009, we entered into a license, development and commercialization agreement with Eli Lilly and Company ( Lilly ). In November 2009, we entered into a collaboration and license agreement with Novartis. The concentration of credit risk related to our collaborative partners is as follows:

	<b>Percentage of Total Contract Revenues for the Three Months Ended, March 31,</b>	
	<b>2015</b>	<b>2014</b>
Collaboration Partner A	89%	68%
Collaboration Partner B	11%	32%

Collaboration Partner A and Collaboration Partner B comprised in the aggregate 23% and 26% of the accounts receivable balance as of March 31, 2015 and December 31, 2014, respectively.

In November 2011, we began commercialization and distribution of JAKAFI to a number of specialty pharmacies. Our product revenues are concentrated in a number of specialty pharmacy customers. The concentration of credit risk related to our specialty pharmacy customers is as follows:

	<b>Percentage of Total Net Product Revenues for the Three Months Ended, March 31,</b>	
	<b>2015</b>	<b>2014</b>

**USHO s units began trading on the American Stock Exchange on April 9, 2008 and are offered on a continuous basis. 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 March 31, 2009, the total amount of money raised by USHO from its authorized purchasers was \$19,744,061; the total number of authorized purchasers of USHO was 4; the number of baskets purchased by authorized purchasers of USHO was 5; and the aggregate amount of units purchased was 500,000.**

Since the offering of USHO units to the public on April 9, 2008 to March 31, 2009, the simple average daily change in its benchmark futures contract was -0.302%, while the simple average

daily change in the NAV of USHO over the same time period was -0.299%. 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 0.161%, 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 USOF and the Related Public Funds, see the Performance Tables below.

**USOF:**

## **Experience in Raising and Investing in Funds Through March 31, 2009**

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

Dollar Amount Offered in USOF Offering*	\$ 32,567,630,000
Dollar Amount Raised in USOF Offering	\$ 21,769,574,799
Organizational and Offering Expenses in USOF Offering:**	
SEC registration fee	\$ 2,480,174
FINRA registration fee	\$ 603,000
Listing fee	\$ 5,000
Auditor's fees and expenses	\$ 328,350
Legal fees and expenses	\$ 1,546,195
Printing expenses	\$ 273,196
Length of USOF 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.

\*\* 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 recorded these expenses.

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

### **USOF:**

#### **Expenses Paid by USOF Through March 31, 2009 in Dollar Terms:**

Expense	Amount in Dollar Terms
Amount Paid to General Partner in USOF Offering	\$ 12,717,747
Amount Paid in Portfolio Brokerage Commissions in USOF Offering	\$ 5,063,441
Other Amounts Paid in USOF Offering	\$ 4,996,961
Total Expenses Paid in USOF Offering	\$ 22,778,149

#### **Expenses Paid by USOF Through March 31, 2009 in Dollar Terms:**

Expenses in USOF Offering	Amount As a Percentage of Average Daily Net Assets
General Partner	0.47% annualized

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Portfolio Brokerage Commissions	0.19% annualized
Other Amounts Paid in USOF Offering	0.18% annualized
Total Expenses Paid in USOF Offering	0.84% annualized
USOF Performance:	
Name of Commodity Pool	USOF
Type of Commodity Pool	Exchange traded security
Inception of Trading	April 10, 2006
Aggregate Subscriptions (from inception through March 31, 2009)	\$21,769,574,799
Total Net Assets as of March 31, 2009	\$2,912,849,108
Initial NAV per Unit as of Inception	\$67.39
NAV per Unit as of March 31, 2009	\$29.36
Worst Monthly Percentage Draw-down	Oct 2008 (31.57)%
Worst Peak-to-Valley Draw-down	Jun 08 Feb 09 (75.84)%

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# COMPOSITE PERFORMANCE DATA FOR USOF

## PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return			
	2006	2007	2008	2009
January		(6.55 )%	(3.98 )%	(14.60 )%
February		5.63 %	11.03 %	(6.55 )%
March		4.61 %	0.63 %	7.23 %
April	3.47%*	(4.26 )%	12.38 %	
May	(2.91 )%	(4.91 )%	12.80 %	
June	3.16 %	9.06 %	9.90 %	
July	(0.50 )%	10.55 %	(11.72 )%	
August	(6.97 )%	(4.93 )%	(6.75 )%	
September	(11.71 )%	12.11 %	(12.97 )%	
October	(8.46 )%	16.98 %	(31.57 )%	
November	4.73 %	(4.82 )%	(20.65 )%	
December	(5.21 )%	8.66 %	(22.16 )%	
Annual Rate of Return	(23.03 )%	46.15 %	(54.75 )%	(14.43)%**

\*

Partial from April 10, 2006.

\*\*

Through March 31, 2009.

Draw-down: Losses experienced by the fund 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.

### USNG:

## Experience in Raising and Investing in Funds Through March 31, 2009

## PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Dollar Amount Offered in USNG Offering*	\$ 7,631,500,000
Dollar Amount Raised in USNG Offering	\$ 4,649,415,003
Organizational and Offering Expenses in USNG Offering:**	
SEC registration fee	\$ 595,508
FINRA registration fee	\$ 302,000
Listing fee	\$ 5,000
Auditor s fees and expenses	\$ 266,850
Legal fees and expenses	\$ 688,437
Printing expenses	\$ 56,322
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.

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Amounts are for organizational and offering expenses incurred in connection with offerings from April 18, 2007  
\*\*through December 31, 2008. Through April 18, 2007, these expenses were paid for by the General Partner.  
Following April 18, 2007, USNG has borne the expenses related to the offering of its units.

## Compensation to the General Partner and Other Compensation USNG

### Expenses Paid by USNG Through March 31, 2009 in Dollar Terms:

Expense	Amount in Dollar Terms
Amount Paid to General Partner in USNG Offering	\$ 6,641,853
Amount Paid in Portfolio Brokerage Commissions in USNG Offering	\$ 1,591,437
Other Amounts Paid in USNG Offering	\$ 2,568,324
Total Expenses Paid in USNG Offering	\$ 10,801,615

### Expenses Paid by USNG Through March 31, 2009 as a Percentage of Average Daily Net Assets:

Expenses in USNG Offering	Amount As a Percentage of Average Daily Net Assets
General Partner	0.60% annualized
Portfolio Brokerage Commissions	0.14% annualized
Other Amounts Paid in USNG Offering	0.23% annualized
Total Expense Ratio	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 March 31, 2009)	\$4,649,415,003
Total Net Assets as of March 31, 2009	\$819,361,217
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of March 31, 2009	\$15.23
Worst Monthly Percentage Draw-down	Jul 08 (32.13)%
Worst Peak-to-Valley Draw-down	Jun 08 Mar 09 (75.69)%

## COMPOSITE PERFORMANCE DATA FOR USNG PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return			
	2007	2008	2009	
January		8.87 %	(21.49	)%
February		15.87 %	(5.47	)%



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March		6.90	%	(11.81	)%
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	(27.64	)%	(35.68	)%	(34.55)%**

\*

Partial from April 18, 2007.

\*\*

Through March 31, 2009.

For a definition of draw-down, please see text below Composite Performance Data for USOF.

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**US12OF:**

**Experience in Raising and Investing in Funds Through March 31, 2009**

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

Dollar Amount Offered in US12OF Offering*	\$ 550,000,000
Dollar Amount Raised in US12OF Offering	\$ 165,142,986
Organizational and Offering Expenses in US12OF Offering:**	
SEC registration fee	\$ 126,746
FINRA registration fee	\$ 151,000
Listing fee	\$ 5,000
Auditor's fees and expenses	\$ 60,700
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.

Amounts are for organizational and offering expenses incurred in connection with the offerings from December 6, 2007 through March 31, 2009. Through March 31, 2009, these expenses were paid for by an affiliate of the General Partner in connection with the initial public offering. Following March 31, 2009, US12OF will bear the expenses related to the offering of its units.

**Compensation to the General Partner and Other Compensation  
US12OF:**

**Expenses Paid by US12OF Through March 31, 2009 in Dollar Terms:**

Expense	Amount in Dollar Terms
Amount Paid to General Partner in US12OF Offering	\$ 155,241
Amount Paid in Portfolio Brokerage Commissions in US12OF Offering	\$ 31,983
Other Amounts Paid in US12OF Offering	\$ 62,124
Total Expenses Paid in US12OF Offering	\$ 249,349

**Expenses Paid by US12OF Through March 31, 2009 as a Percentage of Average Daily Net Assets:**

Expenses in US12OF Offering	Amount As a Percentage of Average Daily Net Assets
General Partner	0.60% annualized

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Portfolio Brokerage Commissions	0.12% annualized
Other Amounts Paid in US12OF Offering	0.24% annualized
Total Expense Ratio	0.96% annualized
US12OF Performance:	
Name of Commodity Pool	US12OF
Type of Commodity Pool	Exchange traded security
Inception of Trading	December 6, 2007
Aggregate Subscriptions (from inception through March 31, 2009)	\$165,142,986
Total Net Assets as of March 31, 2009	\$148,545,204
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of March 31, 2009	\$30.32
Worst Monthly Percentage Draw-down	Oct 2008 (29.59)%
Worst Peak-to-Valley Draw-down	Jun 08 Feb 09 (66.97)%

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## COMPOSITE PERFORMANCE DATA FOR US12OF PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return			
	2007	2008	2009	
January		(2.01 )%	(7.11 )%	
February		10.48 %	(4.34 )%	
March		(0.66 )%	9.22 %	
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	8.44%*	(12.66 )%		
Annual Rate of Return	8.44 %	(42.39 )%	(2.94)%**	

\*

Partial from December 6, 2007.

\*\*

Through March 31, 2009.

For a definition of draw-down, please see text below Composite Performance Data for USOF.

**UGA:**

### Experience in Raising and Investing in Funds Through March 31, 2009

## PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Dollar Amount Offered in UGA Offering*	\$1,500,000,000
Dollar Amount Raised in UGA Offering	\$116,076,878
Organizational and Offering Expenses in UGA Offering:**	
SEC registration fee	\$58,520
FINRA registration fee	\$75,500
Listing fee	\$5,000

Auditor's fees and expenses	\$27,500
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 UGA:**

### **Expenses Paid by UGA Through March 31, 2009 in Dollar Terms:**

Expense	Amount in Dollar Terms
Amount Paid to General Partner in UGA Offering	\$ 145,937
Amount Paid in Portfolio Brokerage Commissions in UGA Offering	\$ 32,873
Other Amounts Paid in UGA Offering	\$ 68,712
Total Expenses Paid in UGA Offering	\$ 247,521

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TABLE OF CONTENTS**Expenses Paid by UGA Through March 31, 2009 as a Percentage of Average Daily Net Assets:**

Expenses in UGA Offering	Amount As a Percentage of Average Daily Net Assets
General Partner	0.60% annualized
Portfolio Brokerage Commissions	0.14% annualized
Other Amounts Paid in UGA Offering	0.19% annualized
Total Expense Ratio	0.92% 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 March 31, 2009)	\$116,073,878
Total Net Assets as of March 31, 2009	\$65,239,661
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of March 31, 2009	\$24.16
Worst Monthly Percentage Draw-down	Oct 2008 (38.48)%
Worst Peak-to-Valley Draw-down	Jun 08 Dec 08 (69.02)%

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

Month	Rates of Return		
	2008	2009	
January		16.23	%
February	(0.56)%*	0.26	%
March	(2.39)%	2.59	%
April	10.94		%
May	15.60		%
June	4.79		%
July	(12.79)%		
August	(3.88)%		
September	(9.36)%		
October	(38.48)%		
November	(21.35)%		
December	(15.72)%		
Annual Rate of Return	(59.58)%	19.54%**	

\*

Partial from February 26, 2008.

\*\*

Through March 31, 2009.

For a definition of draw-down, please see text below Composite Performance Data for USOF.



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**USHO:**

**Experience in Raising and Investing in Funds Through March 31, 2009**

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

Dollar Amount Offered in USHO Offering*	\$ 500,000,000
Dollar Amount Raised in USHO Offering	\$ 19,744,061
Organizational and Offering Expenses in USHO Offering:**	
SEC registration fee	\$ 19,220
FINRA registration fee	\$ 50,500
Listing fee	\$ 5,000
Auditor's fees and expenses	\$ 27,500
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  
USHO:**

**Expenses Paid by USHO Through March 31, 2009 in Dollar Terms:**

Expense	Amount in Dollar Terms
Amount Paid to General Partner in USHO Offering	\$ 58,940
Amount Paid in Portfolio Brokerage Commissions in USHO Offering	\$ 9,331
Other Amounts Paid in USHO Offering	\$ 22,631
Total Expenses Paid in USHO Offering	\$ 90,902

**Expenses Paid by USHO Through March 31, 2009 as a Percentage of Average Daily Net Assets:**

Expenses in USHO Offering	Amount As a Percentage of Average Daily Net Assets
General Partner	0.60% annualized
Portfolio Brokerage Commissions	0.10% annualized



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Other Amounts Paid in USHO Offering	0.23% annualized
Total Expense Ratio	0.93% annualized
USHO Performance:	
Name of Commodity Pool	USHO
Type of Commodity Pool	Exchange traded security
Inception of Trading	April 9, 2008
Aggregate Subscriptions (from inception through March 31, 2009)	\$19,744,061
Total Net Assets as of March 31, 2009	\$6,231,425
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of March 31, 2009	\$20.77
Worst Monthly Percentage Draw-down	Oct 08 (28.63)%
Worst Peak-to-Valley Draw-down	Jun 08 Feb 09 (69.17)%

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# COMPOSITE PERFORMANCE DATA FOR USHO

## PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return		
	2008	2009	
January		0.05	%
February		(11.34)	)%
March		6.73	%
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	)%	(5.33)%**

\*

Partial from April 9, 2008.

\*\*

Through March 31, 2009.

For a definition of draw-down, please see text below Composite Performance Data for USOF.

## 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 March 31, 2009, had approximately \$162 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 USOF Operate?

The net assets of USOF 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). USOF 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 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.

USOF 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. In pursuing this objective, the primary focus of the General Partner, is the investment in Oil Futures Contracts and the management of USOF'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 investment objective of USOF is to have changes in percentage terms of the units' NAV reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by 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. It is not the intent of USOF

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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.

USOF seeks to achieve its investment objective by investing in a mix of Oil Futures Contracts and Other Oil Interests such that the changes in its NAV will closely track the changes in the price of the NYMEX futures contract for light, sweet crude oil delivered to Cushing, Oklahoma (the Benchmark Oil Futures Contract). The General Partner believes changes in the price of the Benchmark Oil Futures Contract historically have exhibited a close correlation with the changes in the spot price of light, sweet crude oil. On any valuation day (a valuation day is any trading day as of which USOF calculates its NAV, as described herein), the Benchmark Oil Futures Contract is the near month contract for light, sweet crude oil traded on the NYMEX unless the near month contract will expire within two weeks of the valuation day, in which case the Benchmark Oil Futures Contract is the next month contract for light, sweet crude oil traded on the NYMEX.

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

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

B is the average daily change in the price of the Benchmark Oil Futures Contract over the same period.

The General Partner believes that market arbitrage opportunities cause daily changes in USOF's unit price on the NYSE Arca to closely track daily changes in USOF's NAV. The General Partner further believes that the daily changes in prices of the Benchmark Oil Futures Contract have historically closely tracked the daily changes 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 Contract, will be that the daily changes in the price of USOF'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 USOF's expenses. The following two graphs demonstrate the correlation between the daily changes in the NAV of USOF and the daily changes in the Benchmark Oil Futures Contract both since the initial public offering of USOF's units on April 10, 2006 through March 31, 2009 and during the last thirty valuation days ended March 31, 2009.

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**Daily Movement of USOF s NAV versus Daily  
Movement of Benchmark Futures Contract\*  
(30 Valuation days ending March 31, 2009)**

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

**USOF s Monthly Total Return versus Monthly Total  
Return of Benchmark Futures Contracts\*  
(since inception through March 31, 2009)**

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

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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 this exposure to the crude oil market in a transparent, cost-effective manner.

The expected correlation of the price of USOF's units, USOF's NAV and the price of the Benchmark Oil Futures Contract and the spot price of light, sweet crude oil is 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 Contract regardless of whether the price goes up or goes down. USOF's neutral investment strategy is designed to permit investors generally to purchase and sell USOF's units for the purpose of investing indirectly in crude 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 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 USOF involves the risk that the changes in the price of USOF's units will not accurately track the changes in the Benchmark Oil Futures Contract.

Since inception, the Benchmark Oil Futures Contract of USOF has changed from the near month contract to expire to the next month contract to expire, starting on the date two weeks prior to the expiration of the near month contract.

The change in the Benchmark Oil Futures Contract occurred in its entirety from one day until the next day.

Effective for contract months commencing after March 2009, the Benchmark Oil Futures Contract will be changed from the near month contract to the next month contract over a four-day period. Each month, the Benchmark Oil Futures Contract will change starting at the end of the day on the date two weeks prior to expiration of the near month contract for that month. During the first three days of the period, the applicable

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value of the Benchmark Oil Futures Contract will be based on a combination of the near month contract and the next month contract as follows: (1) day 1 will consist of 75% of the then near month contract's total return for the day, plus 25% of the total return for the day of the next month contract, (2) day 2 will consist of 50% of the then near month contract's total return for the day, plus 50% of the total return for the day of the next month contract, and (3) day 3 will consist of 25% of the then near month contract's total return for the day, plus 75% of the total return for the day of the next month contract. On day 4, the Benchmark Oil Futures Contract will be the next month contract to expire at that time and that contract will remain the Benchmark Oil Futures Contract until the beginning of following month's change in the Benchmark Oil Futures Contract over a four-day period.

On each day during the four-day period, United States Commodity Funds LLC, the General Partner of USOF, anticipates it will roll USOF's positions in oil investments by closing, or selling, a percentage of USOF's positions in oil interests and reinvesting the proceeds from closing those positions in new oil interests that reflect the change in the Benchmark Oil Futures Contract.

The anticipated dates that the monthly four-day roll period will commence for 2009 will be posted on USOF's website at [www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com), and are subject to change without notice.

USOF's total portfolio composition is disclosed on its website each business day that the NYSE Arca is open for trading. 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 USOF's portfolio. USOF's website is publicly accessible at no charge. USOF's assets are held in segregated accounts pursuant to the Commodity Exchange Act and CFTC regulations.

The units issued by USOF 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 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 USOF. The NYSE Arca publishes an approximate NAV intra-day based on the prior day's NAV and the current price of Benchmark Oil Futures Contract, but the basket price is determined based on the actual NAV at the end of the day.

While USOF 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.

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

In managing USOF'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 the Benchmark Oil Futures Contract, that have an aggregate market value that approximates the amount of Treasuries and/or cash received upon the issuance of the Creation Basket.

As an example, assume that a Creation Basket is sold by USOF, and that USOF's closing NAV per unit is \$50.00. In that case, USOF would receive \$5,000,000 in proceeds from the sale of the Creation Basket (\$50.00 NAV per unit

multiplied by 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 Contract and that the market value of the Benchmark Oil Futures Contract is \$59,950, USOF would be unable to buy the exact number of Benchmark Oil Futures Contracts with an aggregate market value equal to \$5,000,000. Instead, USOF 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 Contract, USOF would be required to deposit \$497,585 in Treasuries and



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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 USOF's investments in futures contracts with respect to the month of expiration, and the prevailing price volatility of particular contracts. While the General Partner has made significant investments in NYMEX Oil Futures Contracts, as USOF reaches certain position limits on the NYMEX, or for other reasons, it has also and may continue to 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 Contract 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 USOF's NAV will continue to closely track the changes in percentage terms in the prices of the futures contracts in which USOF 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 USOF. 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 Contract is traded on the NYMEX in units of 1,000 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.

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 USOF?](#)

*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 USOF 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 and accountability limits that are similar to those imposed by the NYMEX 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 Contract 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 USOF and the Related Public Funds exceed these accountability levels for investments in futures contract for

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light, sweet crude oil, the NYMEX will monitor USOF's and the Related Public Funds' 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 if USOF and the Related Public Funds. If deemed necessary by the NYMEX, it could also order

USOF 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 March 31, 2009, USOF and the Related Public Funds held 27,548 futures contracts for light, sweet crude oil traded on the NYMEX and 27,111 Oil Futures Contracts traded on the ICE Futures.

If the NYMEX or the ICE Futures orders USOF to reduce its position back to the accountability level, or to an accountability level that the NYMEX or the ICE Futures deems appropriate for USOF, such an accountability level may impact the mix of investments in oil interests made by USOF. To illustrate, assume that the price of the Benchmark Oil Futures Contract and the unit price of USOF are each \$10, and that the NYMEX has determined that USOF may not own more than 10,000 contracts in Benchmark Oil Futures Contracts. In such case, USOF could invest up to \$1 billion of its daily net assets in the Benchmark Oil Futures Contract (i.e., \$10 per contract multiplied by 1,000 (a Benchmark Oil Futures Contract is a contract for 1,000 barrels 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), USOF 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 USOF will run up against such position limits because USOF's investment strategy is to close out its positions and roll from the near month contract to expire to the next month contract during a four-day period 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 Oil Futures Contracts. This limit is initially based off the previous trading day's settlement price. If any 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.

USOF 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 Contract.

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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 West Texas Intermediate ( WTI ) Crude 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.
ICE Brent Crude Futures (physically settled)	There are no position limits.	There is no maximum daily price fluctuation limit. \$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 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	There is no maximum daily price fluctuation limit. \$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.

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Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
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 million British thermal units ( 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.

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

*Term Structure of Crude Oil Futures Prices and the Impact on Total Returns.* Several factors determine the total return from investing in a futures contract position. One factor that impacts the total return that will result in investing

in near month crude oil futures contracts and rolling those contracts forward each month is the price relationship between the current near month contract and the next month contract. For example, if the price of the near month contract is higher than the next month contract (a situation referred to as backwardation in the futures market), then absent any other change there is a tendency for the price of a next month contract to rise in value as it becomes the near month contract and approaches expiration. Conversely,

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if the price of a near month contract is lower than the next month contract (a situation referred to as *contango* in the futures market), then absent any other change there is a tendency for the price of a next month contract to decline in value as it becomes the near month contract and approaches expiration.

As an example, assume that the price of crude oil for immediate delivery (the *spot price*), was \$50 per barrel, and the value of a position in the near month futures contract was also \$50. Over time, the price of the barrel of crude oil will fluctuate based on a number of market factors, including demand for oil relative to its supply. The value of the near month contract will likewise fluctuate in reaction to a number of market factors. If investors seek to maintain their holding in a near month contract position and not take delivery of the oil, every month they must sell their current near month as it approaches expiration and invest in the next month contract.

If the futures market is in *backwardation*, *e.g.*, when the expected price of oil in the future would be less, the investor would be buying next month contracts for a lower price than the current near month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the interest earned on Treasuries, cash and/or cash equivalents), the value of the next month contract would rise as it approaches expiration and becomes the new near month contract. In this example, the value of the \$50 investment would tend to rise faster than the spot price of crude oil, or fall slower. As a result, it would be possible in this hypothetical example for the price of spot crude oil to have risen to \$60 after some period of time, while the value of the investment in the futures contract would have risen to \$65, assuming *backwardation* is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen to \$40 while the value of an investment in the futures contract could have fallen to only \$45. Over time if *backwardation* remained constant the difference would continue to increase.

If the futures market is in *contango*, the investor would be buying next month contracts for a higher price than the current near month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the interest earned on cash), the value of the next month contract would fall as it approaches expiration and becomes the new near month contract. In this example, it would mean that the value of the \$50 investment would tend to rise slower than the spot price of crude oil, or fall faster. As a result, it would be possible in this hypothetical example for the price of spot crude oil to have risen to \$60 after some period of time, while the value of the investment in the futures contract would have risen to only \$55, assuming *contango* is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen to \$45 while the value of an investment in the futures contract could have fallen to \$50. Over time if *contango* remained constant the difference would continue to increase.

