

United States Oil Fund, LP  
Form 424B3  
November 03, 2006

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**Registration No.: 333-137784**

## **PROSPECTUS**

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

#### **30,000,000 Units**

United States Oil Fund, LP, a Delaware limited partnership, is a commodity pool that will issue units that may be purchased and sold on the American Stock Exchange. United States Oil Fund, LP is referred to as USOF throughout this document. The investment objective of USOF is for changes in percentage terms of the units' net asset value to reflect the changes in percentage terms of the spot price of West Texas Intermediate light, sweet crude oil delivered to Cushing, Oklahoma, less USOF's expenses. This is a best efforts offering. USOF will continuously offer creation baskets consisting of 100,000 units to authorized purchasers through ALPS Distributors, Inc., which is the marketing agent. A list of USOF's current authorized purchasers is available from the marketing agent. Authorized purchasers will pay a transaction fee of \$1,000 for the creation of each creation basket. There are no arrangements to place funds in an escrow, trust, or similar account. This will be a continuous offering and will not terminate until all of the registered units have been sold.

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

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Authorized purchasers will be the only persons that may place orders to create and redeem baskets. An authorized purchaser is under no obligation to create or redeem baskets, and an authorized purchaser is under no obligation to offer to the public units of any baskets it does create. Authorized purchasers that do offer to the public units from the baskets they create will do so at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the American Stock Exchange, the net asset value of USOF at the time the authorized purchaser purchased the creation basket and the net asset value of the units at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the oil futures contract market and the market for other oil interests, and are expected to fall between USOF's net asset value and the trading price of the units on the American Stock Exchange 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. Units are expected to trade in the secondary market on the American Stock Exchange. Units may trade in the secondary market at prices that are lower or higher relative to their net asset value per unit. The amount of the discount or premium in the trading price relative to the net asset value per unit may be influenced by various factors, including the number of investors who seek to purchase or sell units in the secondary market and the liquidity of the oil futures contract market and the market for other oil interests. Authorized purchasers will not be required to sell any specific number or dollar amount of units.

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

Some of the risks of investing in USOF include:

- Investing in oil interests subjects USOF to the risks of the oil industry and this could result in large fluctuations in the price of USOF's units.

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

- USOF does not expect to make cash distributions.

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

- USOF has a limited operating history so there is no extensive performance history to serve as a basis for you to evaluate an investment in USOF.

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

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

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

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

	Per Unit	Per Basket
Price of the units*	\$ 54.68	\$ 5,468,000

\*

Based on the price that would be in effect on October 16, 2006. Price may vary based on NAV in effect on a particular day.

The date of this prospectus is November 3, 2006.



**COMMODITY FUTURES TRADING COMMISSION**

**RISK DISCLOSURE STATEMENT**

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

FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 67 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, ON PAGE 7.

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

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

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Until November 13, 2006 (10 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

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## PROSPECTUS SUMMARY

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

### Overview of USOF

United States Oil Fund, LP, a Delaware limited partnership ( "USOF" or "Us" or "We" ), is a commodity pool that issues units that may be purchased and sold on the American Stock Exchange. USOF changed its name from New York Oil ETF, LP to United States Oil Fund, LP on September 30, 2005. The investment objective of USOF is for changes in percentage terms of the units' net asset value to reflect the changes in percentage terms of the spot price of West Texas Intermediate ( "WTI" ) light, sweet crude oil delivered to Cushing, Oklahoma ( "WTI light, sweet crude oil" ), less USOF's expenses. USOF will invest in futures contracts for WTI light, sweet crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the New York Mercantile Exchange or other U.S. and foreign exchanges (collectively, "Oil Futures Contracts" ) and other oil interests such as cash-settled options on Oil Futures Contracts, forward contracts for oil, and over-the-counter transactions that are based on the price of oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, "Other Oil Interests" ). The general partner, Victoria Bay Asset Management, LLC ( "General Partner" ), which is registered as a commodity pool operator, is authorized by the Agreement of Limited Partnership ( "LP Agreement" ) to manage USOF. The General Partner is authorized by USOF in its sole judgment to employ, establish the terms of employment for, and terminate commodities trading advisors or futures commission merchants.

USOF seeks to achieve its investment objective by investing in a mix of Oil Futures Contracts and Other Oil Interests such that changes in USOF's NAV will closely track the changes in the price of a specified Oil Futures Contract ( "Benchmark Oil Futures Contract" ). The General Partner believes the Benchmark Oil Futures Contract historically exhibited a close correlation with the spot price of WTI light, sweet crude oil. On any Valuation Day (a Valuation Day is any day as of which USOF calculates its NAV), the Benchmark Oil Futures Contract is the near month futures contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange 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 second to nearest out month futures contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange. "Near Month Contract" means the next contract traded on the New York Mercantile Exchange due to expire; "Second to Nearest Out Month Contract" means the first contract traded on the New York Mercantile Exchange due to expire after the Near Month Contract. This convention is used to define the Benchmark Oil Futures Contract because the General Partner believes from its review of past market activity that most Oil Futures Contracts traded on the New York Mercantile Exchange are closed out or offset by the parties prior to the settlement date of the contract and there is lighter trading during the days immediately preceding settlement. Because there is lighter trading during the two-week period prior to settlement, the trading price of the Near Month Contract may not provide as accurate a reflection of the spot price of oil. The General Partner generally intends to invest in the Second to Nearest Out Month Contract during this period.