Historically, the oil futures markets have experienced periods of *contango* and *backwardation*, with *backwardation* being in place more often than *contango*. During 2006 and the first half of 2007, these markets experienced *contango*. However, starting early in the third quarter of 2007, the crude oil futures market moved into *backwardation*. The crude oil markets remained in *backwardation* until late in the second quarter of 2008 when they moved into *contango*. The crude oil markets remained in *contango* until late in the third quarter of 2008, when the markets moved into *backwardation*. Finally, the crude oil market moved back into *contango* for the balance of 2008.

*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 USOF's futures positions have declined in value, USOF may be required to post additional variation margin to cover this decline. Alternatively, if USOF's futures positions have increased in value, this increase will be credited to USOF's account.

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

USOF 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 contract provides for delivery of several grades of domestic and internationally traded foreign crudes, and, among other things, serves the diverse needs of the physical market. In Europe, Brent crude oil is



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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 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 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.

The chart below illustrates the historical correlation between the Benchmark Oil Futures Contract and certain other fuel-based commodity futures contracts in which USOF may invest. These correlations are relevant because the General Partner endeavors to invest USOF's assets in Oil Futures Contracts and Other Oil Interests so that daily changes in USOF's NAV correlate as closely as possible with daily changes in the price of the Benchmark Oil Futures Contract. If certain other fuel-based commodity futures contracts 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 Contract will closely correlate with changes in the spot price of light, sweet crude oil. Assuming that the units' value tracks the Benchmark Oil Futures Contract as intended, the stated objective of USOF 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 an 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

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monthly average prices presented below, USOF added the closing prices for every day in each month and then divided that number by the total number of days in that month.

\*PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

## **Why Does USOF Purchase and Sell Oil Futures Contracts?**

USOF'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 Contract, less USOF's expenses. USOF invests primarily in Oil Futures Contracts. USOF seeks to have its aggregate NAV approximate at all times the aggregate market value of the Oil Futures Contracts (or Other Oil Interests) it holds.

Other than investing in Oil Futures Contracts and Other Oil Interests, USOF only invests in assets to support these investments in oil interests. At any given time, most of USOF's investments are in Treasuries, cash and/or cash equivalents that serve as segregated assets supporting USOF'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 USOF to pay \$10 million upon entering into the contract; rather, only a margin deposit, generally of 5% - 10% of the stated value of the Oil Futures Contract, would be required. To secure its Oil Futures Contract obligations, USOF 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 10% to 20% of USOF'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, USOF 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. USOF earns interest income from the Treasuries and/or cash equivalents that it purchases, and on the cash it holds through the Custodian. USOF anticipates that the earned interest income will increase the NAV and limited partners' capital contribution accounts. USOF reinvests the earned interest income, holds it

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in cash, or uses it to pay its expenses. If USOF reinvests the earned interest income, it makes investments that are consistent with its investment objectives.

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

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

### **Liquidity**

USOF 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.

### **Spot Commodities**

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

### **Leverage**

The General Partner endeavors to have the value of USOF's Treasuries, cash and cash equivalents, whether held by USOF or posted as margin or collateral, at all times approximate the aggregate market value of its obligations under USOF's Oil Futures Contracts and Other Oil Interests.

### **Borrowings**

Borrowings are not used by USOF unless USOF is required to borrow money in the event of physical delivery, USOF trades in cash commodities, or for short-term needs created by unexpected redemptions. USOF maintains the value of its Treasuries, cash and cash equivalents, whether held by USOF 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. USOF has not established and does not plan to establish credit lines.

### **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 hedgers another set of financial

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vehicles to use in managing exposure to the crude oil market. Consequently, USOF 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, USOF 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 Oil Futures Contracts that may be invested in by USOF.

To protect itself from the credit risk that arises in connection with such contracts, USOF 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. USOF also may require that the counterparty be highly rated and/or provide collateral or other credit support to address USOF's exposure to the counterparty.

The creditworthiness of each potential counterparty is assessed by the General Partner. The General Partner assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty to an over-the-counter contract pursuant to guidelines approved by the General Partner's Board of Directors. Furthermore, the General Partner on behalf of USOF only enters into over-the-counter contracts with counterparties who are, or affiliates of, (a) banks regulated by a United States federal bank regulator, (b) broker-dealers regulated by the SEC, (c) insurance companies domiciled in the United States, and (d) producers, users or traders of energy, whether or not regulated by the CFTC. Any entity acting as a counterparty shall be regulated in either the United States or the United Kingdom unless otherwise approved by the General Partner's Board of Directors after consultation with its legal counsel.

Existing counterparties are also reviewed periodically by the General Partner.

USOF 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. USOF 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 USOF to changes in the price relationship between futures contracts which will expire sooner and those that will expire later. USOF 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 USOF, 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. USOF 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. USOF would make use of such a straddle approach if, in the opinion of the General Partner, the resulting combination would more closely track the investment goals of USOF or if it would lead to an overall lower cost of trading to achieve a given level of economic exposure to movements in crude oil prices.

USOF has not employed any hedging methods since all of its investments have been made over an exchange. Therefore, USOF has not been exposed to counterparty risk.

## **Pyramiding**

USOF does not and will not employ the technique, commonly known as pyramiding, in which the speculator uses unrealized profits on existing positions as variation margin for the purchase or sale of additional positions in the same or another commodity interest.

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## Who are the Service Providers?

Brown Brothers Harriman & Co. is the registrar and transfer agent for the units. Brown Brothers Harriman & Co. is also the custodian for USOF. In this capacity, Brown Brothers Harriman & Co. holds USOF's Treasuries, cash and/or cash equivalents pursuant to a custodial agreement. In addition, in its capacity as Administrator for USOF, Brown Brothers Harriman & Co. performs certain administrative and accounting services for USOF and prepares certain SEC and CFTC reports on behalf of USOF. The General Partner pays Brown Brothers Harriman & Co.'s fees for these services.

Brown Brothers Harriman & Co.'s principal business address is 50 Milk Street, Boston, MA 02109-3661. Brown Brothers Harriman & Co., a private bank founded in 1818, is not a publicly held company nor is it insured by the Federal Deposit Insurance Corporation. Brown Brothers Harriman & Co. is authorized to conduct a commercial banking business in accordance with the provisions of Article IV of the New York State Banking Law, New York Banking Law §§160-181, and is subject to regulation, supervision, and examination by the New York State Banking Department. Brown Brothers Harriman & Co. is also licensed to conduct a commercial banking business by the Commonwealths of Massachusetts and Pennsylvania and is subject to supervision and examination by the banking supervisors of those states.

USOF also employs ALPS Distributors, Inc. as a Marketing Agent, which is further discussed under "What is USOF's Plan of Distribution?" The General Partner pays ALPS Distributors, Inc.'s fees. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with the offering of units exceed ten percent (10%) of the gross proceeds of the offering.

ALPS's principal business address is 1290 Broadway, Suite 1100, Denver, CO 80203. ALPS is the marketing agent for USOF. ALPS is a registered broker-dealer with FINRA and a member of the Securities Investor Protection Corporation.

UBS Securities LLC (UBS Securities) is USOF's futures commission merchant. USOF and UBS Securities have entered into an Institutional Futures Client Account Agreement. This Agreement requires UBS Securities to provide services to USOF in connection with the purchase and sale of oil interests that may be purchased or sold by or through UBS Securities for USOF's account. USOF pays the fees of UBS Securities.

UBS Securities principal business address is 677 Washington Blvd, Stamford, CT 06901. UBS Securities is a futures clearing broker for the USOF. UBS Securities is registered in the US with FINRA as a Broker-Dealer and with the CFTC as a Futures Commission Merchant. UBS Securities is a member of various US futures and securities exchanges.

UBS Securities is the defendant in two purported securities class actions pending in District Court of the Northern District of Alabama, brought by holders of stocks and bonds of HealthSouth, captioned In re HealthSouth Corporation Stockholder, No. CV-03-BE-1501-S and In re HealthSouth Corporation Bondholder Litigation, No. CV-03-BE-1502-S. Both complaints assert liability under the Exchange Act.

UBS Securities has been responding to investigations by the SEC and the United States Attorney's Office for the Eastern District of New York regarding UBS's valuation of U.S. mortgage-backed securities and derivatives, and compliance with public disclosure rules. These investigations are ongoing.

On June 27, 2007, the Securities Division of the Secretary of the Commonwealth of Massachusetts ( Massachusetts Securities Division ) filed an administrative complaint (the Complaint ) and notice of adjudicatory proceeding against UBS Securities LLC, captioned In The Matter of UBS Securities, LLC, Docket No. E-2007-0049, which alleges, in sum and substance, that UBS Securities has been violating the Massachusetts Uniform Securities Act (the Act ) and related regulations by providing the advisers for certain hedge funds with gifts and gratuities in the form of below market office rents, personal loans with below market interest rates, event tickets, and other perks, in order to induce those hedge fund advisers to increase or retain their level of prime brokerage fees paid to UBS Securities. The

Complaint seeks a cease and desist order from conduct that violates the Act and regulations, to censure UBS Securities, to require UBS Securities to pay an administrative fine of an unspecified amount, and to find as fact the allegations of the Complaint.



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On June 26, 2008, the Massachusetts Securities Division filed an administrative complaint and notice of adjudicatory proceeding against UBS Securities and UBS Financial Services, Inc. ( UBS Financial ), captioned In the Matter of UBS Securities, LLC and UBS Financial Services, Inc., Docket No. 2008-0045, which alleged that UBS Securities and UBS Financial violated the Act in connection with the marketing and sale of auction rate securities.

On July 22, 2008, the Texas State Securities board filed an administrative proceeding against UBS Securities and UBS Financial captioned the Matter of the Dealer Registrations of UBS Financial Services, Inc. and UBS Securities LLC, SOAH Docket No. 312-08-3918, SSB Docket No. 08-IC04, alleging violations of the anti-fraud provision of the Texas Securities Act in connection with the marketing and sale of auction rate securities.

On July 24, 2008 the New York Attorney General ( NYAG ) filed a complaint in Supreme Court of the State of New York against UBS Securities and UBS Financial captioned State of New York v. UBS Securities LLC and UBS Financial Services, Inc., No. 650262/2008, in connection with UBS s marketing and sale of auction rate securities. The complaint alleges violations of the anti-fraud provisions of New York state statutes and seeks a judgment ordering that the firm buy back auction rate securities from investors at par, disgorgement, restitution and other remedies.

On August 8, 2008, UBS Securities and UBS Financial reached agreements in principle with the SEC, the NYAG, the Massachusetts Securities Division and other state regulatory agencies represented by the North American Securities Administrators Association ( NASAA ) to restore liquidity to all remaining client s holdings of auction rate securities by June 30, 2012. On August 20, 2008, the Texas proceeding was dismissed and withdrawn. On October 2, 2008, UBS Securities and UBS Financial entered into a final consent agreement with the Massachusetts Securities Division settling all allegations in the Massachusetts Securities Division s administrative proceeding against UBS Securities and UBS Financial with regards to the auction rate securities matter. On December 11, 2008, UBS Securities and UBS Financial executed an Assurance of Discontinuance in the auction rate securities settlement with the NYAG. On the same day, UBS Securities and UBS Financial finalized settlements with the SEC.

On August 14, 2008 the New Hampshire Bureau of Securities Regulation filed an administrative action against UBS Securities relating to a student loan issuer, the New Hampshire Higher Education Loan Corp. (NHHELCO). The complaint alleges fraudulent and unethical conduct in violation of New Hampshire state statutes. The complaint seeks an administrative fine, a cease and desist order, and restitution to NHHELCO. The claim does not impact the global settlement with the SEC, NYAG and NASAA relating to the marketing and sale of ARS to investors.

Further, UBS Securities, like most full service investment banks and broker-dealers, receives inquiries and is sometimes involved in investigations by the SEC, FINRA, NYSE and various other regulatory organizations, exchanges and government agencies. UBS Securities fully cooperates with the authorities in all such requests. UBS Securities regularly discloses to the FINRA arbitration awards, disciplinary action and regulatory events. These disclosures are publicly available on the FINRA s website at [www.finra.org](http://www.finra.org). Actions with respect to UBS Securities futures commission merchant business are publicly available on the website of the National Futures Association (<http://www.nfa.futures.org/>).

UBS Securities will act only as clearing broker for USOF and as such will be paid commissions for executing and clearing trades on behalf of USOF. UBS Securities has not passed upon the adequacy or accuracy of this prospectus. UBS Securities neither will act in any supervisory capacity with respect to the General Partner nor participate in the management of USOF.

UBS Securities is not affiliated with USOF or the General Partner. Therefore, USOF does not believe that USOF has any conflicts of interest with them or their trading principals arising from their acting as USOF s futures commission merchant.

Currently, the General Partner does not employ commodity trading advisors. If, in the future, the General Partner does employ commodity trading advisors, it will choose each advisor based on arm's-length negotiations and will consider the advisor's experience, fees, and reputation.

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**Fees of USOF**

**Fees and Compensation Arrangements with the General Partner and Non-Affiliated Service Providers**

Service Provider	Compensation Paid by the General Partner
	Minimum amount of \$75,000 annually* for its custody, fund accounting and fund administration services rendered to all funds, as well as a \$20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first \$500 million of USOF and the Related Public Funds combined net assets, (b) 0.0465% for USOF and the Related Public Funds combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once USOF and the Related Public Funds combined net assets exceed \$1 billion.**
Brown Brothers Harriman & Co., Custodian and Administrator	\$425,000 per annum plus an incentive fee as follows: 0.0% on USOF s assets from \$0-500 million; 0.04% on USOF s assets from \$500 million-\$4 billion; 0.03% on USOF s assets in excess of \$4 billion.
ALPS Distributors, Inc., Marketing Agent	

\*

The General Partner pays this compensation.

The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \*\*\$75,000. The General Partner also will pay transaction charge fees to Brown Brothers Harriman & Co., ranging from \$7.00 to \$15.00 per transaction for the funds.

**Compensation to the General Partner**

Prior to January 1, 2009

Assets	Management Fee
First \$1,000,000,000	0.50% of NAV
After the first \$1,000,000,000	0.20% of NAV

Beginning January 1, 2009

Assets	Management Fee
All assets	0.45% of NAV

Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. NAV is calculated by taking the current market value of USOF s total assets and subtracting any liabilities.

**Fees and Compensation Arrangements between USOF and Non-Affiliated Service Providers\*\*\***

Service Provider	Compensation Paid by USOF
UBS Securities LLC, Futures Commission Merchant	Approximately \$3.50 per buy or sell; charges may vary
Non-Affiliated Brokers	Approximately 0.19% of assets

\*\*\*

USOF pays this compensation.

**New York Mercantile Exchange Licensing Fee\*\*\*\***

Assets	Management Fee
First \$1,000,000,000	0.04% of NAV
After the first \$1,000,000,000	0.02% of NAV

Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. USOF is responsible for its pro rata share of the assets held by USOF and the Related Public Funds, as well as other funds managed by the General Partner, including US12NG and USSO, when and if such funds commence operations.

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Please see *Prior Performance of the General Partner and Affiliates* for a break-down of expenses paid through March 31, 2009 both in dollar terms and as a percentage of average daily net assets.

## **Form of Units**

**Registered Form.** Units are issued in registered form in accordance with the LP Agreement. The Administrator has been appointed registrar and transfer agent for the purpose of transferring units in certificated form. The Administrator keeps a record of all limited partners and holders of the units in certificated form in the registry ( *Register* ). The General Partner recognizes transfers of units in certificated form only if done in accordance with the LP Agreement. The beneficial interests in such units are held in book-entry form through participants and/or accountholders in DTC.

**Book Entry.** Individual certificates are not issued for the units. Instead, units are represented by one or more global certificates, which are deposited by the Administrator with 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 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 are credited to DTC Participants' securities accounts following confirmation of receipt of payment.

**DTC.** DTC is a limited purpose trust company organized under the laws of the State of New York and is a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC Participants and facilitates the clearance and settlement of transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants.

## **Transfer of Units**

**Transfers of Units Only Through DTC.** The units are only transferable through the book-entry system of DTC. Limited partners who are not DTC Participants may transfer their units through DTC by instructing the DTC Participant holding their units (or by instructing the Indirect Participant or other entity through which their units are held) to transfer the units. Transfers are made in accordance with standard securities industry practice.

Transfers of interests in units with DTC are made in accordance with the usual rules and operating procedures of DTC and the nature of the transfer. DTC has established procedures to facilitate transfers among the participants and/or accountholders of DTC. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants, the ability of a person or entity having an interest in a global certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a definitive security in respect of such interest.

DTC has advised us that it will take any action permitted to be taken by a unitholder (including, without limitation, the presentation of a global certificate for exchange) only at the direction of one or more DTC Participants in whose account with DTC interests in global certificates are credited and only in respect of such portion of the aggregate principal amount of the global certificate as to which such DTC Participant or Participants has or have given such direction.

***Transfer/Application Requirements.*** All purchasers of USOF's units, and potentially any purchasers of limited partner interests in the future, who wish to become limited partners or other 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 USOF's LP Agreement and is eligible to purchase USOF's securities. Each purchaser of units offered by this prospectus must execute a transfer application and certification. The obligation to provide the form of transfer application will be imposed on the seller of units or, if a purchase of units is made through an exchange, the form may be obtained directly through USOF.

Further, the General Partner may request each record holder to

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furnish certain information, including that holder's nationality, citizenship or other related status. A record holder is a unitholder that is, or has applied to be, a limited partner. An investor who is not a U.S. resident may not be eligible to become a record holder or one of USOF's limited partners if that investor's ownership would subject USOF to the risk of cancellation or forfeiture of any of USOF's assets under any federal, state or local law or regulation. If the record holder fails to furnish the information or if the General Partner determines, on the basis of the information furnished by the holder in response to the request, that such holder is not qualified to become one of USOF's limited partners, the General Partner may be substituted as a holder for the record holder, who will then be treated as a non-citizen assignee, and USOF will have the right to redeem those securities held by the record holder.

A transferee's broker, agent or nominee may complete, execute and deliver a transfer application and certification. USOF may, at its discretion, treat the nominee holder of a unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

A person purchasing USOF'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 are securities and are transferable according to the laws governing transfers of securities.

Any transfer of units will not be recorded by the transfer agent or recognized by the General Partner unless a completed transfer application is delivered to the General Partner or the Administrator. When acquiring units, the transferee of such units that completes a transfer application will:

be an assignee until admitted as a substituted limited partner upon the consent and sole discretion of the General Partner and the recording of the assignment on the books and records of the partnership;

automatically request admission as a substituted limited partner;  
agree to be bound by the terms and conditions of, and execute, our LP Agreement;  
represent that such transferee has the capacity and authority to enter into our LP Agreement;  
grant powers of attorney to our General Partner and any liquidator of us; and  
make the consents and waivers contained in our LP Agreement.

An assignee will become a limited partner in respect of the transferred units upon the consent of our General Partner and the recordation of the name of the assignee on our books and records. Such consent may be withheld in the sole discretion of our General Partner.

If consent of the General Partner is withheld such transferee shall be an assignee. An assignee shall have an interest in the partnership equivalent to that of a limited partner with respect to allocations and distributions, including, without limitation, liquidating distributions, of the partnership. With respect to voting rights attributable to units that are held by assignees, the General Partner shall be deemed to be the limited partner with respect thereto and shall, in exercising the voting rights in respect of such units on any matter, vote such units at the written direction of the assignee who is the recordholder of such units. If no such written direction is received, such units will not be voted. An assignee shall have no other rights of a limited partner.

Until a unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

## **Withdrawal of Limited Partners**

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



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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 regulations applicable to the partnership or a partner. In these circumstances, the General Partner without notice may require the withdrawal at any time, or retroactively. The limited partner thus designated shall withdraw from the partnership or withdraw that portion of its partner capital account specified, as the case may be, as of the close of business on such date as determined by the General Partner. The limited partner thus designated shall be deemed to have withdrawn from the partnership or to have made a partial withdrawal from its partner capital account, as the case may be, without further action on the part of the limited partner and the provisions of the LP Agreement shall apply.

## **What is the Plan of Distribution?**

### **Buying and Selling Units**

Most investors buy and sell units of USOF in secondary market transactions through brokers. Units trade on the NYSE Arca under the ticker symbol USO. Units are bought and sold throughout the trading day like other publicly traded securities. When buying or selling units through a broker, most investors incur customary brokerage commissions and charges. Investors are encouraged to review the terms of their brokerage account for details on applicable charges.

### **Marketing Agent and Authorized Purchasers**

The offering of USOF's units is a best efforts offering. USOF is continuously offering Creation Baskets consisting of 100,000 units through the Marketing Agent, to Authorized Purchasers. KV Execution Services, LLC was the initial Authorized Purchaser. The initial Authorized Purchaser purchased the initial Creation Basket of 100,000 units at USOF's NAV on April 10, 2006. All Authorized Purchasers pay a \$1,000 fee for each order to create one or more Creation Baskets. The Marketing Agent receives, for its services as marketing agent to USOF, a marketing fee \$425,000 per annum plus an incentive fee as follows: 0.0% on USOF's assets from \$0 - 500 million; .04% on USOF's assets from \$500 million - \$4 billion; .03% on USOF's assets in excess of \$4 billion; provided, however, that in no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with this offering of units exceed ten percent (10%) of the gross proceeds of this offering.

Kathryn D. Rooney, a registered representative of the Marketing Agent, solicits orders, customers and customer funds in connection with the offering of the units. Ms. Rooney is also the Director of Business Development for Ameristock Corporation, an affiliate of the General Partner, and is not an employee of the General Partner. As a consequence, she receives no compensation from the General Partner even though she is designated as the Marketing Manager of USOF. Any compensation she receives for her efforts on behalf of USOF is paid by the Marketing Agent. Previously, she worked at ALPS Mutual Fund Services, Inc. as a National Sales Director. She is also registered with the CFTC as an Associated Person of the General Partner.

The offering of baskets is being made in compliance with Conduct Rule 2810 of FINRA. Accordingly, Authorized Purchasers will not make any sales to any account over which they have discretionary authority without the prior written approval of a purchaser of units.

The per unit price of units offered in Creation Baskets on any subsequent day will be the total NAV of USOF calculated shortly after the close of the NYSE Arca on that day divided by the number of issued and outstanding units.

An Authorized Purchaser is not required to sell any specific number or dollar amount of units.

By executing an Authorized Purchaser Agreement, an Authorized Purchaser becomes part of the group of parties eligible to purchase baskets from, and put baskets for redemption to, USOF. 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.

A list of Authorized Purchasers is available from the Marketing Agent. Because new units can be created and issued on an ongoing basis, at any point during the life of USOF, a distribution, as such term is used in the 1933 Act, will be occurring. Authorized Purchasers, other broker-dealers and other persons are cautioned that some of their activities may result in their being deemed participants in a distribution in a manner

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that would render them statutory underwriters and subject them to the prospectus-delivery and liability provisions of the 1933 Act. Authorized Purchasers will comply with the prospectus-delivery requirements in connection with the sale of units to customers. For example, an Authorized Purchaser, other broker-dealer firm or its client will be deemed a statutory underwriter if it purchases a basket from USOF, breaks the basket down into the constituent units and sells the units to its customers; or if it chooses to couple the creation of a supply of new units with an active selling effort involving solicitation of secondary market demand for the units. Authorized Purchasers may also engage in secondary market transactions in units that would not be deemed underwriting. For example, an Authorized Purchaser may act in the capacity of a broker or dealer with respect to units that were previously distributed by other Authorized Purchasers. A determination of whether a particular market participant is an underwriter must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that would lead to designation as an underwriter and subject them to the prospectus-delivery and liability provisions of the 1933 Act.

Dealers who are neither Authorized Purchasers nor underwriters but are nonetheless participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with units that are part of an unsold allotment within the meaning of Section 4(3)(C) of the 1933 Act, would be unable to take advantage of the prospectus-delivery exemption provided by Section 4(3) of the 1933 Act.

The General Partner may qualify the units in states selected by the General Partner and intends that sales be made through broker-dealers who are members of FINRA. Investors intending to create or redeem baskets through Authorized Purchasers in transactions not involving a broker-dealer registered in such investor's state of domicile or residence should consult their legal advisor regarding applicable broker-dealer or securities regulatory requirements under the state securities laws prior to such creation or redemption.

While the Authorized Purchasers may be indemnified by the General Partner, they will not be entitled to receive a discount or commission from USOF for their purchases of Creation Baskets. 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.

## **Calculating NAV**

USOF's NAV is calculated by:

Taking the current market value of its total assets  
Subtracting any liabilities

The Administrator calculates the NAV of USOF once each trading day. The NAV for a particular trading day is released after 4:15 p.m. New York time. It calculates NAV as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time. Trading on the NYSE Arca typically closes at 4:15 p.m. New York time. The Administrator uses the NYMEX closing price (determined at the earlier of the close of the NYMEX or 2:30 p.m. New York time) for the contracts traded on the NYMEX, but determines the value of all other USOF investments as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time, in accordance with the current Administrative Agency Agreement among Brown Brothers Harriman & Co., USOF and the General Partner.

In addition, in order to provide updated information relating to USOF for use by investors and market professionals, the NYSE Arca calculates and disseminates throughout the trading day an updated indicative fund value. The indicative fund value is calculated by using the prior day's closing NAV per unit of USOF as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the active light, sweet

Oil Futures Contract on the NYMEX. The prices reported for the active Oil Futures Contract month are adjusted based on the prior day's spread differential between settlement values for that contract and the spot month contract. In the event that the spot month contract is also the active contract, the last sale price for the active contract is not adjusted. The indicative fund value unit basis disseminated during NYSE Arca trading hours should not be viewed as an actual real time update of the NAV, because the NAV is calculated only once at the end of each trading day.

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The indicative fund value is disseminated on a per unit basis every 15 seconds during regular NYSE Arca trading hours of 9:30 a.m. New York time to 4:15 p.m. New York time. The normal trading hours of the NYMEX are 10:00 a.m. New York time to 2:30 p.m. New York time. This means that there is a gap in time at the beginning and the end of each day during which USOF's units are traded on the NYSE Arca, but real-time NYMEX trading prices for oil futures contracts traded on such Exchange are not available. As a result, during those gaps there will be no update to the indicative fund value.

The NYSE Arca disseminates the indicative fund value through the facilities of CTA/CQ High Speed Lines. In addition, the indicative fund value is published on the NYSE Arca's website and is available through on-line information services such as Bloomberg and Reuters.

Dissemination of the indicative fund value provides additional information that is not otherwise available to the public and is useful to investors and market professionals in connection with the trading of USOF units on the NYSE Arca. Investors and market professionals are able throughout the trading day to compare the market price of USOF and the indicative fund value. If the market price of USOF units diverges significantly from the indicative fund value, market professionals will have an incentive to execute arbitrage trades. For example, if USOF appears to be trading at a discount compared to the indicative fund value, a market professional could buy USOF units on the NYSE Arca and sell short oil futures contracts. Such arbitrage trades can tighten the tracking between the market price of USOF and the indicative fund value and thus can be beneficial to all market participants.

In addition, other Oil Futures Contracts, Other Oil Interests and Treasuries held by USOF are valued by the Administrator, using rates and points received from client approved third party vendors (such as Reuters and WM Company) and advisor quotes. These investments are not included in the indicative value. The indicative fund value is based on the prior day's NAV and moves up and down solely according to changes in near month Oil Futures Contracts for light, sweet oil crude traded on the NYMEX.

## **Creation and Redemption of Units**

USOF creates and redeems units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to USOF or the distribution by USOF of the amount of Treasuries and any cash represented by the baskets being created or redeemed, the amount of which is based on the combined NAV of the number of units included in the baskets being created or redeemed determined as of 4:00 p.m. New York time on the day the order to create or redeem baskets is properly received.

Authorized Purchasers are the only persons that may place orders to create and redeem baskets. 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 as described below, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner. The Authorized Purchaser Agreement provides the procedures for the creation and redemption of baskets and for the delivery of the Treasuries and any cash required for such creations and redemptions. The Authorized Purchaser Agreement and the related procedures attached thereto may be amended by USOF, without the consent of any limited partner or unitholder or Authorized Purchaser. Authorized Purchasers pay a transaction fee of \$1,000 to USOF for each order they place to create or redeem one or more baskets. Authorized Purchasers who make deposits with USOF in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either USOF or the General Partner, and no such person will have any obligation or responsibility to the General Partner or USOF to effect any sale or resale of units.

Certain Authorized Purchasers are expected to have the facility to participate directly in the physical crude oil market and the crude oil futures market. In some cases, an Authorized Purchaser or its affiliates may from time to time acquire crude oil or sell crude oil and may profit in these instances. The General Partner believes that the size and operation of the crude oil market make it unlikely that an Authorized Purchaser's direct activities in the crude oil or securities markets will impact the price of crude oil, Oil Futures Contracts, or the price of the units.

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Each Authorized Purchaser is required to be registered as a broker-dealer under the Exchange Act and is a member in good standing with FINRA, or exempt from being or otherwise not required to be licensed as a broker-dealer or a member of FINRA, and qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Purchasers may also be regulated under federal and state banking laws and regulations. Each Authorized Purchaser has its own set of rules and procedures, internal controls and information barriers as it determines is appropriate in light of its own regulatory regime.

Under the Authorized Purchaser Agreement, the General Partner has agreed to indemnify the Authorized Purchasers against certain liabilities, including liabilities under the 1933 Act, and to contribute to the payments the Authorized Purchasers may be required to make in respect of those liabilities.

The following description of the procedures for the creation and redemption of baskets is only a summary and an investor should refer to the relevant provisions of the LP Agreement and the form of Authorized Purchaser Agreement for more detail, each of which is attached as an exhibit to the registration statement of which this prospectus is a part. See [Where You Can Find More Information](#) for information about where you can obtain the registration statement.

### **Creation Procedures**

On any business day, an Authorized Purchaser may place an order with the Marketing Agent to create one or more baskets. For purposes of processing purchase and redemption orders, a business day means any day other than a day when any of the NYSE Arca, the NYMEX or the New York Stock Exchange is closed for regular trading. Purchase orders must be placed by 12:00 p.m. New York time or the close of regular trading on the New York Stock Exchange, whichever is earlier. The day on which the Marketing Agent receives a valid purchase order is the purchase order date.

By placing a purchase order, an Authorized Purchaser agrees to deposit Treasuries with USOF, or a combination of Treasuries and cash, as described below. Prior to the delivery of baskets for a purchase order, the Authorized Purchaser must also have wired to the Custodian the non-refundable transaction fee due for the purchase order. Authorized Purchasers may not withdraw a creation request.

### **Determination of Required Deposits**

The total deposit required to create each basket ( Creation Basket Deposit ) is the amount of Treasuries and/or cash that is in the same proportion to the total assets of USOF (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to purchase is accepted as the number of units to be created under the purchase order is in proportion to the total number of units outstanding on the date the order is received. The General Partner determines, directly in its sole discretion or in consultation with the Administrator, the requirements for Treasuries and the amount of cash, including the maximum permitted remaining maturity of a Treasury and proportions of Treasury and cash that may be included in deposits to create baskets. The Marketing Agent will publish such requirements at the beginning of each business day. The amount of cash deposit required is the difference between the aggregate market value of the Treasuries required to be included in a Creation Basket Deposit as of 4:00 p.m. New York time on the date the order to purchase is properly received and the total required deposit.

### **Delivery of Required Deposits**

An Authorized Purchaser who places a purchase order is responsible for transferring to USOF's account with the Custodian the required amount of Treasuries and cash by the end of the third business day following the purchase order date. Upon receipt of the deposit amount, the Administrator directs DTC to credit the number of baskets ordered

to the Authorized Purchaser's DTC account on the third business day following the purchase order date. The expense and risk of delivery and ownership of Treasuries until such Treasuries have been received by the Custodian on behalf of USOF is borne solely by the Authorized Purchaser.

Because orders to purchase baskets must be placed by 12:00 p.m., New York time, but the total payment required to create a basket during the continuous offering period will not be determined until 4:00 p.m., New York time, on the date the purchase order is received, Authorized Purchasers will not know the total amount of the payment required to create a basket at the time they submit an irrevocable purchase order for



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the basket. USOF's NAV and the total amount of the payment required to create a basket could rise or fall substantially between the time an irrevocable purchase order is submitted and the time the amount of the purchase price in respect thereof is determined.

### **Rejection of Purchase Orders**

The General Partner acting by itself or through the Marketing Agent may reject a purchase order or a Creation Basket Deposit if:

it determines that the investment alternative available to USOF at that time will not enable it to meet its investment objective;

it determines that the purchase order or the Creation Basket Deposit is not in proper form;

it believes that the purchase order or the Creation Basket Deposit would have adverse tax consequences to USOF or its unitholders;

the acceptance or receipt of the Creation Basket Deposit would, in the opinion of counsel to the General Partner, be unlawful; or

circumstances outside the control of the General Partner, Marketing Agent or Custodian make it, for all practical purposes, not feasible to process creations of baskets.

None of the General Partner, Marketing Agent or Custodian will be liable for the rejection of any purchase order or Creation Basket Deposit.

### **Redemption Procedures**

The procedures by which an Authorized Purchaser can redeem one or more baskets mirror the procedures for the creation of baskets. On any business day, an Authorized Purchaser may place an order with the Marketing Agent to redeem one or more baskets. Redemption orders must be placed by 12:00 p.m. New York time or the close of regular trading on the New York Stock Exchange, whichever is earlier. A redemption order so received will be effective on the date it is received in satisfactory form by the Marketing Agent. The redemption procedures allow Authorized Purchasers to redeem baskets and do not entitle an individual unitholder to redeem any units in an amount less than a Redemption Basket, or to redeem baskets other than through an Authorized Purchaser. By placing a redemption order, an Authorized Purchaser agrees to deliver the baskets to be redeemed through DTC's book-entry system to USOF not later than 3:00 p.m. New York time on the third business day following the effective date of the redemption order.

Prior to the delivery of the redemption distribution for a redemption order, the Authorized Purchaser must also have wired to USOF's account at the Custodian the non-refundable transaction fee due for the redemption order. Authorized Purchasers may not withdraw a redemption request.

### **Determination of Redemption Distribution**

The redemption distribution from USOF consists of a transfer to the redeeming Authorized Purchaser of an amount of Treasuries and cash that is in the same proportion to the total assets of USOF (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to redeem is properly received as the number of units to be redeemed under the redemption order is in proportion to the total number of units outstanding on the date the order is received. The General Partner, directly or in consultation with the Administrator, determines the requirements for Treasuries and the amounts of cash, including the maximum permitted remaining maturity of a Treasury, and the proportions of Treasuries and cash that may be included in distributions to redeem baskets. The Marketing Agent will publish such requirements as of 4:00 p.m. New York time on the redemption order date.

## **Delivery of Redemption Distribution**

The redemption distribution due from USOF will be delivered to the Authorized Purchaser by 3:00 p.m. New York time on the third business day following the redemption order date if, by 3:00 p.m. New York time on such third business day, USOF's DTC account has been credited with the baskets to be redeemed. If USOF's DTC account has not been credited with all of the baskets to be redeemed by such time, the redemption distribution will be delivered to the extent of whole baskets received. Any remainder of the redemption

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distribution will be delivered on the next business day to the extent of remaining whole baskets received if USOF receives the fee applicable to the extension of the redemption distribution date which the General Partner may, from time to time, determine and the remaining baskets to be redeemed are credited to USOF's DTC account by 3:00 p.m.

New York time on such next business day. Any further outstanding amount of the redemption order shall be cancelled. Pursuant to information from the General Partner, the Custodian will also be authorized to deliver the redemption distribution notwithstanding that the baskets to be redeemed are not credited to USOF's DTC account by 3:00 p.m. New York time on the third business day following the redemption order date if the Authorized Purchaser has collateralized its obligation to deliver the baskets through DTC's book entry-system on such terms as the General Partner may from time to time determine.

### **Suspension or Rejection of Redemption Orders**

The General Partner may, in its discretion, suspend the right of redemption, or postpone the redemption settlement date, (1) for any period during which the NYSE Arca or the NYMEX is closed other than customary weekend or holiday closings, or trading on the NYSE Arca or the NYMEX is suspended or restricted, (2) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of Treasuries is not reasonably practicable, or (3) for such other period as the General Partner determines to be necessary for the protection of the limited partners. For example, the General Partner may determine that it is necessary to suspend redemptions to allow for the orderly liquidation of USOF's assets at an appropriate value to fund a redemption. If the General Partner has difficulty liquidating its positions, e.g., because of a market disruption event in the futures markets, a suspension of trading by the exchange where the futures contracts are listed or an unanticipated delay in the liquidation of a position in an over the counter contract, it may be appropriate to suspend redemptions until such time as such circumstances are rectified. None of the General Partner, the Marketing Agent, the Administrator, or the Custodian will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

Redemption orders must be made in whole baskets. The General Partner will reject a redemption order if the order is not in proper form as described in the Authorized Purchaser Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. The General Partner may also reject a redemption order if the number of units being redeemed would reduce the remaining outstanding units to 100,000 units (i.e., one basket) or less, unless the General Partner has reason to believe that the placer of the redemption order does in fact possess all the outstanding units and can deliver them.

### **Creation and Redemption Transaction Fee**

To compensate USOF for its expenses in connection with the creation and redemption of baskets, an Authorized Purchaser is required to pay a transaction fee to USOF of \$1,000 per order to create or redeem baskets. An order may include multiple baskets. The transaction fee may be reduced, increased or otherwise changed by the General Partner. The General Partner shall notify DTC of any change in the transaction fee and will not implement any increase in the fee for the redemption of baskets until 30 days after the date of the notice.

### **Tax Responsibility**

Authorized Purchasers are responsible for any transfer tax, sales or use tax, stamp tax, recording tax, value added tax or similar tax or governmental charge applicable to the creation or redemption of baskets, regardless of whether or not such tax or charge is imposed directly on the Authorized Purchaser, and agree to indemnify the General Partner and USOF if they are required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

## **Secondary Market Transactions**

As noted, USOF creates and redeems units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to USOF or the distribution by USOF of the amount of Treasuries and cash represented by the baskets being created or redeemed, the amount of which will be based on the aggregate NAV of the number of units included in the baskets being created or redeemed determined on the day the order to create or redeem baskets is properly received.

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As discussed above, Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be 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. 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 NAV of USOF at the time the Authorized Purchaser purchased the Creation Baskets and the NAV 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 Oil Futures Contract market and the market for Other Oil Interests. The prices of units offered by Authorized Purchasers are expected to fall between USOF's NAV and the trading price of the units on the NYSE Arca at the time of sale. Units initially comprising the same basket but offered by Authorized Purchasers to the public at different times may have different offering prices. An order for one or more baskets may be placed by an Authorized Purchaser on behalf of multiple clients. Authorized Purchasers who make deposits with USOF in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either USOF or the General Partner, and no such person has any obligation or responsibility to the General Partner or USOF to effect any sale or resale of units. 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 NAV per unit. The amount of the discount or premium in the trading price relative to the NAV 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 Oil Futures Contracts market and the market for Other Oil Interests. While the units trade on the NYSE Arca until 4:15 p.m. New York time, liquidity in the market for Oil Futures Contracts and Other Oil Interests may be reduced after the close of the NYMEX at 2:30 p.m. New York time. As a result, during this time, trading spreads, and the resulting premium or discount, on the units may widen.

## **Use of Proceeds**

The General Partner applies substantially all of USOF's assets toward trading in Oil Futures Contracts and other Oil Interests and investments in Treasuries, cash and/or cash equivalents. The General Partner has sole authority to determine the percentage of assets that are:

held on deposit with the futures commission merchant or other custodian,  
used for other investments, and  
held in bank accounts to pay current obligations and as reserves.

The General Partner deposits substantially all of USOF's net assets with the Custodian or other custodian. When USOF purchases an Oil Futures Contract and certain exchange traded Other Oil Interests, USOF is also required to deposit with the futures commission merchant on behalf of the exchange a portion of the value of the contract or other interest as security to ensure payment for the obligation under oil interests at maturity. This deposit is known as margin. USOF invests the remainder of its assets equal to the difference between the margin deposited and the market value of the futures contract in Treasuries, cash and/or cash equivalents.

USOF's assets are held in segregated accounts pursuant to the Commodity Exchange Act and CFTC regulations. The General Partner believes that all entities that hold or trade USOF's assets are based in the United States and are subject to United States regulations.

Approximately 5% to 10% of USOF's assets are normally committed as margin for commodity futures contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The General Partner invests the balance of USOF's assets not invested in oil interests or held in margin as

reserves to be available for changes in margin. All interest income is used for USOF's benefit.

The futures commission merchant, a government agency or a commodity exchange could increase margins applicable to USOF to hold trading positions at any time. Moreover, margin is merely a security deposit and has no bearing on the profit or loss potential for any positions taken.

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## Limited Partnership Agreement

The following paragraphs are a summary of certain provisions of our LP Agreement. The following discussion is qualified in its entirety by reference to our LP Agreement.

### Authority of the General Partner

Our General Partner is generally authorized to perform all acts deemed necessary to carry out the purposes of the limited partnership and to conduct our business. Our partnership existence will continue into perpetuity, until terminated in accordance with our LP Agreement. Our General Partner has a power of attorney to take certain actions, including the execution and filing of documents, on our behalf and with respect to our LP Agreement. However, our partnership agreement limits the authority of our General Partner as follows:

Other than in connection with the issuance or redemption of units, or upon termination of the partnership as contemplated by the LP Agreement, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other person) or approve on behalf of the partnership, the sale, exchange or other disposition of all or substantially all of the assets of all of the partnership, taken as a whole, without the approval of at least a majority of the limited partners; provided, however, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the partnership's assets and shall not apply to any forced sale of any or all of the partnership's assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

The General Partner is not authorized to institute or initiate on behalf of, or otherwise cause, the partnership to (a) make a general assignment for the benefit of creditors; (b) file a voluntary bankruptcy petition; or (c) file a petition seeking for the partnership a reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief under any law.

The General Partner may not, without written approval of the specific act by all of the limited partners or by other written instrument executed and delivered by all of the limited partners subsequent to the date of the LP Agreement, take any action in contravention of the LP Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the partnership, except as otherwise provided in the LP Agreement; (ii) possess partnership property, or assign any rights in specific partnership property, for other than a partnership purpose; (iii) admit a person as a partner, except as otherwise provided in the LP Agreement; (iv) amend the LP Agreement in any manner, except as otherwise provided in the LP Agreement or applicable law; or (v) transfer its interest as General Partner of the partnership, except as otherwise provided in the LP Agreement.

In general, unless approved by a majority of the limited partners, our General Partner shall not take any action, or refuse to take any reasonable action, the effect of which would be to cause us, to the extent it would materially and adversely affect limited partners, to be taxable as a corporation or to be treated as an association taxable as a corporation for federal income tax purposes.

### Withdrawal or Removal of Our General Partner

The General Partner shall be deemed to have withdrawn from the partnership upon the occurrence of any one of the following events:

- the General Partner voluntarily withdraws from the partnership by giving written notice to the other partners;
- the General Partner transfers all of its rights as General Partner;
- the General Partner is removed;

the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition; (C) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief under any law; (D) files an

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answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A) (C) of this sentence; or (E) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the General Partner or of all or any substantial part of its properties;

a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or

a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

The General Partner may be removed with or without cause if such removal is approved by the holders of at least 66 2/3% of the outstanding units (excluding for this purpose units held by the General Partner and its affiliates).

## **Meetings**

All acts of the limited partners should be done in accordance with the Delaware Revised Uniform Limited Partnership Act ( DRULPA ). Upon the written request of 20% or more in interest of the limited partners, the General Partner may, but is not required to, call a meeting of the limited partners. Notice of such meeting shall be given within 30 days after, and the meeting shall be held within 60 days after, receipt of such request. The General Partner may also call a meeting not less than 20 and not more than 60 days prior to the meeting. Any such notice shall state briefly the purpose of the meeting, which shall be held at a reasonable time and place. Any limited partner may obtain a list of names, addresses, and interests of the limited partners upon written request to the General Partner.

## **Limited Liability**

Assuming that a limited partner does not take part in the control of our business, and that he otherwise acts in conformity with the provisions of our LP Agreement, his liability under Delaware law will be limited, subject to certain possible exceptions, generally to the amount of capital he is obligated to contribute to us in respect of his units or other limited partner interests plus his share of any of our undistributed profits and assets. In light of the fact that a limited partner's liability may extend beyond his capital contributions, a limited partner may lose more money than he contributed.

Under Delaware law, a limited partner might be held liable for USOF's 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.

Under the LP Agreement, a limited partner will not be liable for assessments in addition to its initial capital investment in any of USOF's capital securities representing limited partnership interests. However, a limited partner still may be required to repay to USOF any amounts wrongfully returned or distributed to it under some circumstances. Under Delaware law, USOF may not make a distribution to limited partners if the distribution causes USOF's liabilities (other than liabilities to partners on account of their partnership interests and nonrecourse liabilities) to exceed the fair value of USOF's 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.

## **The General Partner Has Conflicts of Interest**

There are present and potential future conflicts of interest in USOF's structure and operation you should consider before you purchase units. The General Partner will use this notice of conflicts as a defense against any claim or other proceeding made.

The General Partner's officers, directors and employees, do not devote their time exclusively to USOF. These persons are directors, officers or employees of other entities which may compete with USOF for their

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services. They could have a conflict between their responsibilities to USOF and to those other entities. The General Partner believes that it has sufficient personnel, time, and working capital to discharge its responsibilities in a fair manner and that these persons' conflicts should not impair their ability to provide services to USOF.

The General Partner's principals, officers, directors and employees may trade futures and related contracts for their own account. Limited partners and other unitholders will not be permitted to inspect the trading records of the principals. A conflict of interest may exist if their trades are in the same markets and at the same time as USOF trades using the clearing broker to be used by USOF. A potential conflict also may occur when the General Partner's principals trade their accounts more aggressively or take positions in their accounts which are opposite, or ahead of, the positions taken by USOF. The General Partner has adopted a Code of Ethics to ensure that the officers, directors, and employees of the General Partner and its affiliates do not engage in trades that will harm the fund or the unitholders. The Code of Ethics may be found on USOF's website at [www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com).

The General Partner has sole current authority to manage the investments and operations of USOF, 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 USOF's basic investment policy, dissolution of this fund, or the sale or distribution of USOF's assets.

The General Partner serves as the general partner to each of USOF and the Related Public Funds. In addition, the General Partner 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 USOF may be influenced by the effect they would have on the other funds it manages. For example, if, as a result of reaching position limits imposed by NYMEX, USNG purchased gasoline futures contracts, this decision could impact UGA's ability to purchase additional gasoline futures contracts if the number of contracts held by funds managed by the General Partner reached the maximum allowed by the NYMEX. Similar situations could adversely affect the ability of any fund to track its Benchmark Futures Contract. In addition, the General Partner is required to indemnify the officers and directors of the 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.