More specifically, the General Partner will endeavor 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:

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A is the average daily change in USOF's NAV for any period of 30 successive Valuation Days, and

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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 will cause USOF's unit price on the American Stock Exchange to closely track USOF's NAV per unit. The General Partner further believes that the prices of the Benchmark Oil Futures Contract have historically closely tracked the spot prices of WTI light, sweet crude oil. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between USOF's NAV and the Benchmark Oil Futures Contract, will be that the price of USOF's units on the American Stock Exchange will closely track the spot price of a barrel of WTI light, sweet crude oil, less USOF's expenses.

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USOF will also invest in obligations of the United States government with remaining maturities of two years or less ( Treasuries ) and hold cash and cash equivalents to be used to meet its current or potential margin or collateral requirements with respect to its investments in Oil Futures Contracts and Other Oil Interests. USOF does not expect there to be any meaningful correlation between the performance of USOF s investments in Treasuries/cash/cash equivalents and the changes in the price of WTI light, sweet crude oil. While the level of interest earned on or market price of these investments may in some respect correlate to changes in the price of oil, this correlation is not anticipated as part of USOF s efforts to meet its objectives. This and certain risk factors discussed in this Prospectus may cause a lack of correlation between changes in USOF s NAV and changes in the price of WTI light, sweet crude oil.

The General Partner will employ a neutral investment strategy intended to track the spot price of WTI light, sweet crude oil regardless of whether the price of oil 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 oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in oil and/or the risks involved in hedging may exist. In addition, an investment in USOF involves the risk that the price of USOF s units will not accurately track the spot price of WTI light, sweet crude oil.

USOF will create and redeem units only in blocks called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. It is expected that baskets will be created when there is sufficient demand for units that the market price per unit is at a premium to the NAV per unit. Authorized Purchasers will then sell such units, which will be listed on the American Stock Exchange, to the public at prices that are expected to reflect, among other factors, the trading price of the units on the American Stock Exchange, the NAV of USOF at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the Oil Futures Contracts market and the market for Other Oil Interests, and are expected to fall between USOF s NAV and the trading price of the units on the American Stock Exchange at the time of sale. Similarly, it is expected that baskets will be redeemed when the market price per unit is at a discount to the NAV per unit. Retail investors seeking to purchase or sell units on any day are expected to effect such transactions in the secondary market, on the American Stock Exchange, at the market price per unit, rather than in connection with the creation or redemption of baskets.

The minimum number of Creation Baskets that must be sold is one. All proceeds from the sale of Creation Baskets will be invested as quickly as possible in the investments described in this Prospectus. There will be no escrow or similar holding of funds that has a time period or other conditions. Investments will be held through Brown Brothers Harriman & Co., USOF s Custodian or, through accounts with USOF s commodities futures brokers. There is no stated maximum time period for USOF s operations and the fund will continue until all units are redeemed or the fund is liquidated pursuant to the terms of the LP Agreement.

There is no specified limit on the maximum amount of Creation Baskets that can be sold. At some point, position limits on certain of the futures contracts in which USOF intends to invest may practically limit the maximum amount of Creation Baskets that will be sold if the General Partner determines that the other investment alternatives available to USOF at that time will not enable it to meet its stated investment objective.

Units may also be purchased and sold in smaller increments on the American Stock Exchange. However, these transactions will be effected at bid and ask prices established by specialist firm(s). Like any listed security, units of USOF can be purchased and sold at any time a secondary market is open.

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

**Note to Secondary Market Investors:** The units can be directly purchased from or redeemed by USOF only in Creation Baskets or Redemption Baskets, respectively, and only by Authorized Purchasers. Each Creation Basket

and Redemption Basket will consist of 100,000 units and is expected to be worth several million dollars. Individual investors, therefore, will not be able to directly purchase units from or redeem units with USOF. Some of the information contained in this Prospectus, including information about buying and selling units directly from and to USOF is only relevant to Authorized Purchasers. Units will also be listed and traded on the American Stock Exchange and may be purchased and sold as individual units. Individuals interested in purchasing units in the secondary market should contact their broker. Units purchased or sold through a broker may be subject to commissions.

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

USOF was organized as a limited partnership under Delaware law on May 12, 2005. USOF is operated pursuant to the LP Agreement, which is included as Appendix B. It is managed and controlled by the General Partner, Victoria Bay Asset Management, LLC. The General Partner is registered as a commodities pool operator ( CPO ) with the CFTC and is a member of the National Futures Association ( NFA ).

### **The Units**

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

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

### **USOF's Investments in Oil Interests**

USOF will invest in Oil Futures Contracts and 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. A brief description of the principal types of oil interest-related instruments in which USOF may invest is set forth below.

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An oil futures contract is a standardized contract traded on a futures exchange that calls for the future delivery of a specified quantity of oil at a specified time and place.

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

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

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

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

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

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

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

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

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

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

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

- Investors may choose to use USOF as a means of investing indirectly in oil and there are risks involved in such investments. Among other things, the crude oil industry experiences numerous operating risks. These operating risks

include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases. Crude oil operations also are subject to various U.S. federal, state and local regulations that materially affect operations.

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Investors, including those who participate in the oil industry, may choose to use USOF as a vehicle to hedge against the risk of loss and there are risks involved in hedging activities. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedger's opportunity to benefit from a favorable market movement.

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USOF will invest primarily in Oil Futures Contracts, and particularly in Oil Futures Contracts traded on the New York Mercantile Exchange. Representatives of the New York Mercantile Exchange have asserted certain claims regarding USOF's operations and the Exchange's service marks and settlement prices of oil futures contracts traded on the Exchange.

The New York Mercantile Exchange initially claimed that USOF's use of the Exchange's service marks would cause confusion as to USOF's source, origin, sponsorship or approval, and constitute infringement of the

Exchange's trademark rights and unfair competition and dilution of the Exchange's marks. In response to these claims, the General Partner changed USOF's name. In addition, 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.

The General Partner has also engaged in discussions with the New York Mercantile Exchange regarding a possible license agreement. In this regard, USOF received a letter from the Exchange dated March 29, 2006 in which the Exchange stated that it would cause the cessation of any market data vendor's provision of New York Mercantile Exchange settlement prices to USOF and/or take other action to prevent USOF from using any New York Mercantile Exchange settlement prices unless USOF enters into a license agreement with the Exchange, or has indicated in writing that it will cease from using any Exchange settlement prices. USOF will continue to seek an amicable resolution to this situation. It is evaluating the current draft of the license agreement in view of this letter but is also taking into account a recent New York federal district court decision against the NYMEX that found under similar circumstances that NYMEX's intellectual property rights, including those related to its settlement prices, were significantly limited. USOF and the General Partner have retained separate counsel to represent them in this matter.

At this time, USOF is unable to determine what the outcome from this matter will be. There could be a number of consequences. Under the license agreement currently being negotiated, USOF would be required to pay a license fee to the New York Mercantile Exchange for the use of its settlement prices. Also, if the resolution or lack of resolution of this matter results in a material restriction on, or significant additional expense associated with, the use of the New York Mercantile Exchange's oil futures contract settlement prices, USOF may be required to invest to a greater degree than currently anticipated in Oil Futures Contracts traded on commodity exchanges other than the New York Mercantile Exchange and Other Oil Interests. These or other consequences may adversely affect USOF's ability to achieve its investment objective.

Separately, Goldman, Sachs & Co. (Goldman Sachs) sent USOF a letter on March 17, 2006, providing USOF notice under 35 U.S.C. Section 154(d) of two pending United States patent applications, Publication Nos. 2004/022593A1 and 2006/0036533A1. Both patent applications are generally directed to a method and system for creating and administering a publicly traded interest in a commodity pool. In particular, the Abstract of each patent application defines a means for creating and administering a publicly traded interest in a commodity pool that includes the steps of forming a commodity pool having a first position in a futures contract and a corresponding second position in a margin investment, and issuing equity interest of the commodity pool to third party investors. USOF Units are equity interests in a publicly traded commodity pool. In addition, USOF will directly invest in futures contracts and hold other investments to be used as margin for its future contract positions. If patents were to be issued to Goldman Sachs based upon these patent applications as currently drafted, and USOF continued to operate as currently contemplated after the patents were issued, claims against USOF and the General Partner for infringement of the patents may be made by Goldman Sachs. However, as these patent applications are pending and have not been substantively examined by the U.S. Patent and Trademark Office, it is uncertain at this time what subject matter will be covered by the claims of any patent issuing on one of these applications, should a patent issue at all.

Under the provisions of 35 U.S.C. § 154(d), Goldman Sachs may seek damages in the form of a reasonable royalty from the date the Units are publicly offered for sale to the date one of their cited patent applications issues as a U.S. Patent if, and only if, the invention as claimed in the issued patent is substantially identical to the invention as claimed in the published patent application. To obtain a reasonable royalty under 35 U.S.C. § 154(d), one of Goldman Sachs's patents must issue and then it must be proved that post-issuance acts or systems of USOF infringe a valid claim of the issued patent, and that the infringed claim is substantially identical to one of the claims in the corresponding published application. If at the time a Goldman Sachs patent issues, USOF does not infringe the claims of the issued patent based on its current design or through modifications made prior to issuance, or if any infringed issued claim is not substantially identical to a published claim, then Goldman Sachs will not be able to obtain a reasonable royalty under 35 U.S.C. § 154(d). At this time neither of Goldman Sachs's patent applications have been substantively examined by an examiner at the U.S. Patent and Trademark Office nor are they currently being considered for examination on an



expedited basis under a Petition to Make Special, and considering that both have been placed in Class 705 for examination, which has an average pendency of approximately 44-45 months to issuance (or abandonment) and an issuance rate of approximately 11% in 2004, it is likely that neither application will issue within the next two years. Nonetheless, USOF currently is reviewing the Goldman Sachs published patent applications, and is engaged in discussions with Goldman Sachs regarding their pending applications and USOF's

own pending patent application. At this time, due in part to the requirements of 35 U.S.C. § 154(d) and the fact that the Goldman Sachs patent applications are pending and have not been issued as U.S. Patents, USOF is unable to determine what the outcome from this matter will be.