## **No Resolution of Conflicts Procedures**

Whenever a conflict of interest exists or arises between the General Partner on the one hand, and the partnership or any limited partner, on the other hand, any resolution or course of action by the General Partner in respect of such conflict of interest shall be permitted and deemed approved by all partners and shall not constitute a breach of the LP Agreement or of any agreement contemplated hereby or of a duty stated or implied by law or equity, if the resolution or course of action is, or by operation of the LP Agreement is deemed to be, fair and reasonable to the partnership. If a dispute arises, under the LP Agreement it will be resolved either through negotiations with the General Partner or by courts located in the State of Delaware.

Under the LP Agreement, any resolution is deemed to be fair and reasonable to the partnership if the resolution is:

approved by the audit committee, although no party is obligated to seek approval and the General Partner may adopt a resolution or course of action that has not received approval;  
on terms no less favorable to the limited partners than those generally being provided to or available from unrelated third parties; or  
fair to the limited partners, taking into account the totality of the relationships of the parties involved including other

transactions that may be particularly favorable or advantageous to the limited partners.

The previous risk factors and conflicts of interest are complete as of the date of this prospectus; however, additional risks and conflicts may occur which are not presently foreseen by the General Partner. You may not

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construe this prospectus as legal or tax advice. Before making an investment in this fund, you should read this entire prospectus, including the LP Agreement. You should also consult with your personal legal, tax, and other professional advisors.

### **Interests of Named Experts and Counsel**

The General Partner has employed Sutherland Asbill & Brennan LLP to prepare this prospectus. Neither the law firm nor any other expert hired by USOF to give advice on the preparation of this offering document have been hired on a contingent fee basis. Nor do any of them have any present or future expectation of interest in the General Partner, Marketing Agent, Authorized Purchasers, Custodian, Administrator or other service providers to USOF.

### **The General Partner's Responsibility and Remedies**

Pursuant to the DRULPA, parties may contractually modify or even eliminate fiduciary duties in a partnership agreement to the limited partnership itself, or to another partner or person otherwise bound by the partnership agreement. Parties may not, however, eliminate the implied covenant of good faith and fair dealing. Where parties unambiguously provide for fiduciary duties in a partnership agreement, those expressed duties become the standard courts will use to determine whether such duties were breached. For this reason, USOF's limited partnership agreement does not explicitly provide for any fiduciary duties so that common law fiduciary duty principles will apply to measure the General Partner's conduct.

A prospective investor should be aware that the General Partner has a responsibility to limited partners of USOF to exercise good faith and fairness in all dealings. The fiduciary responsibility of a general partner to limited partners is a developing and changing area of the law and limited partners who have questions concerning the duties of the General Partner should consult with their counsel. In the event that a limited partner of USOF believes that the General Partner has violated its fiduciary duty to the limited partners, he may seek legal relief individually or on behalf of USOF under applicable laws, including under DRULPA and under commodities laws, to recover damages from or require an accounting by the General Partner. Limited partners may also have the right, subject to applicable procedural and jurisdictional requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Limited partners who have suffered losses in connection with the purchase or sale of the units may be able to recover such losses from the General Partner where the losses result from a violation by the General Partner of the federal securities laws. State securities laws may also provide certain remedies to limited partners. Limited partners should be aware that performance by the General Partner of its fiduciary duty is measured by the terms of the LP Agreement as well as applicable law. Limited partners are afforded certain rights to institute reparations proceedings under the Commodity Exchange Act for violations of the Commodity Exchange Act or of any rule, regulation or order of the CFTC by the General Partner.

### **Liability and Indemnification**

Under the LP Agreement, neither a General Partner nor any employee or other agent of USOF nor any officer, director, stockholder, partner, employee or agent of a General Partner (a *Protected Person*) shall be liable to any partner or USOF for any mistake of judgment or for any action or inaction taken, nor for any losses due to any mistake of judgment or to any action or inaction or to the negligence, dishonesty or bad faith of any officer, director, stockholder, partner, employee, agent of USOF or any officer, director, stockholder, partner, employee or agent of such General Partner, provided that such officer, director, stockholder, partner, employee, or agent of the partner or officer, director, stockholder, partner, employee or agent of such General Partner was selected, engaged or retained by

such General Partner with reasonable care, except with respect to any matter as to which such General Partner shall have been finally adjudicated in any action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Protected Person's action was in the best interests of USOF and except that no Protected Person shall be relieved of any liability to which such Protected Person would otherwise be subject by reason of willful misfeasance, gross negligence or reckless disregard of the duties involved in the conduct of the Protected Person's office.

USOF shall, to the fullest extent permitted by law, but only out of USOF assets, indemnify and hold harmless a General Partner and each officer, director, stockholder, partner, employee or agent thereof (including persons who serve at USOF's request as directors, officers or trustees of another organization in which

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USOF has an interest as a unitholder, creditor or otherwise) and their respective Legal Representatives and successors (hereinafter referred to as a *Covered Person* against all liabilities and expenses, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by any Covered Person in connection with the defense or disposition of any action, suit or other proceedings, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such person may be or may have been threatened, while in office or thereafter, by reason of an alleged act or omission as a General Partner or director or officer thereof, or by reason of its being or having been such a General Partner, director or officer, except with respect to any matter as to which such Covered Person shall have been finally adjudicated in any such action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Covered Person's action was in the best interest of USOF, and except that no Covered Person shall be indemnified against any liability to USOF or limited partners to which such Covered Person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person's office. Expenses, including counsel fees so incurred by any such Covered Person, may be paid from time to time by USOF in advance of the final disposition of any such action, suit or proceeding on the condition that the amounts so paid shall be repaid to USOF if it is ultimately determined that the indemnification of such expenses is not authorized hereunder.

## **Provisions of Law**

According to applicable law, indemnification of the General Partner is payable only if the General Partner determined, in good faith, that the act, omission or conduct that gave rise to the claim for indemnification was in the best interest of USOF and the act, omission or activity that was the basis for such loss, liability, damage, cost or expense was not the result of negligence or misconduct and such liability or loss was not the result of negligence or misconduct by the General Partner, and such indemnification or agreement to hold harmless is recoverable only out of the assets of USOF and not from the members, individually.

## **Provisions of Federal and State Securities Laws**

This offering is made pursuant to federal and state securities laws. If any indemnification of the General Partner arises out of an alleged violation of such laws, it is subject to certain legal conditions.

Those conditions require that no indemnification may be made in respect of any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless: there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the General Partner or other particular indemnitee, or such claim has been dismissed with prejudice on the merits by a court of competent jurisdiction as to the General Partner or other particular indemnitee, or a court of competent jurisdiction approves a settlement of the claims against the General Partner or other agent of USOF and finds that indemnification of the settlement and related costs should be made, provided, before seeking such approval, the General Partner or other indemnitee must apprise the court of the position held by regulatory agencies against such indemnification. These agencies are the SEC and the securities administrator of the State or States in which the plaintiffs claim they were offered or sold membership interests.

## **Provisions of the 1933 Act and NASAA Guidelines**

Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to the General Partner or its directors, officers, or persons controlling USOF, USOF has been informed that SEC and the various State administrators believe that such indemnification is against public policy as expressed in the 1933 Act and the North

American Securities Administrators Association, Inc. (NASAA) commodity pool guidelines and is therefore unenforceable.

## **Books and Records**

USOF keeps its books of record and account at its office located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502 or at the offices of the Administrator at its office located at 40 Water Street, Boston, Massachusetts, 02109, or such office, including of an administrative agent, as it may subsequently designate upon notice. These books and records are open to inspection by any person who establishes to USOF's satisfaction that such person is a limited partner upon reasonable advance notice at all reasonable times during the usual business hours of USOF.

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USOF keeps a copy of USOF's LP Agreement on file in its office which will be available for inspection on reasonable advance notice at all reasonable times during its usual business hours by any limited partner.

### **Analysis of Critical Accounting Policies**

USOF's critical accounting policies are set forth in the financial statements that are incorporated by reference in this prospectus prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of certain accounting policies that affect the amounts reported in these financial statements, including the following: USOF trades are accounted for on a trade-date basis and marked to market on a daily basis.

The difference between their cost and market value is recorded as change in unrealized profit/loss for open (unrealized) contracts, and recorded as realized profit/loss when open positions are closed out; the sum of these amounts constitutes USOF's trading revenues. Earned interest income revenue, as well as management fee, and brokerage fee expenses of USOF are recorded on an accrual basis. The General Partner believes that all relevant accounting assumptions and policies have been considered.

### **Statements, Filings, and Reports**

At the end of each fiscal year, USOF will furnish to DTC Participants for distribution to each person who is a unitholder at the end of the fiscal year an annual report containing USOF's audited financial statements and other information about USOF. The General Partner is responsible for the registration and qualification of the units under the federal securities laws and federal commodities laws and any other securities and blue sky laws of the United States or any other jurisdiction as the General Partner may select. The General Partner is responsible for preparing all reports required by the SEC and the CFTC, but has entered into an agreement with Brown Brother Harriman & Co. to prepare these reports as required by the SEC, CFTC and the NYSE Arca on USOF's behalf.

The financial statements of USOF will be audited, as required by law and as may be directed by the General Partner, by an independent registered public accounting firm designated from time to time by the General Partner. The accountants report will be furnished by USOF to unitholders upon request. USOF will make such elections, file such tax returns, and prepare, disseminate and file such tax reports, as it is advised by its counsel or accountants are from time to time required by any applicable statute, rule or regulation.

### **Reports to Limited Partners**

In addition to periodic reports filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, all of which can be accessed on the SEC's website at [www.sec.gov](http://www.sec.gov) or on USOF's website at [www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com), USOF, pursuant to the LP Agreement, will provide the following reports to limited partners in the manner prescribed below:

*Annual Reports.* Within 90 days after the end of each fiscal year, the General Partner shall cause to be delivered to each limited partner who was a limited partner at any time during the fiscal year, an annual report containing the following:

- (i) financial statements of the partnership, including, without limitation, a balance sheet as of the end of the partnership's fiscal year and statements of income, partners' equity and changes in financial position, for such fiscal year, which shall be prepared in accordance with accounting principles generally accepted in the United States of America consistently applied and shall be audited by a firm of independent certified public accountants registered

with the Public Company Accounting Oversight Board,

- (ii) a general description of the activities of the partnership during the period covered by the report, and a report of any material transactions between the partnership and the General Partner or any of its affiliates,
- (iii) including fees or compensation paid by the partnership and the services performed by the General Partner or any such affiliate for such fees or compensation.

*Quarterly Reports.* Within 45 days after the end of each quarter of each fiscal year, the General Partner shall cause to be delivered to each limited partner who was a limited partner at any time during the quarter then ended, a quarterly report containing a balance sheet and statement of income for the period covered by

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the report, each of which may be unaudited but shall be certified by the General Partner as fairly presenting the financial position and results of operations of the partnership during the period covered by the report. The report shall also contain a description of any material event regarding the business of the partnership during the period covered by the report.

*Monthly Reports.* Within 30 days after the after the end of each month, the General Partner shall cause to be posted on its website and, upon request, to be delivered to each limited partner who was a limited partner at any time during the month then ended, a monthly report containing an account statement, which will include a statement of income (loss) and a statement of changes in NAV, for the prescribed period. In addition, the account statement will disclose any material business dealings between the partnership, General Partner, commodity trading advisor (if any), futures commission merchant, or the principals thereof that previously have not been disclosed in this prospectus or any amendment thereto, other account statements or annual reports.

USOF will provide information to its unitholders to the extent required by applicable SEC, CFTC, and NYSE Arca requirements. An issuer, such as USOF, of exchange-traded securities may not always readily know the identities of the investors who own those securities. USOF will post the same information that would otherwise be provided in USOF's reports to limited partners described above including its monthly account statements, which will include, without limitation, USOF's NAV, on USOF's website ([www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com)).

## **Fiscal Year**

The fiscal year of USOF is the calendar year. The General Partner may select an alternate fiscal year at a later date.

## **Governing Law; Consent to Delaware Jurisdiction**

The rights of the General Partner, USOF, DTC (as registered owner of USOF's global certificate for units) and the unitholders, are governed by the laws of the State of Delaware. The General Partner, USOF and DTC and, by accepting units, each DTC Participant and each unitholder, consent to the jurisdiction of the courts of the State of Delaware and any federal courts located in Delaware. Such consent is not required for any person to assert a claim of Delaware jurisdiction over the General Partner or USOF.

## **Legal Matters**

### **Litigation and Claims**

Within the past 5 years of the date of this prospectus, there have been no material administrative, civil or criminal actions against the General Partner, underwriter, or any principal or affiliate of either of them. This includes any actions pending, on appeal, concluded, threatened, or otherwise known to them.

### **Legal Opinion**

Sutherland Asbill & Brennan LLP is counsel to advise USOF and the General Partner with respect to the units being offered hereby and has passed upon the validity of the units being issued hereunder. Sutherland Asbill & Brennan LLP has also provided the General Partner with its opinion with respect to federal income tax matters addressed herein.

## **Experts**

Spicer Jeffries LLP an independent registered public accounting firm, has audited the financial statements of United States Oil Fund, LP, at December 31, 2006, December 31, 2007 and December 31, 2008 that appear in the annual report on Form 10-K that is incorporated by reference. The financial statements in the 10-K were included in reliance upon the report of Spicer Jeffries LLP, given on its authority of such firm as experts in accounting and auditing.

## **Privacy Policy**

USOF and the General Partner collect certain nonpublic personal information about investors from the information provided by them in certain documents, as well as in the course of processing transaction requests. None of this information is disclosed except as necessary in the course of processing creations and

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redemptions and otherwise administering USOF and then only subject to customary undertakings of confidentiality. USOF and the General Partner do not disclose nonpublic personal information about investors to anyone, except as required by law or as described in its Privacy Policy. In general, USOF and the General Partner restrict access to the nonpublic personal information they collect from investors to those of its and its affiliates' employees and service providers who need access to this information to provide products and services to investors. USOF and the General Partner each maintain physical, electronic and procedural controls to safeguard this information. These standards are reasonably designed to (1) ensure the security and confidentiality of investors' records and information, (2) protect against any anticipated threats or hazards to the security or integrity of investors' records and information, and (3) protect against unauthorized access to or use of investors' records or information that could result in substantial harm or inconvenience to any investor. A copy of the current Privacy Policy can be provided on request and is provided to investors annually.

## **U.S. Federal Income Tax Considerations**

The following discussion summarizes the material U.S. federal income tax consequences of the purchase, ownership and disposition of units in USOF, and the U.S. federal income tax treatment of USOF, as of the date hereof. This discussion is applicable to a beneficial owner of units who purchases units in the offering to which this prospectus relates, including a beneficial owner who purchases units from an Authorized Purchaser. Except where noted otherwise, it deals only with units held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, persons holding units as a part of a position in a straddle or as part of a hedging, conversion or other integrated transaction for federal income tax purposes, traders in securities or commodities that elect to use a mark-to-market method of accounting, or holders of units whose functional currency is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations (Treasury Regulations), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below.

Persons considering the purchase, ownership or disposition of units should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. As used herein, a U.S. unitholder of a unit means a beneficial owner of a unit that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. A Non-U.S. unitholder is a holder that is not a U.S. unitholder. If a partnership holds our units, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our units, you should consult your own tax advisor regarding the tax consequences.

The General Partner of USOF has received the opinion of Sutherland Asbill & Brennan LLP, counsel to USOF, that the material U.S. federal income tax consequences to USOF and to U.S. unitholders and Non-U.S. unitholders will be as described below. In rendering its opinion, Sutherland Asbill & Brennan LLP has relied on the facts described in this prospectus as well as certain factual representations made by USOF and the General Partner. The opinion of Sutherland Asbill & Brennan LLP is not binding on the Internal Revenue Service (IRS), and as a result, the IRS may not agree with the tax positions taken by USOF. If challenged by the IRS, USOF's tax positions might not be sustained by the courts. No ruling has been requested from the IRS with respect to any matter affecting USOF or prospective

investors.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISOR AS TO HOW THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN USOF APPLY TO YOU AND AS TO HOW APPLICABLE STATE, LOCAL OR FOREIGN TAXES APPLY TO YOU.

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**Tax Status of USOF**

USOF is organized and operated as a limited partnership in accordance with the provisions of the LP Agreement and applicable state law. Under the Code, an entity classified as a partnership that is deemed to be a publicly traded partnership is generally taxable as a corporation for federal income tax purposes. The Code provides an exception to this general rule for a publicly traded partnership whose gross income for each taxable year of its existence consists of at least 90% qualifying income ( qualifying income exception ). For this purpose, section 7704 defines qualifying income as including, in pertinent part, interest (other than from a financial business), dividends and gains from the sale or disposition of capital assets held for the production of interest or dividends. In addition, in the case of a partnership a principal activity of which is the buying and selling of commodities (other than as inventory) or of futures, forwards and options with respect to commodities, qualifying income includes income and gains from such commodities and futures, forwards and options with respect to commodities. USOF and the General Partner have represented the following to Sutherland Asbill & Brennan LLP:

At least 90% of USOF's gross income for each taxable year will constitute qualifying income within the meaning of Code section 7704 (as described above);

USOF is organized and operated in accordance with its governing agreements and applicable law;

USOF has not elected, and will not elect, to be classified as a corporation for U.S. federal income tax purposes.

Based in part on these representations, Sutherland Asbill & Brennan LLP is of the opinion that USOF classifies as a partnership for federal income tax purposes and that it is not taxable as a corporation for such purposes.

If USOF failed to satisfy the qualifying income exception in any year, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, USOF would be taxable as a corporation for federal income tax purposes and would pay federal income tax on its income at regular corporate rates.

In that event, unitholders would not report their share of USOF's income or loss on their returns. In addition, distributions to unitholders would be treated as dividends to the extent of USOF's current and accumulated earnings and profits. To the extent a distribution exceeded USOF's earnings and profits, the distribution would be treated as a return of capital to the extent of a unitholder's basis in its units, and thereafter as gain from the sale of units.

Accordingly, if USOF were to be taxable as a corporation, it would likely have a material adverse effect on the economic return from an investment in USOF and on the value of the units.

The remainder of this summary assumes that USOF is classified as a partnership for federal income tax purposes and that it is not taxable as a corporation.

**U.S. Unitholders**

**Tax Consequences of Ownership of Units**

*Taxation of USOF's Income.* No U.S. federal income tax is paid by USOF on its income. Instead, USOF files annual information returns, and each U.S. unitholder is required to report on its U.S. federal income tax return its allocable share of the income, gain, loss and deduction of USOF. For example, unitholders must take into account their share of ordinary income realized by USOF from accruals of interest on Treasuries and other investments, and their share of gain from Oil Futures Contracts and Other Oil Interests. These items must be reported without regard to the amount (if any) of cash or property the unitholder receives as a distribution from USOF during the taxable year. Consequently, a unitholder may be allocated income or gain by USOF but receive no cash distribution with which to pay its tax liability resulting from the allocation, or may receive a distribution that is insufficient to pay such liability. Because the General Partner currently does not intend to make distributions, it is likely that in any year USOF realizes net

income and/or gain that a U.S. unitholder will be required to pay taxes on its allocable share of such income or gain from sources other than USOF distributions.

*Allocations of USOF's Profit and Loss.* Under Code section 704, the determination of a partner's distributive share of any item of income, gain, loss, deduction or credit is governed by the applicable

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organizational document unless the allocation provided by such document lacks substantial economic effect. An allocation that lacks substantial economic effect nonetheless will be respected if it is in accordance with the partners interests in the partnership, determined by taking into account all facts and circumstances relating to the economic arrangements among the partners.

In general, USOF applies a monthly closing-of-the-books convention in determining allocations of economic profit or loss to unitholders. Income, gain, loss and deduction are determined on a monthly mark-to-market basis, taking into account our accrued income and deductions and realized and unrealized gains and losses for the month. These items are allocated among the holders of units in proportion to the number of units owned by them as of the close of business on the last business day of the month. Items of taxable income, deduction, gain, loss and credit recognized by USOF for federal income tax purposes for any taxable year are allocated among holders in a manner that equitably reflects the allocation of economic profit or loss. USOF makes the election permitted by section 754 of the Code, which election is irrevocable without the consent of the Service. The effect of this election is that when a secondary market sale of our units occurs, we adjust the purchaser's proportionate share of the tax basis of our assets to fair market value, as reflected in the price paid for the units, as if the purchaser had directly acquired an interest in our assets. The section 754 election is intended to eliminate disparities between a partner's basis in its partnership interest and its share of the tax bases of the partnership's assets, so that the partner's allocable share of taxable gain or loss on a disposition of an asset will correspond to its share of the appreciation or depreciation in the value of the asset since it acquired its interest. Depending on the price paid for units and the tax bases of USOF's assets at the time of the purchase, the effect of the section 754 election on a purchaser of units may be favorable or unfavorable.

USOF applies certain assumptions and conventions in determining and allocating items for tax purposes in order to reduce the complexity and costs of administration. The General Partner believes that application of these assumptions and conventions is consistent with the intent of the partnership provisions of the Code, and that the resulting allocations have substantial economic effect or otherwise are respected as being in accordance with unitholders interests in USOF for federal income tax purposes. However, the Code and Treasury Regulations do not expressly permit adoption of these assumptions and conventions, and Sutherland Asbill & Brennan LLP is therefore unable to opine on the validity of our allocation method. It is possible that the IRS could successfully challenge this method and require a unitholder to report a greater or lesser share of items of income, gain, loss, deduction, or credit than if our method were respected. The General Partner is authorized to revise our allocation method to conform to any method permitted under future Treasury Regulations.

The assumptions and conventions used in making tax allocations may cause a unitholder to be allocated more or less income or loss for federal income tax purposes than its proportionate share of the economic income or loss realized by USOF during the period it held its units. This mismatch between taxable and economic income or loss in some cases may be temporary, reversing itself in a later year when the units are sold, but could be permanent. For example, a unitholder could be allocated income accruing before it purchased its units, resulting in an increase in the basis of the units (see *Tax Basis of Units*, below). On a subsequent disposition of the units, the additional basis might produce a capital loss the deduction of which may be limited (see *Limitations on Deductibility of Losses and Certain Expenses*, below).

*Mark to Market of Certain Exchange-Traded Contracts.* For federal income tax purposes, USOF generally is required to use a mark-to-market method of accounting under which unrealized gains and losses on instruments constituting section 1256 contracts are recognized currently. A section 1256 contract is defined as: (1) a futures contract that is traded on or subject to the rules of a national securities exchange which is registered with the SEC, a domestic board of trade designated as a contract market by the CFTC, or any other board of trade or exchange designated by the Secretary of the Treasury, and with respect to which the amount required to be deposited and the amount that may be withdrawn depends on a system of marking to market; (2) a forward contract on exchange-traded foreign currencies,

where the contracts are traded in the interbank market; (3) a non-equity option traded on or subject to the rules of a qualified board or exchange; (4) a dealer equity option; or (5) a dealer securities futures contract.

Under these rules, section 1256 contracts held by USOF at the end of each taxable year, including for example Oil Futures Contracts and options on Oil Futures Contracts traded on a U.S. exchange or board of

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trade or certain foreign exchanges, are treated as if they were sold by USOF for their fair market value on the last business day of the taxable year. A unitholder's distributive share of USOF's net gain or loss with respect to each section 1256 contract generally is treated as long-term capital gain or loss to the extent of 60 percent thereof, and as short-term capital gain or loss to the extent of 40 percent thereof, without regard to the actual holding period.

*Limitations on Deductibility of Losses and Certain Expenses.* A number of different provisions of the Code may defer or disallow the deduction of losses or expenses allocated to you by USOF, including but not limited to those described below.