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

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

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USOF will pay fees and expenses that are incurred regardless of whether it is profitable.

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

•

The structure and operation of USOF may involve conflicts of interest. For example, a conflict may arise because the General Partner and its principal and affiliates may trade for themselves. In addition, the General Partner has sole current authority to manage the investments and operations, which may create a conflict with the unitholders' best interests. In addition, other conflicts may arise.

•

USOF is new and has a limited operating history. Therefore, there is no extensive performance history of this fund to serve as a basis for you to evaluate an investment in it.

•

USOF has been the subject of wide media coverage, including articles and television coverage, some of which include statements that may have been made by the General Partner's employees or officers. Such articles and coverage do not disclose many of the risks and related uncertainties disclosed in this Prospectus. You should rely only on statements made in this Prospectus in determining whether to purchase USOF units. Federal securities laws prohibit the public offering of securities except through a prospectus that satisfies the requirements of such laws. If USOF were determined by a court to have violated Section 5 of the Securities Act of 1933, which the General Partner does not believe has occurred and would vigorously contest if ever alleged, USOF could be required to repurchase the units so offered, plus statutory interest from the date of purchase, for a period of one year following the date of such violation.

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

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

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

### **Financial Condition of USOF**

USOF's NAV is determined as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time on each American Stock Exchange trading day. The financial condition of USOF is discussed in the Management's Discussion and Analysis section set forth below.

### **Defined Terms**

For a glossary of defined terms, see Appendix A.

**Breakeven Analysis\***

The breakeven analysis below indicates the approximate dollar returns and percentage required for the redemption value of a hypothetical \$55.38 initial investment in a single unit to equal the amount invested twelve months after the investment was made. (We based the \$55.38 assumption on USOF's NAV on October 2, 2006. This breakeven analysis refers to the redemption of baskets by Authorized Purchasers and is not related to any gains an individual investor would have to achieve in order to break even. The breakeven analysis is an approximation only.

Assumed initial selling price per unit	\$ 55.38
Management Fee (0.50%)**	\$ .2769
Creation Basket Fee***	\$ (.01 )
Estimated Brokerage Fee (.15%****)	\$ .0831
Interest Income (4.78%)*****	\$ (2.65 )
Amount of trading income (loss) required for the redemption value at the end of one year to equal the initial selling price of the unit	\$ (2.30 )
Percentage of initial selling price per unit	\$ (4.153 %)

\*

Authorized Purchasers will pay a transaction fee of \$1,000 to USOF for each order they place to create or redeem one or more baskets.

\*\*

USOF is contractually obligated to pay the General Partner a management fee based on daily net assets and paid monthly of 0.50% per annum on average net assets of \$1,000,000,000 or less. For purposes of this example we assumed that the average net assets are \$1,000,000,000 or less. If the average net assets were greater than \$1,000,000,000 then the management fee would be 0.20% and the breakeven amount would be lower.

\*\*\*

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

\*\*\*\*

USOF determined this estimate as follows. The breakeven analysis assumes an initial investment by an investor in one unit. USOF would be required to issue one Creation Basket of 100,000 units in order for the investor to purchase the one unit. Assuming the price of the units was \$55.38, USOF would receive \$5,538,000 upon the sale of the basket. USOF would be required to purchase and sell (in order to close out) 100 oil futures contracts at \$553,800 per contract (1,000 barrels of oil per contract × \$55.38 per barrel) during each month of the year, or 1,200 contracts bought and sold per year. Futures commission merchants typically charge approximately \$3.50 per contract buy or sale (\$7.00 per buy and sale, or round turn ), so the total annual commission charge would be \$8400 (1,200 contracts per year × \$7.00 per buy and sell per contract). As a percentage of the total investment of \$5,538,000 to support the issuance of the Creation Basket, USOF's annual commission expense would be .015% (\$8400 ÷ \$5,538,000).

\*\*\*\*\*

USOF earns interest on funds it deposits with the commodities futures merchant and the Custodian and it estimates that the interest rate will be 4.78% based on the current interest rate on three-month Treasury Bills as of September 12, 2006. The actual rate may vary.

Offering	<p>USOF will be offering Creation Baskets consisting of 100,000 units through ALPS Distributors, Inc. ( Marketing Agent ) as marketing agent to Authorized Purchasers. Authorized Purchasers may purchase the Creation Baskets of 100,000 units at USOF s NAV.</p>
Use of Proceeds	<p>The General Partner will initially apply all of USOF s assets toward trading in oil interests and investing in Treasuries, cash and cash equivalents. The General Partner expects to deposit substantially all of USOF s net assets with the futures commission merchant or other custodian to be used to meet its current or potential margin or collateral requirements in connection with its investment in oil interests. USOF will use only Treasuries or cash or cash equivalents to satisfy these requirements. The General Partner expects that all entities that will hold or trade USOF s assets will be based in the United States and will be subject to United States regulations. The General Partner believes that 5% to 10% of USOF s assets will normally be 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 remaining portion of USOF s assets will be held in Treasuries and/ or cash or cash equivalents by its custodian, Brown Brothers Harriman &amp; Co. ( Custodian ) or posted as collateral to support USOF s investments in oil interests. All interest income earned on these investments will be retained for USOF s benefit.</p>
American Stock Exchange Symbol	USO
Creation and Redemption	<p>Authorized Purchasers will pay a \$1,000 fee for the creation or redemption of each Creation Basket. Authorized Purchasers will not be required to sell any specific number or dollar amount of units. The per unit price of units offered in Creation Baskets on any day after the effective date of the registration statement relating to this Prospectus will be the total NAV of USOF calculated shortly after the close of the American Stock Exchange on that day divided by the number of issued and outstanding units.</p>
Withdrawal	<p>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 his partner capital account. If the General Partner does not give at least fifteen (15) days written notice to a limited partner, then it may only require withdrawal of</p>

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.

Registration Clearance and Settlement

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

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

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

#### Net Asset Value

The NAV is calculated by taking the current market value of USOF's total assets and subtracting any liabilities. Under USOF's current operational procedures, the Administrator calculates the NAV of USOF's units as of the earlier of 4:00 p.m. New York time or the close of the New York Stock Exchange each day. The American Stock Exchange currently calculates an approximate net asset value every 15 seconds throughout each day USOF's units are traded on the American Stock Exchange for as long as the New York Mercantile Exchange's main pricing mechanism is open.

#### Fund Expenses

USOF will pay the General Partner a management fee of 0.50% of NAV on the first \$1,000,000,000 of assets and 0.20% of NAV after the first \$1,000,000,000 of assets. Brokerage fees for Treasuries, Oil Futures Contracts, and Other Oil Interests are estimated to be 0.15% and will be paid to unaffiliated brokers. USOF will also pay the futures commission merchant's fee which is estimated to be \$3.50 per buy or sell. The General Partner, and not USOF, is responsible for payment of the fees of USOF's Marketing Agent, Administrator and Custodian. USOF and/or the General Partner may be required to indemnify the Marketing Agent, Administrator or Custodian under certain circumstances.

#### Termination Events

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



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

Authorized Purchasers

USOF's initial Authorized Purchaser was KV Execution Services, LLC. USOF has also entered into agreements with several other Authorized Purchasers. A current list of Authorized Purchasers is set forth on USOF's website at [www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com). We expect Authorized Purchasers to purchase or redeem Creation Baskets or Redemption Baskets, respectively, from or to USOF. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner.

**WHAT ARE THE RISK FACTORS INVOLVED WITH AN INVESTMENT IN USOF?**

*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this Prospectus, including USOF's financial statements and the related notes.*

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

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

USOF is subject to the risks and hazards of the crude oil industry because it invests in oil interests. The risks and hazards that are inherent in the oil industry may cause the price of oil to widely fluctuate. If USOF's units accurately track the spot price of WTI light, sweet crude oil, then the price of its units may also fluctuate.

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

- no commercially productive crude oil or natural gas reservoirs will be found;
- crude oil and natural gas drilling and production activities may be shortened, delayed or canceled;
- the ability of an oil producer to develop, produce and market reserves may be limited by:
  - title problems,
  - political conflicts, including war,
  - weather conditions,
  - compliance with governmental requirements,
  - refinery capacity, and
  - mechanical difficulties or shortages or delays in the delivery of drilling rigs and other equipment;

- decisions of the cartel of oil producing countries (*e.g.*, OPEC, the Organization of the Petroleum Exporting Countries), to produce more or less oil;

- increases in oil production due to price rises may make it more economical to extract oil from additional sources and may later temper further oil price increases; and

- economic activity of users, as certain economies oil consumption increases (*e.g.*, China, India) and as economies contract (in a recession or depression), oil demand and prices fall.

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

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

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

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

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

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

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

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

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

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In addition, because USOF will incur certain expenses in connection with its investment activities, and will hold most of its assets in more liquid short-term securities for margin and other liquidity purposes and for redemptions that may be necessary on an ongoing basis, the General Partner will not be able to fully invest USOF's assets in Oil Futures Contracts or Other Oil Interests and there cannot be perfect correlation between changes in USOF's NAV and the price of the changes in the Benchmark Oil Futures Contract.

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

contracts to increase the level of correlation of USOF's assets. Over-the-counter contracts entail certain risks described below under Over-the-Counter Contract Risk.