A unitholder's deduction of its allocable share of any loss of USOF will be limited to the lesser of (1) the tax basis in its units or (2) in the case of a unitholder that is an individual or a closely held corporation, the amount which the unitholder is considered to have at risk with respect to our activities. In general, the amount at risk will be your invested capital plus your share of any recourse debt of USOF for which you are liable. Losses in excess of the amount at risk must be deferred until years in which USOF generates additional taxable income against which to offset such carryover losses or until additional capital is placed at risk.

Noncorporate taxpayers are permitted to deduct capital losses only to the extent of their capital gains for the taxable year plus \$3,000 of other income. Unused capital losses can be carried forward and used to offset capital gains in future years. In addition, a noncorporate taxpayer may elect to carry back net losses on section 1256 contracts to each of the three preceding years and use them to offset section 1256 contract gains in those years, subject to certain limitations. Corporate taxpayers generally may deduct capital losses only to the extent of capital gains, subject to special carryback and carryforward rules.

Otherwise deductible expenses incurred by noncorporate taxpayers constituting miscellaneous itemized deductions, generally including investment-related expenses (other than interest and certain other specified expenses), are deductible only to the extent they exceed 2 percent of the taxpayer's adjusted gross income for the year. Although the matter is not free from doubt, we believe management fees we pay to the General Partner and other expenses we incur constitute investment-related expenses subject to the miscellaneous itemized deduction limitation, rather than expenses incurred in connection with a trade or business.

Noncorporate unitholders generally may deduct investment interest expense only to the extent of their net investment income. Investment interest expense of a unitholder will generally include any interest accrued by USOF and any interest paid or accrued on direct borrowings by a unitholder to purchase or carry its units, such as interest with respect to a margin account. Net investment income generally includes gross income from property held for investment (including portfolio income under the passive loss rules but not, absent an election, long-term capital gains or certain qualifying dividend income) less deductible expenses other than interest directly connected with the production of investment income.

To the extent that we allocate losses or expenses to you that must be deferred or disallowed as a result of these or other limitations in the Code, you may be taxed on income in excess of your economic income or distributions (if any) on your units. As one example, you could be allocated and required to pay tax on your share of interest income accrued by USOF for a particular taxable year, and in the same year allocated a share of a capital loss that you cannot deduct currently because you have insufficient capital gains against which to offset the loss. As another example, you could be allocated and required to pay tax on your share of interest income and capital gain for a year, but be unable to deduct some or all of your share of management fees and/or margin account interest incurred by you with respect to your units. Unitholders are urged to consult their own professional tax advisors regarding the effect of limitations under the Code on your ability to deduct your allocable share of USOF's losses and expenses.

### **Tax Basis of Units**

A unitholder's tax basis in its units is important in determining (1) the amount of taxable gain it will realize on the sale or other disposition of its units, (2) the amount of non-taxable distributions that it may receive from USOF and (3) its ability to utilize its distributive share of any losses of USOF on its tax return. A unitholder's initial tax basis of its units will equal its cost for the units plus its share of USOF's liabilities (if any) at the time of purchase. In general, a unitholder's share of those liabilities will equal the sum of

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(i) the entire amount of any otherwise nonrecourse liability of USOF as to which the unitholder or an affiliate is the creditor (a partner nonrecourse liability ) and (ii) a *pro rata* share of any nonrecourse liabilities of USOF that are not partner nonrecourse liabilities as to any unitholder.

A unitholder's tax basis in its units generally will be (1) increased by (a) its allocable share of USOF's taxable income and gain and (b) any additional contributions by the unitholder to USOF and (2) decreased (but not below zero) by (a) its allocable share of USOF's tax deductions and losses and (b) any distributions by USOF to the unitholder. For this purpose, an increase in a unitholder's share of USOF's liabilities will be treated as a contribution of cash by the unitholder to USOF and a decrease in that share will be treated as a distribution of cash by USOF to the unitholder.

Pursuant to certain IRS rulings, a unitholder will be required to maintain a single, unified basis in all units that it owns. As a result, when a unitholder that acquired its units at different prices sells less than all of its units, such unitholder will not be entitled to specify particular units ( e.g., those with a higher basis) as having been sold. Rather, it must determine its gain or loss on the sale by using an equitable apportionment method to allocate a portion of its unified basis in its units to the units sold.

*Treatment of Fund Distributions.* If USOF makes non-liquidating distributions to unitholders, such distributions generally will not be taxable to the unitholders for federal income tax purposes except to the extent that the sum of (i) the amount of cash and (ii) the fair market value of marketable securities distributed exceeds the unitholder's adjusted basis of its interest in USOF immediately before the distribution. Any cash distributions in excess of a unitholder's tax basis generally will be treated as gain from the sale or exchange of units.

*Constructive Termination of the Partnership.* We will be considered to have been terminated for tax purposes if there is a sale or exchange of 50 percent or more of the total interests in our units within a 12-month period. A termination would result in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in its taxable income for the year of termination. We would be required to make new tax elections after a termination. A termination could result in tax penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

### **Tax Consequences of Disposition of Units**

If a unitholder sells its units, it will recognize gain or loss equal to the difference between the amount realized and its adjusted tax basis for the units sold. A unitholder's amount realized will be the sum of the cash or the fair market value of other property received plus its share of any USOF debt outstanding.

Gain or loss recognized by a unitholder on the sale or exchange of units held for more than one year will generally be taxable as long-term capital gain or loss; otherwise, such gain or loss will generally be taxable as short-term capital gain or loss. A special election is available under the Treasury Regulations that will allow unitholders to identify and use the actual holding periods for the units sold for purposes of determining whether the gain or loss recognized on a sale of units will give rise long-term or short-term capital gain or loss. It is expected that most unitholders will be eligible to elect, and generally will elect, to identify and use the actual holding period for units sold. If a unitholder fails to make the election or is not able to identify the holding periods of the units sold, the unitholder will have a split holding period in the units sold. Under such circumstances, a unitholder will be required to determine its holding period in the units sold by first determining the portion of its entire interest in USOF that would give rise to long-term capital gain or loss if its entire interest were sold and the portion that would give rise to short-term capital gain or loss if the entire interest were sold. The unitholder would then treat each unit sold as giving rise to long-term capital gain or loss and short-term capital gain or loss in the same proportions as if it had sold its entire interest in USOF.

Under Section 751 of the Code, a portion of a unitholder's gain or loss from the sale of units (regardless of the holding period for such units), will be separately computed and taxed as ordinary income or loss to the extent attributable to unrealized receivables or inventory owned by USOF. The term unrealized receivables includes, among other things, market discount bonds and short-term debt instruments to the extent such items would give rise to ordinary income if sold by USOF.

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If some or all of your units are lent by your broker or other agent to a third party for example, for use by the third party in covering a short sale you may be considered as having made a taxable disposition of the loaned units, in which case

you may recognize taxable gain or loss to the same extent as if you had sold the units for cash; any of USOF's income, gain, loss or deduction allocable to those units during the period of the loan will not be reportable by you for tax purposes; and

any distributions you receive with respect to the units will be fully taxable, most likely as ordinary income.

Unitholders desiring to avoid these and other possible consequences of a deemed disposition of their units should consider modifying any applicable brokerage account agreements to prohibit the lending of their units.

### **Other Tax Matters**

*Information Reporting.* We report tax information to the beneficial owners of units. Unitholders who have become additional limited partners are treated as partners for federal income tax purposes. The IRS has ruled that assignees of partnership interests who have not been admitted to a partnership as partners but who have the capacity to exercise substantial dominion and control over the assigned partnership interests will be considered partners for federal income tax purposes. On the basis of such ruling, except as otherwise provided herein, we treat the following persons as partners for federal income tax purposes: (1) assignees of units who are pending admission as limited partners, and (2) unitholders whose units are held in street name or by another nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their units. USOF will furnish unitholders each year with tax information on IRS Schedule K-1 (Form 1065), which will be used by the unitholders in completing their tax returns.

Persons who hold an interest in USOF as a nominee for another person are required to furnish to us the following information: (1) the name, address and taxpayer identification number of the beneficial owner and the nominee; (2) whether the beneficial owner is (a) a person that is not a U.S. person, (b) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (c) a tax-exempt entity; (3) the amount and description of units acquired or transferred for the beneficial owner; and (4) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and certain information on units they acquire, hold or transfer for their own account. A penalty of \$50 per failure, up to a maximum of \$100,000 per calendar year, is imposed by the Internal Revenue Code of 1986, as amended for failure to report such information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

*Partnership Audit Procedures.* The IRS may audit the federal income tax returns filed by USOF. Adjustments resulting from any such audit may require each unitholder to adjust a prior year's tax liability and could result in an audit of the unitholder's own return. Any audit of a unitholder's return could result in adjustments of non-partnership items as well as USOF items. Partnerships are generally treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS, and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the unitholders. The Code provides for one unitholder to be designated as the tax matters partner and represent the partnership purposes of these proceedings. The LP Agreement appoints the General Partner as the tax matters partner of USOF.

*Tax Shelter Disclosure Rules.* In certain circumstances the Code and Treasury Regulations require that the IRS be notified of taxable transactions through a disclosure statement attached to a taxpayer's United States federal income tax

return. In addition, certain material advisers must maintain a list of persons participating in such transactions and furnish the list to the IRS upon written request. These disclosure rules may apply to transactions irrespective of whether they are structured to achieve particular tax benefits. They



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could require disclosure by USOF or unitholders (1) if a unitholder incurs a loss in excess a specified threshold from a sale or redemption of its units, (2) if USOF engages in transactions producing differences between its taxable income and its income for financial reporting purposes, or (3) possibly in other circumstances. While these rules generally do not require disclosure of a loss recognized on the disposition of an asset in which the taxpayer has a qualifying basis (generally a basis equal to the amount of cash paid by the taxpayer for such asset), they apply to a loss recognized with respect to interests in a passthrough entity, such as the units, even if the taxpayer's basis in such interests is equal to the amount of cash it paid. In addition, under recently enacted legislation, significant penalties may be imposed in connection with a failure to comply with these reporting requirements. *Investors should consult their own tax advisors concerning the application of these reporting requirements to their specific situation.*

*Tax-Exempt Organizations.* Subject to numerous exceptions, qualified retirement plans and individual retirement accounts, charitable organizations and certain other organizations that otherwise are exempt from federal income tax (collectively exempt organizations) nonetheless are subject to the tax on unrelated business taxable income (UBTI). Generally, UBTI means the gross income derived by an exempt organization from a trade or business that it regularly carries on, the conduct of which is not substantially related to the exercise or performance of its exempt purpose or function, less allowable deductions directly connected with that trade or business. If USOF were to regularly carry on (directly or indirectly) a trade or business that is unrelated with respect to an exempt organization unitholder, then in computing its UBTI, the unitholder must include its share of (1) USOF's gross income from the unrelated trade or business, whether or not distributed, and (2) USOF's allowable deductions directly connected with that gross income.

UBTI generally does not include dividends, interest, or payments with respect to securities loans and gains from the sale of property (other than property held for sale to customers in the ordinary course of a trade or business). Nonetheless, income on, and gain from the disposition of, debt-financed property is UBTI. Debt-financed property generally is income-producing property (including securities), the use of which is not substantially related to the exempt organization's tax-exempt purposes, and with respect to which there is acquisition indebtedness at any time during the taxable year (or, if the property was disposed of during the taxable year, the 12-month period ending with the disposition). Acquisition indebtedness includes debt incurred to acquire property, debt incurred before the acquisition of property if the debt would not have been incurred but for the acquisition, and debt incurred subsequent to the acquisition of property if the debt would not have been incurred but for the acquisition and at the time of acquisition the incurrence of debt was foreseeable. The portion of the income from debt-financed property attributable to acquisition indebtedness is equal to the ratio of the average outstanding principal amount of acquisition indebtedness over the average adjusted basis of the property for the year. USOF currently does not anticipate that it will borrow money to acquire investments; however, USOF cannot be certain that it will not borrow for such purpose in the future. In addition, an exempt organization unitholder that incurs acquisition indebtedness to purchase its units in USOF may have UBTI.

The federal tax rate applicable to an exempt organization unitholder on its UBTI generally will be either the corporate or trust tax rate, depending upon the unitholder's form of organization. USOF may report to each such unitholder information as to the portion, if any, of the unitholder's income and gains from USOF for any year that will be treated as UBTI; the calculation of that amount is complex, and there can be no assurance that USOF's calculation of UBTI will be accepted by the Service. An exempt organization unitholder will be required to make payments of estimated federal income tax with respect to its UBTI.

*Regulated Investment Companies.* Under recently enacted legislation, interests in and income from qualified publicly traded partnerships satisfying certain gross income tests are treated as qualifying assets and income, respectively, for purposes of determining eligibility for regulated investment company (RIC) status. A RIC may invest up to 25% of its assets in interests in a qualified publicly traded partnership. The determination of whether a publicly traded partnership such as USOF is a qualified publicly traded partnership is made on an annual basis. USOF expects to be a

qualified publicly traded partnership in each of its taxable years. However, such qualification is not assured.

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**Non-U.S. Unitholders**

Generally, non-U.S. persons who derive U.S. source income or gain from investing or engaging in a U.S. business are taxable on two categories of income. The first category consists of amounts that are fixed, determinable, annual and periodic income, such as interest, dividends and rent that are not connected with the operation of a U.S. trade or business ( FDAP ). The second category is income that is effectively connected with the conduct of a U.S. trade or business ( ECI ). FDAP income (other than interest that is considered portfolio interest ) is generally subject to a 30 percent withholding tax, which may be reduced for certain categories of income by a treaty between the U.S. and the recipient's country of residence. In contrast, ECI is generally subject to U.S. tax on a net basis at graduated rates upon the filing of a U.S. tax return. Where a non-U.S. person has ECI as a result of an investment in a partnership, the ECI is subject to a withholding tax at a rate of 35 percent for both individual and corporate unitholders.

*Withholding on Allocations and Distributions.* The Code provides that a non-U.S. person who is a partner in a partnership that is engaged in a U.S. trade or business during a taxable year will also be considered to be engaged in a U.S. trade or business during that year. Classifying an activity by a partnership as an investment or an operating business is a factual determination. Under certain safe harbors in the Code, an investment fund whose activities consist of trading in stocks, securities, or commodities for its own account generally will not be considered to be engaged in a U.S. trade or business unless it is a dealer in such stocks, securities, or commodities. This safe harbor applies to investments in commodities only if the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place. Although the matter is not free from doubt, USOF believes that the activities directly conducted by USOF do not result in USOF being engaged in a trade or business within in the United States. However, there can be no assurance that the IRS would not successfully assert that USOF's activities constitute a U.S. trade or business.

In the event that USOF's activities were considered to constitute a U.S. trade or business, USOF would be required to withhold at the highest rate specified in Code section 1 (currently 35 percent) on allocations of our income to non-U.S. unitholders. A non-U.S. unitholder with ECI will generally be required to file a U.S. federal income tax return, and the return will provide the non-U.S. unitholder with the mechanism to seek a refund of any withholding in excess of such unitholder's actual U.S. federal income tax liability. Any amount withheld by USOF will be treated as a distribution to the non-U.S. unitholder.

If USOF is not treated as engaged in a U.S. trade or business, a non-U.S. unitholder may nevertheless be treated as having FDAP income, which would be subject to a 30 percent withholding tax (possibly subject to reduction by treaty), with respect to some or all of its distributions from USOF or its allocable share of USOF income. Amounts withheld on behalf of a non-U.S. unitholder will be treated as being distributed to such unitholder.

To the extent any interest income allocated to a non-U.S. unitholder that otherwise constitutes FDAP is considered portfolio interest, neither the allocation of such interest income to the non-U.S. unitholder nor a subsequent distribution of such interest income to the non-U.S. unitholder will be subject to withholding, provided that the non-U.S. unitholder is not otherwise engaged in a trade or business in the U.S. and provides USOF with a timely and properly completed and executed IRS Form W-8BEN or other applicable form. In general, portfolio interest is interest paid on debt obligations issued in registered form, unless the recipient owns 10 percent or more of the voting power of the issuer.

Most of USOF's interest income qualifies as portfolio interest. In order for USOF to avoid withholding on any interest income allocable to non-U.S. unitholders that would qualify as portfolio interest, it will be necessary for all non-U.S. unitholders to provide USOF with a timely and properly completed and executed Form W-8BEN (or other applicable

form). If a non-U.S. unitholder fails to provide a properly completed Form W-8BEN, the General Partner may request that the non-U.S. unitholder provide, within 15 days after the request by the General Partner, a properly completed Form W-8BEN. If a non-U.S. unitholder fails to comply with this request, the units owned by such non-U.S. unitholder will be subject to redemption.

*Gain from Sale of Units.* Gain from the sale or exchange of the units may be taxable to a non-U.S. unitholder if the non-U.S. unitholder is a nonresident alien individual who is present in the U.S. for 183 days

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or more during the taxable year. In such case, the nonresident alien individual will be subject to a 30 percent withholding tax on the amount of such individual's gain.

*Branch Profits Tax on Corporate Non-U.S. Unitholders.* In addition to the taxes noted above, any non-U.S. unitholders that are corporations may also be subject to an additional tax, the branch profits tax, at a rate of 30 percent. The branch profits tax is imposed on a non-U.S. corporation's dividend equivalent amount, which generally consists of the corporation's after-tax earnings and profits that are effectively connected with the corporation's U.S. trade or business but are not reinvested in a U.S. business. This tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the non-U.S. unitholder is a qualified resident.

*Prospective non-U.S. unitholders should consult their tax advisor with regard to these and other issues unique to non-U.S. unitholders.*

## **Backup Withholding**

USOF may be required to withhold U.S. federal income tax ( backup withholding ) at a rate of 28 percent from all taxable distributions payable to: (1) any unitholder who fails to furnish USOF with his, her or its correct taxpayer identification number or a certificate that the unitholder is exempt from backup withholding, and (2) any unitholder with respect to whom the IRS notifies USOF that the unitholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. Backup withholding is not an additional tax and may be returned or credited against a taxpayer's regular federal income tax liability if appropriate information is provided to the IRS.

## **Other Tax Considerations**

*In addition to federal income taxes, unitholders may be subject to other taxes, such as state and local income taxes, unincorporated business taxes, business franchise taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which USOF does business or owns property or where the unitholders reside. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on its investment in USOF. It is each unitholder's responsibility to file the appropriate U.S. federal, state, local, and foreign tax returns. Sutherland Asbill & Brennan LLP has not provided an opinion concerning any aspects of state, local or foreign tax or U.S. federal tax other than those U.S. federal income tax issues discussed herein.*

## **Investment By ERISA Accounts**

### **General**

Most employee benefit plans and individual retirement accounts ( IRAs ) are subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ) or the Internal Revenue Code of 1986, as amended (the Code ), or both. This section discusses certain considerations that arise under ERISA and the Code that a fiduciary of an employee benefit plan as defined in ERISA or a plan as defined in Section 4975 of the Code who has investment discretion should take into account before deciding to invest the plan's assets in USOF. Employee benefit plans and plans are collectively referred to below as plans, and fiduciaries with investment discretion are referred to below as plan fiduciaries.

This summary is based on the provisions of ERISA and the Code as of the date hereof. This summary is not intended to be complete, but only to address certain questions under ERISA and the Code likely to be raised by your advisors.

The summary does not include state or local law.

**Potential plan investors are urged to consult with their own professional advisors concerning the appropriateness of an investment in USOF and the manner in which units should be purchased.**

### **Special Investment Considerations**

Each plan fiduciary must consider the facts and circumstances that are relevant to an investment in USOF, including the role that an investment in USOF would play in the plan's overall investment portfolio. Each plan fiduciary, before deciding to invest in USOF, must be satisfied that the investment is prudent for the plan, that the investments of the plan are diversified so as to minimize the risk of large losses and that an investment in USOF complies with the terms of the plan.

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**USOF and Plan Assets**

A regulation issued under ERISA contains rules for determining when an investment by a plan in an equity interest of a limited partnership will result in the underlying assets of the partnership being deemed plan assets for purposes of ERISA and Section 4975 of the Code. Those rules provide that assets of a limited partnership will not be plan assets of a plan that purchases an equity interest in the partnership if the equity interest purchased is a publicly-offered security. If the underlying assets of a partnership are considered to be assets of any plan for purposes of ERISA or Section 4975 of the Code, the operations of that partnership would be subject to and, in some cases, limited by, the provisions of ERISA and Section 4975 of the Code.

The publicly-offered security exception described above applies if the equity interest is a security that is:

- (1) freely transferable (determined based on the relevant facts and circumstances);
  - (2) part of a class of securities that is widely held (meaning that the class of securities is owned by 100 or more investors independent of the issuer and of each other); and
  - (3) either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act or (b) sold to the plan as part of a public offering pursuant to an effective registration statement under the 1933 Act and the class of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer in which the offering of such security occurred.
- The plan asset regulations under ERISA state that the determination of whether a security is freely transferable is to be made based on all the relevant facts and circumstances. In the case of a security that is part of an offering in which the minimum investment is \$10,000 or less, the following requirements, alone or in combination, ordinarily will not affect a finding that the security is freely transferable: (1) a requirement that no transfer or assignment of the security or rights relating to the security be made that would violate any federal or state law, (2) a requirement that no transfer or assignment be made without advance written notice given to the entity that issued the security, and (3) any restriction on the substitution of assignee as a limited partner of a partnership, including a general partner consent requirement, provided that the economic benefits of ownership of the assignor may be transferred or assigned without regard to such restriction or consent (other than compliance with any of the foregoing restrictions).

The General Partner believes that the conditions described above are satisfied with respect to the units. The General Partner believes that the units therefore constitute publicly-offered securities, and the underlying assets of USOF are not considered to constitute plan assets of any plan that purchases units.

**Prohibited Transactions**

ERISA and the Code generally prohibit certain transactions involving the plan and persons who have certain specified relationships to the plan.

In general, units may not be purchased with the assets of a plan if the General Partner, the clearing brokers, the trading advisors (if any), or any of their affiliates, agents or employees either:

- exercise any discretionary authority or discretionary control with respect to management of the plan;
- exercise any authority or control with respect to management or disposition of the assets of the plan;
- render investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the plan;
- have any authority or responsibility to render investment advice with respect to any monies or other property of the plan; or

have any discretionary authority or discretionary responsibility in the administration of the plan.

Also, a prohibited transaction may occur under ERISA or the Code when circumstances indicate that (1) the investment in a unit is made or retained for the purpose of avoiding application of the fiduciary standards of ERISA, (2) the investment in a unit constitutes an arrangement under which USOF is expected to engage in transactions that would otherwise be prohibited if entered into directly by the plan purchasing the



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unit, (3) the investing plan, by itself, has the authority or influence to cause USOF to engage in such transactions, or (4) a person who is prohibited from transacting with the investing plan may, but only with the aid of certain of its affiliates and the investing plan, cause USOF to engage in such transactions with such person.

### **Special IRA Rules**

IRAs are not subject to ERISA's fiduciary standards, but are subject to their own rules, including the prohibited transaction rules of Section 4975 of the Code, which generally mirror ERISA's prohibited transaction rules. For example, IRAs are subject to special custody rules and must maintain a qualifying IRA custodial arrangement separate and distinct from USOF and its custodial arrangement. Otherwise, if a separate qualifying custodial arrangement is not maintained, an investment in the units will be treated as a distribution from the IRA. Second, IRAs are prohibited from investing in certain commingled investments, and the General Partner makes no representation regarding whether an investment in units is an inappropriate commingled investment for an IRA. Third, in applying the prohibited transaction provisions of Section 4975 of the Code, in addition to the rules summarized above, the individual for whose benefit the IRA is maintained is also treated as the creator of the IRA. For example, if the owner or beneficiary of an IRA enters into any transaction, arrangement, or agreement involving the assets of his or her IRA to benefit the IRA owner or beneficiary (or his or her relatives or business affiliates) personally, or with the understanding that such benefit will occur, directly or indirectly, such transaction could give rise to a prohibited transaction that is not exempted by any available exemption. Moreover, in the case of an IRA, the consequences of a non-exempt prohibited transaction are that the IRA's assets will be treated as if they were distributed, causing immediate taxation of the assets (including any early distribution penalty tax applicable under Section 72 of the Code), in addition to any other fines or penalties that may apply.