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USOF may not be able to buy the exact number of Oil Futures Contracts and Other Oil Interests to have a perfect correlation with the Benchmark Oil Futures Contract if the purchase price of Oil Futures Contracts required to be fully invested in such contracts is higher than the proceeds received for the sale of a Creation Basket on the day the basket was sold. In such case, USOF could not invest the entire proceeds from the purchase of the Creation Basket in such futures contracts (for example, assume USOF receives \$6,679,000 for the sale of a Creation Basket and assume that the price of an Oil Futures Contract for WTI light, sweet crude oil is \$66,800, then USOF could only invest in only 99 Oil Futures Contracts with an aggregate value of \$6,613,200). USOF would be required to invest a percentage of the proceeds in Treasuries to be deposited as margin with the futures commission merchant through which the contract was purchased. The remainder of the purchase price for the Creation Basket would remain invested in cash and Treasuries as determined by the General Partner from time to time based on factors such as potential calls for margin or anticipated redemptions. If the trading market for Oil Futures Contracts is suspended or closed, USOF may not be able to purchase these investments at the last reported price for such investments.

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

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

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

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

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

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

USOF may not always be able to liquidate its positions in its investments at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its oil production or exports, or in another major export, can also make it difficult to liquidate a position. Alternatively, limits imposed by futures exchanges or other regulatory organizations, such as speculative position limits and daily price fluctuation limits, may contribute to a lack of liquidity with respect to some commodity interests.

Unexpected market illiquidity may cause major losses to investors at any time or from time to time. In addition, USOF does not intend at this time to establish a credit facility, which would provide an additional source of liquidity and instead will rely only on the Treasuries, cash and cash equivalents that it holds. The large value of the positions in certain investments, e.g., Oil Futures Contracts, or in negotiated over-the-counter contracts that the General Partner will acquire or enter into for USOF, increases the risk of illiquidity. Such positions may be more difficult to liquidate at favorable prices and there is an additional risk that losses may be incurred during the period in which positions are being liquidated. The Other Oil Interests that USOF invests in may have a greater likelihood of being illiquid since they are contracts between two parties that take into account not only market risk, but also the relative



credit, tax, and settlement risks under such contracts. In addition, such contracts have limited transferability that results from such risks and the contract's express limitations. USOF anticipates that it will invest in Other Oil Interests as a result of the speculative position limits on the New York Mercantile Exchange or other exchanges.

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

The changing nature of the hedgers and speculators in the oil market will influence whether futures prices are above or below the expected future spot price. In order to induce speculators to take the corresponding long side of the same futures contract, oil producers must generally be willing to sell futures contracts at prices that are below expected future spot prices. Conversely, if the predominant hedgers in the futures market are the purchasers of the oil who purchase futures contracts to hedge against a rise in prices, then speculators will only take the short side of the futures contract if the futures price is greater than the expected future spot price of oil. This can have significant implications for USOF when it is time to reinvest the proceeds from a maturing futures contract into a new futures contract.

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

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

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

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

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

While USOF will not engage in hedging strategies, participants in the oil or in other industries may use USOF as a vehicle to hedge the risk of losses in their oil-related transactions. There are several risks in connection with using USOF as a hedging device. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedger's opportunity to benefit from a favorable market movement. In a hedging transaction, the hedger may be concerned that the hedged item will increase in price, but must recognize the risk that the price may instead decline and if this happens he will have lost his opportunity to profit from the change in price because the hedging transaction will result in a loss rather than a gain. Thus, the hedger foregoes the opportunity to profit from favorable price movements.

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

When using futures contracts as a hedging technique, at best, the correlation between changes in prices of futures contracts and of the items being hedged can be only approximate. The degree of imperfection of correlation depends upon circumstances such as: variations in speculative markets, demand for futures and for oil products, technical influences in futures trading, and differences between anticipated energy costs being hedged and the

instruments underlying the standard futures contracts available for trading. Even a well-conceived hedge may be unsuccessful to some degree because of unexpected market behavior as well as the expenses associated with creating the hedge.

In addition, using an investment in USOF as a hedge for changes in energy costs (*e.g.*, investing in oil, gasoline, or other fuels, or electricity) may not correlate because changes in the spot price of oil may vary from changes in energy costs because the spot price of oil does not reflect the refining, transportation, and other costs that may impact the hedger's energy costs.

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

Historically, Oil Futures Contracts and Other Oil Interests have generally been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is a low statistically valid relationship between the performance of futures and other commodity interest transactions, on the one hand, and stocks or bonds, on the other hand. However, there can be no assurance that such non-correlation will continue during future periods. If, contrary to historic patterns, USOF's performance were to move in the same general direction as the financial markets, you will obtain little or no diversification benefits from an investment in the units. In such a case, USOF may have no gains to offset your losses from other investments, and you may suffer losses on your investment in USOF at the same time you incur losses with respect to other investments.

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

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

### **USOF's Operating Risks**

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

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

***USOF has a limited operating history so there is no extensive performance history to serve as a basis for you to evaluate an investment in USOF.***

USOF is new and has a limited operating history. Therefore, you do not have the benefit of reviewing extensive past performance of USOF as a basis for you to evaluate an investment in USOF. Mr. Nicholas Gerber (discussed below) is the only principal that has any experience operating a commodity pool. Mr. Gerber ran the Marc Stevens Futures Index Fund (further discussed below) over 10 years ago. This fund combined investments in commodity futures and equity stock index futures and had under \$1 million of assets. Mr. Gerber sold the fund to Newport Commodities.

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

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In managing and directing the day-to-day activities and affairs of USOF, the General Partner relies heavily on Mr. Nicholas Gerber, Mr. John Love and Mr. John Hyland (all discussed in greater detail below). If Mr. Gerber, Mr. Love or Mr. Hyland were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of USOF. Furthermore, it is anticipated that Mr. Gerber, Mr. Love and Mr. Hyland will be involved in the management of United States Natural Gas Fund, LP ( USNG ). USNG is discussed further in Who

is the General Partner? . Mr. Gerber and Mr. Love are also employed by Ameristock Corporation, a registered investment adviser that manages a public mutual fund. USOF estimates that Mr. Gerber will spend approximately 50% of his time on USOF and USNG matters, Mr. Love will spend approximately 30% of his time on USOF and USNG matters and Mr. Hyland will spend approximately 50% of his time on USOF and USNG matters.

***There are position limits and the potential of tracking error, which could cause the price of units to substantially vary from the spot price of WTI light, sweet crude oil and you may not be able to effectively use USOF as a way to hedge against oil-related losses or as a way to indirectly invest in oil.***

Exchanges may have position limits. For example, the New York Mercantile Exchange will only allow any one investor to own a net 20,000 contracts for WTI light, sweet crude oil futures contract for all months. In addition, the New York Mercantile Exchange will only allow only 2,000 contracts to be held in the last 3 days of trading in the spot month before expiration by any one investor. These limits could potentially cause a Tracking Error if USOF's assets grow to a level that would cause it to meet these limits. A Tracking Error is the possibility that the changes in the daily NAV of USOF will not track the changes in the spot price of WTI light, sweet crude oil. On September 22, 2006, the price of the August Near Month Oil Futures Contract traded on the New York Mercantile Exchange was \$605,500. At that price, assuming it was fully invested in those contracts, USOF would not be able to purchase additional contracts once its assets reached \$1,211,000,000 ( $\$605,500 \times 20,000$  contracts).

USOF is not limiting the size of the offering and is committed to utilizing substantially all of its proceeds to purchase Oil Futures Contracts and Other Oil Interests. If USOF encounters position limits for oil contracts on the New York Mercantile Exchange, it may then, if permitted under applicable regulatory requirements, purchase futures contracts on the ICE Futures (formerly, the International Petroleum Exchange) or the Singapore Exchange. The futures contracts available on the ICE Futures or the Singapore Exchange are comparable to the contracts on the New York Mercantile Exchange, but they have different underlying commodities, sizes, deliveries, and prices.

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

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

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

USOF and the General Partner may have inherent conflicts to the extent the General Partner attempts to maintain USOF's asset size in order to preserve its fee income and this may not always be consistent with USOF's objective of tracking the spot price of WTI light, sweet crude oil. 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 that may compete with USOF for their services. They could have a conflict between their responsibilities to USOF and to those other entities.

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

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 both USOF and USNG. The General Partner may have a conflict to the extent that its trading decisions may be influenced by the effect they would have on USNG. In addition, the General Partner is required to indemnify the officers and directors of USNG, 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.

***Only limited partners have voting rights, and such rights are limited. Limited partners will not participate in the management of USOF and do not control the General Partner so they will not have influence over basic matters that affect USOF.***

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

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

Increases in assets under management may affect trading decisions. In general, the General Partner does not intend to limit the amount of assets of USOF that it may manage. The more assets the General Partner manages, the more difficult it may be for it to trade profitably because of the difficulty of trading larger positions without adversely affecting prices and performance and of managing risk associated with larger positions.

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

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

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

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

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

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

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



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

No transfer of any unit or interest therein may be made if such transfer would (a) violate the then applicable federal or state securities laws or rules and regulations of the SEC, any state securities commission, the CFTC or any other governmental authority with jurisdiction over such transfer, or (b) cause USOF to be taxable as a corporation or affect USOF's existence or qualification as a limited partnership. In addition, investors may only become limited partners if they transfer their units to purchasers that meet certain conditions outlined in the LP Agreement, which provides that each record holder or limited partner or unitholder applying to become a limited partner (each a record holder) may be required by the General Partner to furnish certain information, including that holder's nationality, citizenship or other related status. A transferee who is not a U.S. resident may not be eligible to become a record holder or a limited partner if its ownership would subject USOF to the risk of cancellation or forfeiture of any of its assets under any federal, state or local law or regulation. All purchasers of USOF's units, who wish to become limited partners or record holders, and receive cash distributions, if any, or have certain other rights, must deliver an executed transfer application in which the purchaser or transferee must certify that, among other things, he, she or it agrees to be bound by USOF's LP Agreement and is eligible to purchase USOF's securities. Any transfer of units will not be recorded by the transfer agent or recognized by us unless a completed transfer application is delivered to the General Partner or the Administrator. 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 will be securities and will be transferable according to the laws governing transfers of securities. See "Transfer of Units."