### **Exempt Plans**

Certain employee benefit plans may be governmental plans or church plans. Governmental plans and church plans are generally not subject to ERISA, nor do the above-described prohibited transaction provisions described above apply to them. These plans are, however, subject to prohibitions against certain related-party transactions under Section 503 of the Code, which operate similar to the prohibited transaction rules described above. In addition, the fiduciary of any governmental or church plan must consider any applicable state or local laws and any restrictions and duties of common law imposed upon the plan.

No view is expressed as to whether an investment in USOF (and any continued investment in USOF), or the operation and administration of USOF, is appropriate or permissible for any governmental plan or church plan under Code Section 503, or under any state, county, local or other law relating to that type of plan.

**Allowing an investment in USOF is not to be construed as a representation by USOF, its General Partner, any trading advisor, any clearing broker, the Marketing Agent or legal counsel or other advisors to such parties or any other party that this investment meets some or all of the relevant legal requirements with respect to investments by any particular plan or that this investment is appropriate for any such particular plan. The person with investment discretion should consult with the plan's attorney and financial advisors as to the propriety of an investment in USOF in light of the circumstances of the particular plan, current tax law and ERISA.**

## **INFORMATION YOU SHOULD KNOW**

This prospectus contains information you should consider when making an investment decision about the units. You may rely on the information contained in this prospectus. Neither USOF nor its General Partner has authorized any person to provide you with different information and, if anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell the units in any jurisdiction where the offer or sale of the units is not permitted.

The information contained in this prospectus was obtained from us and other sources believed by us to be reliable.

You should rely only on the information contained in this prospectus or any applicable prospectus supplement or any information incorporated by reference to this prospectus. We have not authorized anyone to provide you with any information that is different. If you receive any unauthorized information, you must not

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rely on it. You should disregard anything we said in an earlier document that is inconsistent with what is included in this prospectus or any applicable prospectus supplement or any information incorporated by reference to this prospectus. Where the context requires, when we refer to this prospectus, we are referring to this prospectus and (if applicable) the relevant prospectus supplement.

You should not assume that the information in this prospectus or any applicable prospectus supplement is current as of any date other than the date on the front page of this prospectus or the date on the front page of any applicable prospectus supplement.

We include cross references in this prospectus to captions in these materials where you can find further related discussions. The table of contents tells you where to find these captions.

## **SUMMARY OF PROMOTIONAL AND SALES MATERIAL**

USOF has used the following sales material it has prepared:

USOF's website, *www.unitedstatesoilfund.com*;  
Press release dated the effective date of USOF's initial registration statement; and  
USOF fact sheet available on USOF's website.

The materials described above are not a part of this prospectus or the registration statement of which this prospectus is a part and have been submitted to the staff of the Securities and Exchange Commission for their review pursuant to Industry Guide 5.

## **PATENT APPLICATION PENDING**

A patent application by the General Partner directed to the creation and operation of the United States Oil Fund, LP is pending and the General Partner's registration of USOF's trademarks is in process at the United States Patent and Trademark Office.

## **WHERE YOU CAN FIND MORE INFORMATION**

The General Partner has filed on behalf of USOF a post-effective amendment to its registration statement on Form S-3 (amending its original registration statement on Form S-1) with the SEC under the 1933 Act. This prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about USOF or the units, please refer to the registration statement, which you may inspect, without charge, at the public reference facilities of the SEC at the below address or online at *www.sec.gov*, or obtain at prescribed rates from the public reference facilities of the SEC at the below address. Information about USOF and the units can also be obtained from USOF's website, which is *www.unitedstatesoilfund.com*. USOF's website address is only provided here as a convenience to you and the information contained on or connected to the website is not part of this prospectus or the registration statement of which this prospectus is part. USOF is subject to the informational requirements of the Exchange Act and the General Partner and USOF will each, on behalf of USOF, file certain reports and other information with the SEC. The General Partner will file an updated Prospectus annually for USOF pursuant to the 1933 Act. The reports and other information can be inspected at the public reference facilities of the SEC located at 100 F Street, NE, Washington, D.C. 20549 and online at *www.sec.gov*. You may also obtain copies of

such material from the public reference facilities of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates. You may obtain more information concerning the operation of the public reference facilities of the SEC by calling the SEC at 1-800-SEC-0330 or visiting online at [www.sec.gov](http://www.sec.gov).

## **INCORPORATION BY REFERENCE OF CERTAIN INFORMATION**

We are a reporting company and file annual, quarterly and current reports and other information with the Securities and Exchange Commission. The rules of the Securities and Exchange Commission allow us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. We incorporate by reference the documents

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listed below and any future filings we will make with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Registration Statement on Form S-3 and prior to effectiveness of the registration statement, and after the date of this prospectus but prior to completion of our offering.

Annual Report on Form 10-K for the year ended December 31, 2008 filed March 2, 2009;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed May 11, 2009.

Current Reports on Form 8-K filed January 30, 2009, February 13, 2009, February 27, 2009, March 30, 2009, March 31, 2009, March 31, 2009, April 30, 2009 and May 29, 2009.

The description of our units contained in the registration statement on Form 8-A filed with the Securities and Exchange Commission on November 24, 2008 pursuant to Section 12(b) of the Securities Exchange Act of 1934, together with all amendments or reports filed for the purpose of updating such description.

We will provide to each person to whom a prospectus is delivered, including any beneficial owner, a copy of these filings at no cost, upon written or oral request at the following address or telephone number:

United States Oil Fund, LP  
Attention: Nicholas D. Gerber  
1320 Harbor Bay Parkway, Suite 145  
Alameda, CA 94502  
(510) 522-3336

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## APPENDIX A

# Glossary of Defined Terms

In this prospectus, each of the following terms have the meanings set forth after such term:

**Administrator:** Brown Brothers Harriman & Co.

**Authorized Purchaser:** One that purchases or redeems Creation Baskets or Redemption Baskets, respectively, from or to USOF.

**Benchmark Oil Futures Contract:** The near month futures contract for light, sweet crude oil traded on the NYMEX unless the near month futures contract will expire within two weeks of the valuation day, in which case the Benchmark Oil Futures Contract is the next month futures contract for light, sweet crude oil traded on the NYMEX.

**Business Day:** Any day other than a day when any of the NYSE Arca, the NYMEX or the New York Stock Exchange is closed for regular trading.

**CFTC:** Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and options in the United States.

**Code:** Internal Revenue Code.

**Commodity Pool:** An enterprise in which several individuals contribute funds in order to trade futures or future options collectively.

**Commodity Pool Operator or CPO:** Any person engaged in a business which is of the nature of an investment trust, syndicate, or similar enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery or commodity option on or subject to the rules of any contract market.

**Creation Basket:** A block of 100,000 units used by USOF to issue units.

**Crude Oil Interests:** Oil Futures Contracts and Other Crude Oil-Related Investments.

**Custodian:** Brown Brothers Harriman & Co.

**DTC:** The Depository Trust Company. DTC will act as the securities depository for the units.

**DTC Participant:** An entity that has an account with DTC.

**DTEF:** A derivatives transaction execution facility.

**Exchange Act:** The Securities Exchange Act of 1934.

**Exchange for Physical (EFP):** An off market transaction which involves the swapping (or exchanging) of an over-the-counter (OTC) position for a futures position. The OTC transaction must be for the same or similar quantity or amount of a specified commodity, or a substantially similar commodity or instrument. The OTC side of the EFP can include swaps, swap options, or other instruments traded in the OTC market. In order that an EFP transaction can take place, the OTC side and futures components must be substantially similar in terms of either value and or quantity.

The net result is that the OTC position (and the inherent counterparty credit exposure) is transferred from the OTC market to the futures market. EFPs can also work in reverse, where a futures position can be reversed and transferred to the OTC market.

**Exchange for Swap:** A technique, analogous to an EFP transaction used by financial institutions to avoid taking physical delivery of commodities. A dealer takes the financial institution's futures positions into its own account and swaps the commodity return for a funding rate.

**FINRA:** Financial Industry Regulatory Authority, formerly the National Association of Securities Dealers.

**General Partner:** United States Commodity Funds LLC, a Delaware limited liability company, which is registered as a Commodity Pool Operator, who controls the investments and other decisions of USOF.

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**ICE Futures:** The leading electronic regulated futures and options exchange for global energy markets. Its trading platform offers participants access to a wide spectrum of energy futures products including the Brent and West Texas Intermediate (WTI) global crude benchmark contracts, Gas, Oil, Electricity, Coal, and ECX carbon financial instruments.

**Indirect Participants:** Banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

**Investor:** Beneficial owner of the units.

**Limited Liability Company (LLC):** A type of business ownership combining several features of corporation and partnership structures.

**LP Agreement:** The Fifth Amended and Restated Agreement of Limited Partnership effective as of October 13, 2008.

**Margin:** The amount of equity required for an investment in futures contracts.

**mmbTU:** 10,000 million British thermal units.

**NASAA:** North American Securities Administration Association, Inc.

**NAV:** Net Asset Value of USOF.

**NFA:** National Futures Association.

**NSCC:** National Securities Clearing Corporation.

**New York Mercantile Exchange (NYMEX):** The primary exchange on which futures contracts are traded in the U.S. USOF expects to invest primarily in futures contracts, and particularly in futures contracts traded on the New York Mercantile Exchange. USOF expressly disclaims any association with the Exchange or endorsement of USOF by the Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.

**1933 Act:** The Securities Act of 1933.

**Oil Futures Contracts:** Futures contracts for 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.

**oil interests:** Oil Futures Contracts and Other Oil Interests.

**Option:** The right, but not the obligation, to buy or sell a futures contract or forward contract at a specified price on or before a specified date.

**Other Oil Interests:** 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 foregoing.



**Over-the-Counter Derivative:** A financial contract, whose value is designed to track the return on stocks, bonds, currencies, commodities, or some other benchmark, that is traded over-the-counter or off organized exchanges.

**Redemption Basket:** A block of 100,000 units used by USOF to redeem units.

**Related Public Funds:** USNG, US12OF, UGA and USHO.

**SEC:** Securities and Exchange Commission.

**Secondary Market:** The stock exchanges and the over-the-counter market. Securities are first issued as a primary offering to the public. When the securities are traded from that first holder to another, the issues trade in these secondary markets.

**Spot Contract:** 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.

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**Swap Contract:** An over-the-counter derivative that generally involves an exchange of a stream of payments between the contracting parties based on a notional amount and a specified index.

**Tracking Error:** Possibility that the daily NAV of USOF will not track the price of light, sweet crude oil.

**Treasuries:** Obligations of the U.S. government with remaining maturities of 2 years or less.

**UGA:** United States Gasoline Fund, LP.

**USHO:** United States Heating Oil, LP.

**US12NG:** United States 12 Month Natural Gas Fund, LP.

**US12OF:** United States 12 Month Oil Fund, LP.

**USNG:** United States Natural Gas Fund, LP.

**USOF:** United States Oil Fund, LP.

**USSO:** United States Short Oil Fund, LP.

**Valuation Day:** Any day as of which USOF calculates its NAV.

**You:** The owner of units.

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**STATEMENT OF ADDITIONAL INFORMATION**  
**UNITED STATES OIL FUND, LP**

**Before you decide whether to invest, you should read this entire prospectus carefully and consider the risk factors beginning on page 12.**

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

This statement of additional information and accompanying disclosure document are both dated June 29, 2009.

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## **The Commodity Interest Markets**

### **General**

The Commodity Exchange Act or CEA governs the regulation of commodity interest transactions, markets and intermediaries. In December 2000, the CEA was amended by the Commodity Futures Modernization Act of 2000, or CFMA, which substantially revised the regulatory framework governing certain commodity interest transactions and the markets on which they trade. The CEA, as amended by the CFMA, now provides for varying degrees of regulation of commodity interest transactions depending upon the variables of the transaction. In general, these variables include (1) the type of instrument being traded (e.g., contracts for future delivery, options, swaps or spot contracts), (2) the type of commodity underlying the instrument (distinctions are made between instruments based on agricultural commodities, energy and metals commodities and financial commodities), (3) the nature of the parties to the transaction (retail, eligible contract participant, or eligible commercial entity), (4) whether the transaction is entered into on a principal-to-principal or intermediated basis, (5) the type of market on which the transaction occurs, and (6) whether the transaction is subject to clearing through a clearing organization. Information regarding commodity interest transactions, markets and intermediaries, and their associated regulatory environment, is provided below.

### **Futures Contracts**

A futures contract such as an Oil Futures Contract is a standardized contract traded on, or subject to the rules of, an exchange that calls for the future delivery of a specified quantity and type of a commodity at a specified time and place. Futures contracts are traded on a wide variety of commodities, including agricultural products, bonds, stock indices, interest rates, currencies, energy and metals. The size and terms of futures contracts on a particular commodity are identical and are not subject to any negotiation, other than with respect to price and the number of contracts traded between the buyer and seller.

The contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying of commodity or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery. The difference between the price at which the futures contract is purchased or sold and the price paid for the offsetting sale or purchase, after allowance for brokerage commissions, constitutes the profit or loss to the trader. Some futures contracts, such as stock index contracts, settle in cash (reflecting the difference between the contract purchase/sale price and the contract settlement price) rather than by delivery of the underlying commodity.

In market terminology, a trader who purchases a futures contract is long in the market and a trader who sells a futures contract is short in the market. Before a trader closes out his long or short position by an offsetting sale or purchase, his outstanding contracts are known as open trades or open positions. The aggregate amount of open positions held by traders in a particular contract is referred to as the open interest in such contract.

### **Forward Contracts**

A forward contract is a contractual obligation to purchase or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is economically similar to a futures contract. Unlike futures contracts, however, forward contracts are typically traded in the over-the-counter markets and are not standardized contracts. Forward contracts for a given commodity are generally available for various amounts and maturities and are subject to individual negotiation between the parties involved. Moreover, generally there is no

direct means of offsetting or closing out a forward contract by taking an offsetting position as one would a futures contract on a U.S. exchange. If a trader desires to close out a forward contract position, he generally will establish an opposite position in the contract but will settle and recognize the profit or loss on both positions simultaneously on the delivery date. Thus, unlike in the futures contract market where a trader who has offset positions will recognize profit or loss immediately, in the forward market a trader with a position that has been offset at a profit will generally not receive such profit until the delivery date, and likewise a trader with a position that has been offset at a loss will generally not have to pay money until the delivery date. In recent years, however, the terms of forward contracts have become more standardized, and in some instances such contracts now provide a right of offset or cash settlement as an alternative to making or taking delivery of the underlying commodity.

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The forward markets provide what has typically been a highly liquid market for foreign exchange trading, and in certain cases the prices quoted for foreign exchange forward contracts may be more favorable than the prices for foreign exchange futures contracts traded on U.S. exchanges. The forward markets are largely unregulated. Forward contracts are, in general, not cleared or guaranteed by a third party. Commercial banks participating in trading foreign exchange forward contracts often do not require margin deposits, but rely upon internal credit limitations and their judgments regarding the creditworthiness of their counterparties. In recent years, however, many over-the-counter market participants in foreign exchange trading have begun to require that their counterparties post margin.

Further, as the result of the CFMA, over-the-counter derivative instruments such as forward contracts and swap agreements (and options on forwards and physical commodities) may begin to be traded on lightly-regulated exchanges or electronic trading platforms that may, but are not required to, provide for clearing facilities. Exchanges and electronic trading platforms on which over-the-counter instruments may be traded and the regulation and criteria for that trading are more fully described below under Futures Exchanges and Clearing Organizations. Nonetheless, absent a clearing facility, USOF's trading in foreign exchange and other forward contracts is exposed to the creditworthiness of the counterparties on the other side of the trade.

### **Options on Futures Contracts**

Options on futures contracts are standardized contracts traded on an exchange. An option on futures contract gives the buyer of the option the right, but not the obligation, to take a position at a specified price (the striking, strike, or exercise price) in the underlying futures contract or underlying interest. The buyer of a call option acquires the right, but not the obligation, to purchase or take a long position in the underlying interest, and the buyer of a put option acquires the right, but not the obligation, to sell or take a short position in the underlying interest.

The seller, or writer, of an option is obligated to take a position in the underlying interest at a specified price opposite to the option buyer if the option is exercised. Thus, the seller of a call option must stand ready to take a short position in the underlying interest at the strike price if the buyer should exercise the option. The seller of a put option, on the other hand, must stand ready to take a long position in the underlying interest at the strike price.

A call option is said to be in-the-money if the strike price is below current market levels and out-of-the-money if the strike price is above current market levels. Conversely, a put option is said to be in-the-money if the strike price is above the current market levels and out-of-the-money if the strike price is below current market levels.

Options have limited life spans, usually tied to the delivery or settlement date of the underlying interest. Some options, however, expire significantly in advance of such date. The purchase price of an option is referred to as its premium, which consists of its intrinsic value (which is related to the underlying market value) plus its time value. As an option nears its expiration date, the time value shrinks and the market and intrinsic values move into parity. An option that is out-of-the-money and not offset by the time it expires becomes worthless. On certain exchanges, in-the-money options are automatically exercised on their expiration date, but on others unexercised options simply become worthless after their expiration date.

Regardless of how much the market swings, the most an option buyer can lose is the option premium. The option buyer deposits his premium with his broker, and the money goes to the option seller. Option sellers, on the other hand, face risks similar to participants in the futures markets. For example, since the seller of a call option is assigned a short futures position if the option is exercised, his risk is the same as someone who initially sold a futures contract.

Because no one can predict exactly how the market will move, the option seller posts margin to demonstrate his ability to meet any potential contractual obligations.

## **Options on Forward Contracts or Commodities**

Options on forward contracts or commodities operate in a manner similar to options on futures contracts. An option on a forward contract or commodity gives the buyer of the option the right, but not the obligation, to take a position at a specified price in the underlying forward contract or commodity. However, similar to forward contracts, options on forward contracts or on commodities are individually negotiated contracts between counterparties and are typically traded in the over-the-counter market. Therefore, options on forward

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contracts and physical commodities possess many of the same characteristics of forward contracts with respect to offsetting positions and credit risk that are described above.

### **Swap Contracts**

Swap transactions generally involve contracts between two parties to exchange a stream of payments computed by reference to a notional amount and the price of the asset that is the subject of the swap. Swap contracts are principally traded off-exchange, although recently, as a result of regulatory changes enacted as part of the CFMA, certain swap contracts are now being traded in electronic trading facilities and cleared through clearing organizations.

Swaps are usually entered into on a net basis, that is, the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement, with the parties receiving or paying, as the case may be, only the net amount of the two payments. Swaps do not generally involve the delivery of underlying assets or principal. Accordingly, the risk of loss with respect to swaps is generally limited to the net amount of payments that the party is contractually obligated to make. In some swap transactions one or both parties may require collateral deposits from the counterparty to support that counterparty's obligation under the swap agreement. If the counterparty to such a swap defaults, the risk of loss consists of the net amount of payments that the party is contractually entitled to receive less to any collateral deposits it is holding.

### **Participants**

The two broad classes of persons who trade commodities are hedgers and speculators. Hedgers include financial institutions that manage or deal in interest rate-sensitive instruments, foreign currencies or stock portfolios, and commercial market participants, such as farmers and manufacturers, that market or process commodities. Hedging is a protective procedure designed to effectively lock in prices that would otherwise change due to an adverse movement in the price of the underlying commodity, for example, the adverse price movement between the time a merchandiser or processor enters into a contract to buy or sell a raw or processed commodity at a certain price and the time he must perform the contract. In such a case, at the time the hedger contracts to physically sell the commodity at a future date he will simultaneously buy a futures or forward contract for the necessary equivalent quantity of the commodity. At the time for performance of the contract, the hedger may accept delivery under his futures contract and sell the commodity quantity as required by his physical contract or he may buy the actual commodity, sell if under the physical contract and close out his position by making an offsetting sale of a futures contract.

The commodity interest markets enable the hedger to shift the risk of price fluctuations. The usual objective of the hedger is to protect the profit that he expects to earn from farming, merchandising, or processing operations rather than to profit from his trading. However, at times the impetus for a hedge transaction may result in part from speculative objectives and hedgers can end up paying higher prices than they would have, for example, if current market prices are lower than the locked in price.

Unlike the hedger, the speculator generally expects neither to make nor take delivery of the underlying commodity. Instead, the speculator risks his capital with the hope of making profits from price fluctuations in the commodities. The speculator is, in effect, the risk bearer who assumes the risks that the hedger seeks to avoid. Speculators rarely make or take delivery of the underlying commodity; rather they attempt to close out their positions prior to the delivery date. Because the speculator may take either a long or short position in commodities, it is possible for him to make profits or incur losses regardless of whether prices go up or down.

## **Futures Exchanges and Clearing Organizations**

Futures exchanges provide centralized market facilities in which multiple persons have the ability to execute or trade contracts by accepting bids and offers from multiple participants. Futures exchanges may provide for execution of trades at a physical location utilizing trading pits and/or may provide for trading to be done electronically through computerized matching of bids and offers pursuant to various algorithms. Members of a particular exchange and the trades executed on such exchange are subject to the rules of that exchange. Futures exchanges and clearing organizations are given reasonable latitude in promulgating rules and regulations to control and regulate their members. Examples of regulations by exchanges and clearing organizations include the establishment of initial margin levels, rules regarding trading practices, contract specifications, speculative position limits, daily price fluctuation limits, and execution and clearing fees.

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Clearing organizations provide services designed to mutualize or transfer the credit risk arising from the trading of contracts on an exchange or other electronic trading facility. Once trades made between members of an exchange or electronic trading facility have been confirmed, the clearing organization becomes substituted for the clearing member acting on behalf of each buyer and each seller of contracts traded on the exchange or trading platform and in effect becomes the other party to the trade. Thereafter, each clearing member party to the trade looks only to the clearing organization for performance. The clearing organization generally establishes some sort of security or guarantee fund to which all clearing members of the exchange must contribute; this fund acts as an emergency buffer that is intended to enable the clearing organization to meet its obligations with regard to the other side of an insolvent clearing member's contracts. Furthermore, the clearing organization requires margin deposits and continuously marks positions to market to provide some assurance that its members will be able to fulfill their contractual obligations. Thus, a central function of the clearing organization is to ensure the integrity of trades, and members effecting transactions on an exchange need not concern themselves with the solvency of the party on the opposite side of the trade; their only remaining concerns are the respective solvencies of their own customers, their clearing broker and the clearing organization. The clearing organizations do not deal with customers, but only with their member firms and the guarantee of performance for open positions provided by the clearing organization does not run to customers.

### **U.S. Futures Exchanges**

Futures exchanges in the United States are subject to varying degrees of regulation by the CFTC based on their designation as one of the following: a designated contract market, a derivatives transaction execution facility, an exempt board of trade or an electronic trading facility.

A designated contract market is the most highly regulated level of futures exchange. Designated contract markets may offer products to retail customers on an unrestricted basis. To be designated as a contract market, the exchange must demonstrate that it satisfies specified general criteria for designation, such as having the ability to prevent market manipulation, rules and procedures to ensure fair and equitable trading, position limits, dispute resolution procedures, minimization of conflicts of interest and protection of market participants. Among the principal designated contract markets in the United States are the Chicago Board of Trade, the Chicago Mercantile Exchange and the New York Mercantile Exchange. Each of the designated contract markets in the United States must provide for the clearance and settlement of transactions with a CFTC-registered derivatives clearing organization.

A derivatives transaction execution facility, or DTEF, is a new type of exchange that is subject to fewer regulatory requirements than a designated contract market but is subject to both commodity interest and participant limitations.

DTEFs limit access to eligible traders that qualify as either eligible contract participants or eligible commercial entities for futures and option contracts on commodities that have a nearly inexhaustible deliverable supply, are highly unlikely to be susceptible to the threat of manipulation, or have no cash market, security futures products, and futures and option contracts on commodities that the CFTC may determine, on a case-by-case basis, are highly unlikely to be susceptible to the threat of manipulation. In addition, certain commodity interests excluded or exempt from the CEA, such as swaps, etc. may be traded on a DTEF. There is no requirement that a DTEF use a clearing organization, except with respect to trading in security futures contracts, in which case the clearing organization must be a securities clearing agency. However, if futures contracts and options on futures contracts on a DTEF are cleared, then it must be through a CFTC-registered derivatives clearing organization, except that some excluded or exempt commodities traded on a DTEF may be cleared through a clearing organization other than one registered with the CFTC.

An exempt board of trade is also a newly designated form of exchange. An exempt board of trade is substantially unregulated, subject only to CFTC anti-fraud and anti-manipulation authority. An exempt board of trade is permitted to trade futures contracts and options on futures contracts provided that the underlying commodity is not a security or

securities index and has an inexhaustible deliverable supply or no cash market. All traders on an exempt board of trade must qualify as eligible contract participants. Contracts deemed eligible to be traded on an exempt board of trade include contracts on interest rates, exchange rates, currencies, credit risks or measures, debt instruments, measures of inflation, or other macroeconomic indices or measures. There is no requirement that an exempt board of trade use a clearing organization. However, if

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contracts on an exempt board of trade are cleared, then it must be through a CFTC-registered derivatives clearing organization. A board of trade electing to operate as an exempt board of trade must file a written notification with the CFTC.

An electronic trading facility is a new form of trading platform that operates by means of an electronic or telecommunications network and maintains an automated audit trail of bids, offers, and the matching of orders or the execution of transactions on the electronic trading facility. The CEA does not apply to, and the CFTC has no jurisdiction over, transactions on an electronic trading facility in certain excluded commodities that are entered into between principals that qualify as eligible contract participants, subject only to CFTC anti-fraud and anti-manipulation authority. In general, excluded commodities include interest rates, currencies, securities, securities indices or other financial, economic or commercial indices or measures.

The General Partner intends to monitor the development of and opportunities and risks presented by the new less-regulated exchanges and exempt boards as well as other trading platforms currently in place or that are being considered by regulators and may, in the future, allocate a percentage of USOF's assets to trading in products on these exchanges. Provided USOF maintains assets exceeding \$5 million, USOF would qualify as an eligible contract participant and thus would be able to trade on such exchanges.

### **Non-U.S. Futures Exchanges**

Non-U.S. futures exchanges differ in certain respects from their U.S. counterparts. Importantly, non-U.S. futures exchanges are not subject to regulation by the CFTC, but rather are regulated by their home country regulator. In contrast to U.S. designated contract markets, some non-U.S. exchanges are principals' markets, where trades remain the liability of the traders involved, and the exchange or an affiliated clearing organization, if any, does not become substituted for any party. Due to the absence of a clearing system, such exchanges are significantly more susceptible to disruptions. Further, participants in such markets must often satisfy themselves as to the individual creditworthiness of each entity with which they enter into a trade. Trading on non-U.S. exchanges is often in the currency of the exchange's home jurisdiction. Consequently, USOF is subject to the additional risk of fluctuations in the exchange rate between such currencies and U.S. dollars and the possibility that exchange controls could be imposed in the future. Trading on non-U.S. exchanges may differ from trading on U.S. exchanges in a variety of ways and, accordingly, may subject USOF to additional risks.

### **Accountability Levels and Position Limits**

The CFTC and U.S. designated contract markets 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 a hedger, which USOF is not) may hold, own or control. Among the purposes of accountability levels and position limits is to prevent a corner or squeeze on a market or undue influence on prices by any single trader or group of traders. The position limits currently established by the CFTC apply to certain agricultural commodity interests, such as grains (oats, barley, and flaxseed), soybeans, corn, wheat, cotton, eggs, rye, and potatoes, but not to interests in energy products. In addition, U.S. exchanges may set accountability levels and position limits for all commodity interests traded on that exchange. For example, the current accountability level for investments at any one time in Oil Futures Contracts for light, sweet crude oil (including investments in the Benchmark Oil Futures Contract) on the New York Mercantile Exchange is 10,000 contracts for one month and 20,000 contracts for all months. The New York Mercantile Exchange also imposes position limits on contracts held in the last few days of trading in the near month contract to expire. The ICE Futures has recently adopted similar accountability levels and position limits for certain of its Oil Futures Contracts that are traded on the ICE Futures and

settled against the price of a contract listed for trading on a U.S. designated contract market such as the New York Mercantile Exchange. Certain exchanges or clearing organizations also set limits on the total net positions that may be held by a clearing broker. In general, no position limits are in effect in forward or other over-the-counter contract trading or in trading on non-U.S. futures exchanges, although the principals with which USOF and the clearing brokers may trade in such markets may impose such limits as a matter of credit policy. For purposes of determining accountability levels and position limits USOF's commodity interest positions will not be attributable to investors in their own commodity interest trading.

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### **Daily Price Limits**

Most U.S. futures exchanges (but generally not non-U.S. exchanges) limit the amount of fluctuation in some futures contract or options on a futures contract prices during a single trading period by regulations. These regulations specify what are referred to as daily price fluctuation limits or more commonly, daily limits. The daily limits establish the maximum amount that the price of a futures or option on a futures contract may vary either up or down from the previous day's settlement price. Once the daily limit has been reached in a particular futures or options on futures contract, no trades may be made at a price beyond the limit. Positions in the futures or options contract may then be taken or liquidated, if at all, only at inordinate expense or if traders are willing to effect trades at or within the limit during the period for trading on such day. Because the daily limit rule governs price movement only for a particular trading day, it does not limit losses and may in fact substantially increase losses because it may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved the daily limit for several consecutive trading days, thus preventing prompt liquidation of positions and subjecting the trader to substantial losses for those days. The concept of daily price limits is not relevant to over-the-counter contracts, including forwards and swaps, and thus such limits are not imposed by banks and others who deal in those markets.

In contrast, the New York Mercantile Exchange does not impose daily limits but rather limits the amount of price fluctuation for Oil Futures Contracts. For example, the New York Mercantile Exchange imposes a \$10.00 per barrel (\$10,000 per contract) price fluctuation limit for Oil Futures Contracts. This limit is initially based off the previous trading day's settlement price. If any 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.

### **Commodity Prices**

Commodity prices are volatile and, although ultimately determined by the interaction of supply and demand, are subject to many other influences, including the psychology of the marketplace and speculative assessments of future world and economic events. Political climate, interest rates, treaties, balance of payments, exchange controls and other governmental interventions as well as numerous other variables affect the commodity markets, and even with comparatively complete information it is impossible for any trader to predict reliably commodity prices.

### **Regulation**

Futures exchanges in the United States are subject to varying degrees of regulation under the CEA depending on whether such exchange is a designated contract market, DTEF, exempt board of trade or electronic trading facility. Derivatives clearing organizations are also subject to the CEA and CFTC regulation. The CFTC is the governmental agency charged with responsibility for regulation of futures exchanges and commodity interest trading conducted on those exchanges. The CFTC's function is to implement the CEA's objectives of preventing price manipulation and excessive speculation and promoting orderly and efficient commodity interest markets. In addition, the various exchanges and clearing organizations themselves exercise regulatory and supervisory authority over their member firms.

The CFTC possesses exclusive jurisdiction to regulate the activities of commodity pool operators and commodity trading advisors and has adopted regulations with respect to the activities of those persons and/or entities. Under the CEA, a registered commodity pool operator, such as the General Partner, is required to make annual filings with the

CFTC describing its organization, capital structure, management and controlling persons. In addition, the CEA authorizes the CFTC to require and review books and records of, and documents prepared by, registered commodity pool operators. Pursuant to this authority, the CFTC requires commodity pool operators to keep accurate, current and orderly records for each pool that they operate. The CFTC may suspend the registration of a commodity pool operator

(1) if the CFTC finds that the operator's trading practices tend to disrupt orderly market conditions, (2) if any controlling person of the operator is subject to an order of the CFTC denying such person trading privileges on any exchange, and (3) in certain

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other circumstances. Suspension, restriction or termination of the General Partner's registration as a commodity pool operator would prevent it, until that registration were to be reinstated, from managing USOF, and might result in the termination of USOF. USOF itself is not required to be registered with the CFTC in any capacity.

The CEA gives the CFTC similar authority with respect to the activities of commodity trading advisors. If a trading advisor's commodity trading advisor registration were to be terminated, restricted or suspended, the trading advisor would be unable, until the registration were to be reinstated, to render trading advice to USOF.

The CEA requires all futures commission merchants, such as USOF's clearing brokers, to meet and maintain specified fitness and financial requirements, to segregate customer funds from proprietary funds and account separately for all customers' funds and positions, and to maintain specified books and records open to inspection by the staff of the CFTC. The CFTC has similar authority over introducing brokers, or persons who solicit or accept orders for commodity interest trades but who do not accept margin deposits for the execution of trades. The CEA authorizes the CFTC to regulate trading by futures commission merchants and by their officers and directors, permits the CFTC to require action by exchanges in the event of market emergencies, and establishes an administrative procedure under which customers may institute complaints for damages arising from alleged violations of the CEA. The CEA also gives the states powers to enforce its provisions and the regulations of the CFTC.

USOF's investors are afforded prescribed rights for reparations under the CEA. Investors may also be able to maintain a private right of action for violations of the CEA. The CFTC has adopted rules implementing the reparation provisions of the CEA, which provide that any person may file a complaint for a reparations award with the CFTC for violation of the CEA against a floor broker or a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, and their respective associated persons.

Pursuant to authority in the CEA, the NFA has been formed and registered with the CFTC as a registered futures association. At the present time, the NFA is the only self-regulatory organization for commodity interest professionals, other than futures exchanges. The CFTC has delegated to the NFA responsibility for the registration of commodity trading advisors, commodity pool operators, futures commission merchants, introducing brokers, and their respective associated persons and floor brokers. The General Partner, each trading advisor, the selling agents and the clearing brokers are members of the NFA. As such, they are subject to NFA standards relating to fair trade practices, financial condition and consumer protection. USOF itself is not required to become a member of the NFA. As the self-regulatory body of the commodity interest industry, the NFA promulgates rules governing the conduct of professionals and disciplines those professionals that do not comply with these rules. The NFA also arbitrates disputes between members and their customers and conducts registration and fitness screening of applicants for membership and audits of its existing members.

The regulations of the CFTC and the NFA prohibit any representation by a person registered with the CFTC or by any member of the NFA, that registration with the CFTC, or membership in the NFA, in any respect indicates that the CFTC or the NFA, as the case may be, has approved or endorsed that person or that person's trading program or objectives. The registrations and memberships of the parties described in this summary must not be considered as constituting any such approval or endorsement. Likewise, no futures exchange has given or will give any similar approval or endorsement.

The regulation of commodity interest trading in the United States and other countries is an evolving area of the law. The various statements made in this summary are subject to modification by legislative action and changes in the rules and regulations of the CFTC, the NFA, the futures exchanges, clearing organizations and other regulatory bodies.

The function of the CFTC is to implement the objectives of the CEA of preventing price manipulation and other disruptions to market integrity, avoiding systemic risk, preventing fraud and promoting innovation, competition and financial integrity of transactions. As mentioned above, this regulation, among other things, provides that the trading of commodity interest contracts generally must be upon exchanges designated as contract markets or DTEFs and that all trading on those exchanges must be done by or through exchange

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members. Under the CFMA, commodity interest trading in some commodities between sophisticated persons may be traded on a trading facility not regulated by the CFTC. As a general matter, trading in spot contracts, forward contracts, options on forward contracts or commodities, or swap contracts between eligible contract participants is not within the jurisdiction of the CFTC and may therefore be effectively unregulated. The trading advisors may engage in those transactions on behalf of USOF in reliance on this exclusion from regulation.

In general, the CFTC does not regulate the interbank and forward foreign currency markets with respect to transactions in contracts between certain sophisticated counterparties such as USOF or between certain regulated institutions and retail investors. Although U.S. banks are regulated in various ways by the Federal Reserve Board, the Comptroller of the Currency and other U.S. federal and state banking officials, banking authorities do not regulate the forward markets.

While the U.S. government does not currently impose any restrictions on the movements of currencies, it could choose to do so. The imposition or relaxation of exchange controls in various jurisdictions could significantly affect the market for that and other jurisdictions' currencies. Trading in the interbank market also exposes USOF to a risk of default since failure of a bank with which USOF had entered into a forward contract would likely result in a default and thus possibly substantial losses to USOF.

The CFTC is prohibited by statute from regulating trading on non-U.S. futures exchanges and markets. The CFTC, however, has adopted regulations relating to the marketing of non-U.S. futures contracts in the United States. These regulations permit certain contracts traded on non-U.S. exchanges to be offered and sold in the United States.

## **Commodity Margin**

Original or initial margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader's broker to initiate and maintain an open position in futures contracts. Maintenance margin is the amount (generally less than the original margin) to which a trader's account may decline before he must deliver additional margin. A margin deposit is like a cash performance bond. It helps assure the trader's performance of the futures contracts that he or she purchases or sells. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage (ranging upward from less than 2%) of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract.

Brokerage firms, such as USOF's clearing brokers, carrying accounts for traders in commodity interest contracts may not accept lower, and generally require higher, amounts of margin as a matter of policy to further protect themselves. The clearing brokers require USOF to make margin deposits equal to exchange minimum levels for all commodity interest contracts. This requirement may be altered from time to time in the clearing brokers' discretion.

Trading in the over-the-counter markets where no clearing facility is provided generally does not require margin but generally does require the extension of credit between counterparties.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by

the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

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Margin requirements are computed each day by a trader's clearing broker. When the market value of a particular open commodity interest position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader's position. With respect to USOF's trading, USOF (and not its investors personally) is subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

## **Potential Advantages of Investment**

### **The Advantages of Non-Correlation**

Given that historically, the price of crude oil and of Oil Futures Contracts and Other Oil Interests has had very little correlation to the stock and bond markets, the General Partner believes that the performance of USOF should also exhibit a substantial degree of non-correlation with the performance of traditional equity and debt portfolio components, in part because of the ease of selling commodity interests short. This feature of many commodity interest contracts—being able to be long or short a commodity interest position with similar ease—means that profit and loss from commodity interest trading is not dependent upon economic prosperity or stability.

However, non-correlation will not provide any diversification advantages unless the non-correlated assets are outperforming other portfolio assets, and it is entirely possible that USOF may not outperform other sectors of an investor's portfolio, or may produce losses. Additionally, although adding USOF's units to an investor's portfolio may provide diversification, USOF is not a hedging mechanism vis-à-vis traditional debt and equity portfolio components and you should not assume that USOF units will appreciate during periods of inflation or stock and bond market declines.

Non-correlated performance should not be confused with negatively correlated performance. Negative correlation occurs when the performance of two asset classes are in opposite direction to each other. Non-correlation means only that USOF's performance will likely have little relation to the performance of equity and debt instruments, reflecting the General Partner's belief that certain factors that affect equity and debt prices may affect USOF differently and that certain factors that affect equity and debt prices may not affect USOF at all. USOF's net asset value per unit may decline or increase more or less than equity and debt instruments during both rising and falling cash markets. The General Partner does not expect that USOF's performance will be negatively correlated to general debt and equity markets.

### **Interest Income**

Unlike some alternative investment funds, USOF does not borrow money in order to obtain leverage, so USOF does not incur any interest expense. Rather, USOF's margin deposits are maintained in Treasuries and interest is earned on 100% of USOF's available assets, which include unrealized profits credited to USOF's accounts.

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**CFTC ANNUAL REPORT**  
**UNITED STATES COMMODITY FUNDS LLC**  
**General Partner of the United States Oil Fund, LP**

March 31, 2009

Dear United States Oil Fund, LP Investor,

Enclosed with this letter is your copy of the 2008 financial statements for the United States Oil Fund, LP (ticker symbol USO ). We have mailed this statement to all investors in USO who held shares as of December 31, 2008 to satisfy our annual reporting requirement under federal commodities laws. In addition, we have enclosed a copy of the current United States Oil Fund LP s Privacy Policy. Additional information concerning USO s 2008 results may be found by referring to the Annual Report on Form 10-K (the Form 10-K ), which has been filed with the U.S. Securities and Exchange Commission (the SEC ). You may obtain a copy of the Form 10-K by going to the SEC s website at [www.sec.gov](http://www.sec.gov), or by going to USO s own website at [www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com). You may also call USO at **1-800-920-0259** to speak to a representative and request additional material, including a current USO Prospectus.

United States Commodity Funds LLC is the general partner of the United States Oil Fund, LP. United States Commodity Funds LLC is also the general partner and manager of several other commodity based exchange traded security funds that are structured like USO. These other funds are referred to in the attached financial statements and include:

United States Natural Gas Fund, LP	(ticker symbol: <b>UNG</b> )
United States 12 Month Oil Fund, LP	(ticker symbol: <b>USL</b> )
United States Gasoline Fund, LP	(ticker symbol: <b>UGA</b> )
United States Heating Oil Fund, LP	(ticker symbol: <b>UHN</b> )

Information about these other funds is contained within the Annual Report as well as in the current USO Prospectus. Investors in USO who wish to receive additional information about these other funds may do so by going to their respective websites.\* The websites may be found at:

[www.unitedstatesnaturalgasfund.com](http://www.unitedstatesnaturalgasfund.com)  
[www.unitedstates12monthoilfund.com](http://www.unitedstates12monthoilfund.com)  
[www.unitedstatesgasolinefund.com](http://www.unitedstatesgasolinefund.com)  
[www.unitedstatesheatingoilfund.com](http://www.unitedstatesheatingoilfund.com)

You may also call United States Commodity Funds LLC at **1-800-920-0259** to request additional information.

Thank you for your continued interest in the United States Oil Fund, LP.

Regards,  
/s/ Nicholas Gerber  
Nicholas Gerber

President and CEO  
United States Commodity Funds LLC

\* This letter is not an offer to buy or sell securities. Investment in any of these other funds is only made by prospectus.  
Please consult the relevant prospectus for a description of the risks and expenses involved in any such investment.

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# **PRIVACY POLICY UNITED STATES COMMODITY FUNDS LLC**

This privacy policy explains the policies of United States Commodity Funds LLC (the General Partner), a commodity pool operator registered with the Commodity Futures Trading Commission that serves as general partner to a number of commodity pools, including the United States Oil Fund, LP, United States 12 Month Oil Fund, LP, United States Natural Gas Fund, LP, United States Heating Oil Fund, LP, United States Gasoline Fund, LP, United States 12 Month Natural Gas Fund, LP and United States Short Oil Fund, LP (collectively, the Funds), relating to the collection, maintenance and use of nonpublic personal information about the Funds investors, as required under Federal legislation. This privacy policy applies to the nonpublic personal information of investors who are individuals and who obtain financial products or services primarily for personal, family or household purposes.

## **Collection of Investor Information**

Units of the Funds are registered in the name of Cede & Co., as nominee for the Depository Trust Company. However, the General Partner may collect or have access to personal information about Fund investors for certain purposes relating to the operation of the Funds, including for the distribution of certain required tax reports to investors. This information may include information received from investors and information about investors holdings and transactions in units of the Funds.

## **Disclosure of Nonpublic Personal Information**

The General Partner does not sell or rent investor information. The General Partner does not disclose nonpublic personal information about Fund investors, except as required by law or as described below. Specifically, the General Partner may share nonpublic personal information in the following situations:

To service providers in connection with the administration and servicing of the Funds, which may include attorneys, accountants, auditors and other professionals. The General Partner may also share information in connection with the servicing or processing of Fund transactions.

To affiliated companies, i.e., any company that controls, is controlled by, or is under common control with the General Partner, to introduce Fund investors to other products and services that may be of value to them;

To respond to subpoenas, court orders, judicial process or regulatory authorities;

To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and  
Upon consent of an investor to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the investor.

Fund investors have no right to opt out of the General Partner's disclosure of non-public personal information under the circumstances described above.



## Protection of Investor Information

The General Partner holds Fund investor information in the strictest confidence. Accordingly, the General Partner's policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

The General Partner maintains safeguards that comply with federal standards to protect investor information. The General Partner restricts access to the personal and account information of investors to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the General Partner shares investor information must agree to follow appropriate standards of security and confidentiality, which includes safeguarding such information physically, electronically and procedurally.

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The General Partner's privacy policy applies to both current and former investors. The General Partner will only disclose nonpublic personal information about a former investor to the same extent as for a current investor.

## **Changes to Privacy Policy**

The General Partner may make changes to its privacy policy in the future. The General Partner will not make any change affecting Fund investors without first sending investors a revised privacy policy describing the change. In any case, the General Partner will send Fund investors a current privacy policy at least once a year as long as they continue to be Fund investors.

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**UNITED STATES OIL FUND, LP  
A Delaware Limited Partnership  
FINANCIAL STATEMENTS**

For the years ended December 31, 2008 and 2007, the period from April 10, 2006 (commencement of operations) to December 31, 2006 and the period from May 12, 2005 (inception) to December 31, 2005

**AFFIRMATION OF THE COMMODITY POOL OPERATOR**

To the Unitholders of the United States Oil Fund, LP

Pursuant to Rule 4.22(h) under the Commodity Exchange Act, the undersigned represents that to the best of his knowledge and belief, the information contained in this Annual Report for the years ended December 31, 2008 and December 31, 2007, the period from April 10, 2006 (commencement of operations) to December 31, 2006 and the period from May 12, 2005 (inception) to December 31, 2005 is accurate and complete.

By:

/s/ Nicholas Gerber  
Nicholas Gerber  
United States Oil Fund, LP  
President & CEO of United States Commodity Funds LLC  
(General Partner of the United States Oil Fund, LP)

SPICER JEFFRIES LLP  
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS  
5251 SOUTH QUEBEC STREET, SUITE 200  
GREENWOOD VILLAGE, CO 80111  
TELEPHONE: (303) 753-1959  
FAX: (303) 753-0338  
*www.spicerjeffries.com*

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# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of  
United States Oil Fund, LP

We have audited the accompanying statements of financial condition of United States Oil Fund, LP, (the Fund ) as of December 31, 2008 and 2007, including the schedule of investments as of December 31, 2008 and 2007, and the related statements of operations, changes in partners' capital and cash flows for the years ended December 31, 2008 and 2007 and the period from April 10, 2006 (commencement of operations) through December 31, 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Oil Fund, LP as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years ended December 31, 2008 and 2007 the period from April 10, 2006 (commencement of operations) through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the Fund's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2009 expressed an unqualified opinion on the Fund's internal control over financial reporting.

Greenwood Village, Colorado  
February 18, 2009

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TABLE OF CONTENTS**United States Oil Fund, LP****Statements of Financial Condition  
At December 31, 2008 and 2007**

	2008	2007
Assets		
Cash and cash equivalents	\$ 1,025,376,289	\$ 354,816,049
Equity in UBS Securities LLC trading accounts:		
Cash	1,356,466,032	86,330,750
Unrealized gain on open commodity futures contracts	97,616,100	35,705,020
Receivable for units sold	90,984,366	7,581,679
Interest receivable	351,735	962,551
Other assets	696,590	420,705
Total assets	\$ 2,571,491,112	\$ 485,816,754
Liabilities and Partners' Capital		
General Partner management fees (Note 3)	\$ 513,420	\$ 226,782
Tax reporting fees payable	914,255	239,954
Brokerage commission fees payable	180,086	22,886
License fees payable	85,968	47,788
Directors' fees payable	37,152	33,235
Other liabilities	136,300	23,372
Total liabilities	1,867,181	594,017
Commitments and Contingencies (Notes 3, 4 and 5)		
Partners' Capital		
General Partner		
Limited Partners	2,569,623,931	485,222,737
Total Partners' Capital	2,569,623,931	485,222,737
Total liabilities and partners' capital	\$ 2,571,491,112	\$ 485,816,754
Limited Partners' units outstanding	74,900,000	6,400,000
Net asset value per unit	\$ 34.31	\$ 75.82
Market value per unit	\$ 33.10	\$ 75.75

*See accompanying notes to financial statements.*

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TABLE OF CONTENTS**United States Oil Fund, LP****Schedule of Investments  
At December 31, 2008****Open Futures Contracts**

	Number of Contracts	Gain on Open Commodity Contracts	% of Partners Capital
Foreign Contracts			
Crude Oil Futures contracts, expire February 2009	5,847	\$ 9,851,000	0.38
United States Contracts			
Crude Oil Futures contracts, expire February 2009	51,772	87,765,100	3.42
	57,619	97,616,100	3.80
	Cost	Market Value	
Cash Equivalents			
United States Money Market Fund			
Goldman Sachs Financial Square	\$ 410,363,791	410,363,791	15.97
Funds Government Fund	\$ 410,363,791	410,363,791	15.97
Cash		615,012,498	23.93
Total Cash and Cash Equivalents		1,025,376,289	39.90
Cash on deposit with broker		1,356,466,032	52.79
Other assets and receivables in excess of liabilities		90,165,510	3.51
Total Partners Capital		\$ 2,569,623,931	100.00

**United States Oil Fund, LP****Schedule of Investments  
At December 31, 2007****Open Futures Contracts**

	Number of Contracts	Gain on Open Commodity Contracts	% of Partners Capital
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Foreign Contracts			
Crude Oil Futures contracts, expire February 2008	300	\$ 2,361,000	0.49
United States Contracts			
Crude Oil Futures contracts, expire February 2008	4,754	33,344,020	6.87
	5,054	35,705,020	7.36
	Cost	Market Value	
Cash Equivalents			
United States Money Market Fund			
Goldman Sachs Financial Square			
Funds Treasury Instruments Fund	\$ 253,701,525	253,701,525	52.28
	\$ 253,701,525	253,701,525	52.28
Cash		101,114,524	20.84
Total Cash and Cash Equivalents		354,816,049	73.12
Cash on deposit with broker		86,330,750	17.79
Other assets and receivables in excess of liabilities		8,370,918	1.73
Total Partners Capital		\$ 485,222,737	100.00

*See accompanying notes to financial statements.*

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TABLE OF CONTENTS**nited States Oil Fund, LP**

**Statements of Operations**  
**For the Years Ended December 31, 2008 and 2007 and**  
**the Period from**  
**April 10, 2006 (Commencement of Operations) to**  
**December 31, 2006**

	Year Ended December 31, 2008	Year Ended December 31, 2007	Period from April 10, 2006 to December 31, 2006
Income			
Gains (losses) on trading of commodity futures contracts:			
Realized gains (losses) on closed positions	\$(923,692,430)	\$185,522,880	\$(104,063,960)
Change in unrealized gains (losses) on open positions	61,911,080	70,088,020	(34,383,000 )
Interest income	14,050,785	34,845,846	13,930,431
Other income	350,000	297,000	129,000
Total income (loss)	(847,380,565)	290,753,746	(124,387,529)
Expenses			
General Partner management fees (Note 3)	4,058,250	3,622,613	1,460,448
Brokerage commission fees	1,607,632	1,184,956	478,713
Registration fees	687,209	380,992	
License fees	279,809	385,335	22,198
Directors fees	144,929	340,722	
Professional fees	1,337,965	423,232	
Total expenses	8,115,794	6,337,850	1,961,359
Net income (loss)	\$(855,496,359)	\$284,415,896	\$(126,348,888)
Net income (loss) per limited partnership unit	\$(41.51 )	\$23.95	\$(15.52 )
Net income (loss) per weighted average limited partnership unit	\$(63.14 )	\$20.71	\$(18.00 )
Weighted average limited partnership units outstanding	13,549,727	13,730,137	7,018,797

*See accompanying notes to financial statements.*





TABLE OF CONTENTS**United States Oil Fund, LP**

**Statements of Changes in Partners Capital  
For the Years Ended December 31, 2008 and 2007, the  
Period from April 10, 2006 (Commencement of  
Operations) to December 31, 2006 and the Period from  
May 12, 2005 (Inception) to December 31, 2005**

	General Partner	Limited Partners	Total
Balances, at Inception	\$	\$	\$
Initial contribution of capital	20	980	1,000
Balances, at December 31, 2005	20	980	1,000
Addition of 29,000,000 partnership units		1,740,249,722	1,740,249,722
Redemption of 13,500,000 partnership units	(20 )	(809,952,560 )	(809,952,580 )
Net loss		(126,348,888 )	(126,348,888 )
Balances, at December 31, 2006		803,949,254	803,949,254
Addition of 78,400,000 partnership units		4,402,551,383	4,402,551,383
Redemption of 87,500,000 partnership units		(5,005,693,796 )	(5,005,693,796 )
Net income		284,415,896	284,415,896
Balances, at December 31, 2007		485,222,737	485,222,737
Addition of 184,900,000 partnership units		12,435,374,223	12,435,374,223
Redemption of 116,400,000 partnership units		(9,495,476,670 )	(9,495,476,670 )
Net loss		(855,496,359 )	(855,496,359 )
Balances, at December 31, 2008	\$	\$2,569,623,931	\$2,569,623,931
Net Asset Value Per Unit			
At December 31, 2005	\$		
At April 10, 2006 (commencement of operations)	\$ 67.39		
At December 31, 2006	\$ 51.87		
At December 31, 2007	\$ 75.82		
At December 31, 2008	\$ 34.31		

*See accompanying notes to financial statements.*

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TABLE OF CONTENTS**United States Oil Fund, LP****Statements of Cash Flows****For the Years Ended December 31, 2008 and 2007 and  
the Period from  
April 10, 2006 (Commencement of Operations) to  
December 31, 2006**

	Year Ended December 31, 2008	Year Ended December 31, 2007	Period from April 10, 2006 to December 31, 2006
Cash Flows from Operating Activities:			
Net income (loss)	\$(855,496,359 )	\$284,415,896	\$(126,348,888 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Decrease (increase) in commodity futures trading account cash	(1,270,135,282 )	792,886	(87,123,636 )
Unrealized (gains) losses on futures contracts	(61,911,080 )	(70,088,020 )	34,383,000
Decrease (increase) in interest receivable and other assets	334,931	1,259,974	(2,643,230 )
Increase (decrease) in management fees payable	286,638	(105,954 )	332,736
Increase (decrease) in commission fees payable	157,200	(21,500 )	44,386
Increase in other liabilities	829,326	322,151	22,198
Net cash provided by (used in) operating activities	(2,185,934,626 )	216,575,433	(181,333,434 )
Cash Flows from Financing Activities:			
Subscription of partnership units	12,351,971,536	4,431,050,600	1,704,168,826
Redemption of partnership units	(9,495,476,670 )	(5,005,693,796)	(809,952,580 )
Net cash provided by (used in) financing activities	2,856,494,866	(574,643,196 )	894,216,246
Net Increase (Decrease) in Cash and Cash Equivalents	670,560,240	(358,067,763 )	712,882,812
Cash and Cash Equivalents, beginning of period	354,816,049	712,883,812	1,000
Cash and Cash Equivalents, end of period	\$1,025,376,289	\$354,816,049	\$712,883,812

*See accompanying notes to financial statements.*



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## United States Oil Fund, LP

# Notes to Financial Statements For the Periods Ended December 31, 2008, 2007 and 2006

### Note 1 Organization and Business

United States Oil Fund, LP ( USOF ) was organized as a limited partnership under the laws of the state of Delaware on May 12, 2005. USOF is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the NYSE Arca ). Prior to November 25, 2008, USOF s units traded on the American Stock Exchange (the AMEX ). USOF will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Fifth Amended and Restated Agreement of Limited Partnership dated as of October 13, 2008 (the LP Agreement ). The investment objective of USOF is for the changes in percentage terms of its net asset value to reflect the changes in percentage terms of the 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 New York Mercantile Exchange (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 USOF s expenses. USOF accomplishes its objective through investments in futures contracts for light, sweet crude oil, and 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 ) and other oil related investments 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 crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, Other Oil Interests ). As of December 31, 2008, USOF held 51,772 Oil Futures Contracts traded on the NYMEX and 5,847 Oil Futures Contracts traded on the ICE Futures.

USOF commenced investment operations on April 10, 2006 and has a fiscal year ending on December 31. United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) (the General Partner ) is responsible for the management of USOF. The General Partner is a member of the National Futures Association (the NFA ) and became a commodity pool operator with the Commodity Futures Trading Commission effective December 1, 2005. The General Partner is also the general partner of the United States Natural Gas Fund, LP ( USNG ), the United States 12 Month Oil Fund, LP ( US12OF ), the United States Gasoline Fund, LP ( UGA ) and the United States Heating Oil Fund, LP ( USHO ), which listed their limited partnership units on the AMEX under the ticker symbols UNG on April 18, 2007, USL on December 6, 2007, UGA on February 26, 2008 and UHN on April 9, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USNG s, US12OF s, UGA s and USHO s units commenced trading on the NYSE Arca on November 25, 2008.

USOF issues limited partnership interests ( units ) to certain authorized purchasers ( Authorized Purchasers ) by offering baskets consisting of 100,000 units ( Creation Baskets ) through ALPS Distributors, Inc. (the Marketing Agent ). The purchase price for a Creation Basket is based upon the net asset value of a unit determined as of the earlier of the close of the New York Stock Exchange (the NYSE ) or 4:00 p.m. New York time on the day the order to create the basket is properly received.

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In addition, Authorized Purchasers pay USOF a \$1,000 fee for each order to create one or more Creation Baskets. Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the net asset value of USOF but rather at market prices quoted on such exchange.

In April 2006, USOF initially registered 17,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the SEC). On April 10, 2006, USOF listed its units on the AMEX under the ticker symbol USO. On that day, USOF established its initial net asset value by setting the price at \$67.39 per unit and issued 200,000 units in exchange for \$13,479,000. USOF also commenced investment operations on April 10, 2006 by purchasing Oil Futures Contracts traded on the NYMEX based on light, sweet crude oil. As a result of the acquisition of the AMEX by NYSE Euronext, USOF's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, USOF had registered a total of 327,000,000 units.

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## **United States Oil Fund, LP**

### **Notes to Financial Statements For the Periods Ended December 31, 2008, 2007 and 2006**

#### **Note 2 Summary of Significant Accounting Policies**

##### **Revenue Recognition**

Commodity futures contracts, forward contracts, physical commodities, and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the statement of financial condition and in the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the financial statements. Changes in the unrealized gains or losses between periods are reflected in the statement of operations. USOF earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the overnight Federal Funds Rate less 32 basis points. In addition, USOF earns interest on funds held at the custodian at prevailing market rates earned on such investments.

##### **Brokerage Commissions**

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

##### **Income Taxes**

USOF is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

##### **Additions and Redemptions**

Authorized Purchasers may purchase Creation Baskets or redeem units ( Redemption Baskets ) only in blocks of 100,000 units equal to the net asset value of the units determined as of the earlier of the close of the NYSE or 4:00 p.m. New York time on the day the order is placed.

USOF records units sold or redeemed one business day after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in USOF's statement of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

## **Partnership Capital and Allocation of Partnership Income and Losses**

Profit or loss shall be allocated among the partners of USOF in proportion to the number of units each partner holds as of the close of each month. The General Partner may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

### **Calculation of Net Asset Value**

USOF calculates its net asset value on each trading day by taking the current market value of its total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. USOF uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

### **Net Income (Loss) per Unit**

Net income (loss) per unit is the difference between the net asset value per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units redeemed based on the amount of time the units were outstanding during such period. There were no units held by the General Partner at December 31, 2008.

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**United States Oil Fund, LP**

**Notes to Financial Statements  
For the Periods Ended December 31, 2008, 2007 and  
2006**

**Note 2 Summary of Significant Accounting Policies  
(continued)**

**Offering Costs**

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by USOF. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated therewith. These costs will be accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

**Cash Equivalents**

Cash and cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires USOF's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Note 3 Fees Paid by the Fund and Related Party Transactions**

**General Partner Management Fee**

Under the LP Agreement, the General Partner is responsible for investing the assets of USOF in accordance with the objectives and policies of USOF. In addition, the General Partner has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to USOF. For these services, through December 31, 2008, USOF was contractually obligated to pay the General Partner a fee, which was paid monthly and based on average daily net assets, that was equal to 0.50% per annum on average daily net assets of \$1,000,000,000 or less and 0.20% per annum on average daily net assets that were greater than \$1,000,000,000. As of January 1, 2009, this fee changed to 0.45% per annum on all amounts of average daily net assets.

## Ongoing Registration Fees and Other Offering Expenses

USOF pays all costs and expenses associated with the ongoing registration of units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the years ended December 31, 2008 and 2007 and the period ended December 31, 2006, USOF incurred \$687,209, \$380,992 and \$0, respectively, in registration fees and other offering expenses.

### Directors Fees

USOF is responsible for paying the fees and expenses, including directors and officers liability insurance, of the independent directors of the General Partner who are also audit committee members. During 2008, USOF shared these fees with USNG, US12OF, UGA and USHO based on the relative assets of each fund, computed on a daily basis. These fees for calendar year 2008 amounted to a total of \$282,000 for all five funds, and USOF's portion of such fees was \$144,929. For the calendar year 2007 and the period from April 10, 2006 through December 31, 2006, these fees were \$286,000 and \$52,500, respectively, and USOF's portion of such fees was \$184,000 and \$52,500, respectively.

### Licensing Fees

As discussed in Note 4, USOF entered into a licensing agreement with the NYMEX on May 30, 2007. The agreement has an effective date of April 10, 2006. Pursuant to the agreement, USOF and the affiliated

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## **United States Oil Fund, LP**

### **Notes to Financial Statements For the Periods Ended December 31, 2008, 2007 and 2006**

#### **Note 3 Fees Paid by the Fund and Related Party Transactions (continued)**

funds managed by the General Partner pay a licensing fee that is equal to 0.04% for the first \$1,000,000,000 of combined assets of the funds and 0.02% for combined assets above \$1,000,000,000. During the years ended December 31, 2008 and 2007 and the period ended December 31, 2006, USOF incurred \$279,809, \$385,335 and \$22,198, respectively, under this arrangement.

#### **Investor Tax Reporting Cost**

The fees and expenses associated with USOF's audit expenses and tax accounting and reporting requirements, with the exception of certain initial implementation service fees and base service fees which were borne by the General Partner, are paid by USOF. These costs are estimated to be \$1,200,000 for the year ended December 31, 2008.

#### **Other Expenses and Fees**

In addition to the fees described above, USOF pays all brokerage fees, taxes and other expenses in connection with the operation of USOF, excluding costs and expenses paid by the General Partner as outlined in Note 4.

#### **Note 4 Contracts and Agreements**

USOF is party to a marketing agent agreement, dated as of March 13, 2006, with the Marketing Agent, whereby the Marketing Agent provides certain marketing services for USOF as outlined in the agreement. The fees of the Marketing Agent, which are borne by the General Partner, include a marketing fee of \$425,000 per annum plus the following incentive fee: 0.00% on USOF's assets from \$0 - \$500 million; 0.04% on USOF's assets from \$500 million - \$4 billion; and 0.03% on USOF's assets in excess of \$4 billion.

The above fees do not include the following expenses, which are also borne by the General Partner: the cost of placing advertisements in various periodicals; web construction and development; or the printing and production of various marketing materials.

USOF is also party to a custodian agreement, dated March 13, 2006, with Brown Brothers Harriman & Co. (BBH&Co.), whereby BBH&Co. holds investments on behalf of USOF. The General Partner pays the fees of the custodian, which are determined by the parties from time to time. In addition, USOF is party to an administrative agency agreement, dated March 13, 2006, with the General Partner and BBH&Co., whereby BBH&Co. acts as the

administrative agent, transfer agent and registrar for USOF. The General Partner also pays the fees of BBH&Co. for its services under this agreement and such fees are determined by the parties from time to time.

Currently, the General Partner pays BBH&Co. for its services, in the foregoing capacities, the greater of a minimum amount of \$75,000 annually for its custody, fund accounting and fund administration services rendered to all funds, as well as a \$20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first \$500 million of USOF s, USNG s, US12OF s, UGA s and USHO s combined net assets, (b) 0.0465% for USOF s, USNG s, US12OF s, UGA s and USHO s combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once USOF s, USNG s, US12OF s, UGA s and USHO s combined net assets exceed \$1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \$75,000. The General Partner also pays transaction fees ranging from \$7.00 to \$15.00 per transaction.

USOF has entered into a brokerage agreement with UBS Securities LLC ( UBS Securities ). The agreement requires UBS Securities to provide services to USOF in connection with the purchase and sale of Oil Futures Contracts and Other Oil Interests that may be purchased and sold by or through UBS Securities for USOF s account. The agreement provides that UBS Securities charge USOF commissions of approximately \$7 per round-turn trade, plus applicable exchange and NFA fees for Oil Futures Contracts and options on Oil Futures Contracts.

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## United States Oil Fund, LP

### Notes to Financial Statements For the Periods Ended December 31, 2008, 2007 and 2006

#### **Note 4 Contracts and Agreements (continued)**

USOF invests primarily in Oil Futures Contracts traded on the NYMEX. On May 30, 2007, USOF and the NYMEX entered into a license agreement whereby USOF was granted a non-exclusive license to use certain of the NYMEX's settlement prices and service marks. The agreement has an effective date of April 10, 2006. Under the license agreement, USOF and the affiliated funds managed by the General Partner pay the NYMEX an asset-based fee for the license, the terms of which are described in Note 3.

USOF expressly disclaims any association with the NYMEX or endorsement of USOF by the NYMEX and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of the NYMEX.

#### **Note 5 Financial Instruments, Off-balance Sheet Risks and Contingencies**

USOF engages in the speculative trading of futures contracts and options on futures contracts (collectively, derivatives). USOF is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

All of the contracts currently traded by USOF are exchange-traded. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, USOF must rely solely on the credit of its respective individual counterparties. However, in the future, if USOF were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any. USOF also has credit risk since the sole counterparty to all domestic and foreign futures contracts is the exchange on which the relevant contracts are traded. In addition, USOF bears the risk of financial failure by the clearing broker.

The purchase and sale of futures and options on futures contracts require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant's proprietary activities.

USOF's cash and other property, such as U.S. Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds subject to the futures commission merchant's segregation requirements. In the event of a futures commission merchant's insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other

property deposited. The insolvency of a futures commission merchant could result in the complete loss of USOF's assets posted with that futures commission merchant; however, the vast majority of USOF's assets are held in Treasuries, cash and/or cash equivalents with USOF's custodian and would not be impacted by the insolvency of a futures commission merchant. Also, the failure or insolvency of USOF's custodian could result in a substantial loss of USOF's assets.

USOF invests its cash in money market funds that seek to maintain a stable net asset value. USOF is exposed to any risk of loss associated with an investment in these money market funds. As of December 31, 2008 and 2007, USOF had deposits in domestic and foreign financial institutions, including cash investments in money market funds, in the amounts of \$2,381,842,321 and \$441,146,799, respectively. This amount is subject to loss should these institutions cease operations.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, USOF is exposed to a market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, USOF pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

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**Notes to Financial Statements  
For the Periods Ended December 31, 2008, 2007 and  
2006**

**Note 5 Financial Instruments, Off-balance Sheet Risks and  
Contingencies (continued)**

USOF's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, USOF has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business.

The financial instruments held by USOF are reported in its statement of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

**Note 6 Financial Highlights**

The following table presents per unit performance data and other supplemental financial data for the years ended December 31, 2008 and 2007 and the period from April 10, 2006 (commencement of operations) to December 31, 2006. This information has been derived from information presented in the financial statements.

	Year Ended December 31, 2008	Year Ended December 31, 2007	For the Period from April 10, 2006 to December 31, 2006
Per Unit Operating Performance:			
Net asset value, beginning of period	\$75.82	\$51.87	\$67.39
Total income (loss)	(40.91)	24.41	(15.24 )
Total expenses	(0.60 )	(0.46 )	(0.28 )
Net increase (decrease) in net asset value	(41.51)	23.95	(15.52 )
Net asset value, end of period	\$34.31	\$75.82	\$51.87
Total Return	(54.75)%	46.17%	(23.03 )%
Ratios to Average Net Assets			
Total income (loss)	(95.22)%	39.68%	(42.59)%*
Expenses excluding management fees	(0.45 )%	(0.36 )%	(0.17)%*
Management fees	(0.46 )%	(0.50 )%	(0.50)%*
Net income (loss)	(96.13)%	38.82%	(43.26)%*

\*

Annualized

Total returns are calculated based on the change in value during the period. An individual limited partner's total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from USOF.

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**Notes to Financial Statements**  
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**Note 7 Quarterly Financial Data (Unaudited)**

The following summarized (unaudited) quarterly financial information presents the results of operations and other data for three-month periods ended March 31, June 30, September 30 and December 31, 2008 and 2007.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008
Total Income (Loss)	\$ 30,757,600	\$ 249,301,882	\$ (382,128,020)	\$ (745,312,027)
Total Expenses	1,345,783	1,903,219	2,263,544	2,603,248
Net Income (Loss)	\$ 29,411,817	\$ 247,398,663	\$ (384,391,564)	\$ (747,915,275)
Net Income (Loss) per Unit	\$ 5.51	\$ 32.24	\$ (32.13 )	\$ (46.87 )

	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007
Total Income (Loss)	\$ 96,724,633	\$ (2,341,885 )	\$ 94,227,844	\$ 102,143,154
Total Expenses	1,760,542	2,089,154	1,189,531	1,298,623
Net Income (Loss)	\$ 94,964,091	\$ (4,431,039 )	\$ 93,038,313	\$ 100,844,531
Net Income (Loss) per Unit	\$ 1.69	\$ (0.38 )	\$ 9.48	\$ 13.16

**Note 8 Fair Value of Financial Instruments**

Effective January 1, 2008, USOF adopted FAS 157 Fair Value Measurements ( FAS 157 or the Statement ). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ( GAAP ), and expands disclosures about fair value measurement. The changes to current practice resulting from the application of the Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. The Statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of USOF (observable inputs) and (2) USOF's own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the FAS 157 hierarchy are as follows:

*Level I* Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level II* Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for *similar* assets or liabilities in active

markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

*Level III* Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

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**Notes to Financial Statements  
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**Note 8 Fair Value of Financial Instruments (continued)**

The following table summarizes the valuation of USOF's securities at December 31, 2008 using the fair value hierarchy:

At December 31, 2008	Total	Level I	Level II	Level III
Investments	\$ 410,363,791	\$ 410,363,791	\$	\$
Derivative assets	97,616,100	97,616,100		

**Note 9 Recently Issued Accounting Pronouncements**

In March 2008, Statement of Financial Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ( SFAS 161 ), was issued and became effective for fiscal years that began after November 15, 2008. SFAS 161 requires enhanced disclosures to provide information about the reasons USOF invests in derivative instruments, the accounting treatment of derivative instruments and the effect derivatives have on USOF's financial performance.

The General Partner is currently evaluating the impact the adoption of SFAS 161 will have on USOF's financial statement disclosures.