***USOF does not expect to make cash distributions.***

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

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

USOF pays brokerage charges of approximately 0.15%, futures commission merchant fees of \$3.50 per buy or sell, management fees of 0.50% of NAV on the first \$1,000,000,000 of assets and 0.20% of NAV after the first \$1,000,000,000 of assets, and over-the-counter spreads and extraordinary expenses (*i.e.* expenses not in the ordinary course of business, including the indemnification of any person against liabilities and obligations to the extent permitted by law and required under the LP Agreement and under agreements entered into by the General Partner on USOF's behalf and the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expenses and the settlement of claims and litigation) that can not be quantified. These fees and expenses must be paid in all cases regardless of whether USOF's activities are profitable. Accordingly, USOF must earn trading gains sufficient to compensate for these fees and expenses before it can earn any profit.

***USOF, to date, has depended upon its affiliates to pay all its expenses. If this offering of units does not raise sufficient funds to pay USOF's future expenses, its affiliates no longer pay such expenses and no other source of***

***funding of expenses is found, USOF will terminate and investors may lose all or part of their investment.***

To date, all of USOF's and the General Partner's expenses have been funded by their affiliates. These affiliates are under no obligation to continue payment of USOF's or the General Partner's expenses. If such affiliates were to discontinue the payment of these expenses and the General Partner and USOF are unsuccessful in raising sufficient

funds to cover its expenses or in locating any other source of funding, USOF will terminate and investors may lose all or part of their investment.

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

The clearing arrangements between the clearing brokers and USOF generally are terminable by the clearing brokers once the clearing broker has given USOF notice. Upon termination, the General Partner may be required to renegotiate or make other arrangements for obtaining similar services if USOF intends to continue trading in Oil Futures Contracts or Other Oil Interest contracts at its present level of capacity.

The services of any clearing broker may not be available, or even if available, these services may not be available on the terms as favorable as those of the expired or terminated clearing arrangements.

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

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

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

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

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

Under CFTC regulations, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of that clearing broker's bankruptcy. In that event, the clearing broker's customers, such as USOF, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers. USOF also may be subject to the risk of the failure of, or delay in performance by, any exchanges and markets and their clearing organizations, if any, on which commodity interest contracts are traded.

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

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

Third parties may utilize USOF's intellectual property or technology, including the use of its business methods, trademarks and trading program software, without permission. The General Partner has a patent pending for USOF's business method and it is registering its trademarks. USOF does not currently have any proprietary software. However, if it obtains proprietary software in the future, then any unauthorized use of USOF's proprietary software

and other technology could also adversely affect its competitive advantage. USOF may have difficulty monitoring unauthorized uses of its patents, trademarks, proprietary software and other technology. Also, third parties may independently develop business methods, trademarks or proprietary software and other technology similar to that of the General Partner or claim that the General Partner has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, the General Partner may have to litigate in the future to protect its trade secrets, determine the validity and scope of other parties' proprietary rights, defend itself against claims that it has infringed or otherwise violated other parties' rights, or defend itself

against claims that its rights are invalid. Any litigation of this type, even if the General Partner is successful and regardless of the merits, may result in significant costs, divert its resources from USOF, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements. See **Legal Risks** below.

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

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

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

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

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

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

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

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

transactions.

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

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

### **Risk of Leverage and Volatility**

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

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

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

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

- changes in interest rates;
- actions by oil producing countries such as the OPEC countries;
- governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies;
- weather and climate conditions;
- changing supply and demand relationships, including but not limited to increased demand by other countries such as China;
-

changes in balances of 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.

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

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

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



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

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

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

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

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

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

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

The General Partner expects to invest primarily in Oil Futures Contracts, a significant portion of which will be on United States Exchanges including the New York Mercantile Exchange. However, a portion of USOF's trades may take place on markets and exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. None of the CFTC, NFA, or any domestic exchange regulates activities of any foreign boards of trade or exchanges, including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws. Similarly, the rights of market participants, such as USOF, in the event of the insolvency or bankruptcy of a non-U.S. market or broker are also likely to be more limited than in the case of U.S. markets or brokers. As a result, in these markets, USOF has less legal and regulatory protection than it does when it trades domestically.

In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes USOF to credit risk. Trading in non-U.S. markets also leaves USOF susceptible to swings in the value of the local currency against the U.S. dollar. Additionally, trading on non-U.S. exchanges is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets.

***International trading activities subject USOF to foreign exchange risk.***

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

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

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

## **Tax Risk**

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

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

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

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

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

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

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

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

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

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

## Media Coverage Risk

*USOF has been the subject of wide media coverage, including articles and television coverage, some of which include statements that may have been made by the General Partner's employees or officers. Such articles and coverage do not disclose many of the risks and related uncertainties disclosed in this prospectus. You should rely only on statements made in this prospectus in determining whether to purchase USOF units.*

**Federal securities laws prohibit the public offering of securities except through a prospectus that satisfies the requirements of such laws. If USOF were determined by a court to have violated Section 5 of the Securities Act of 1933, which the General Partner does not believe has occurred and would vigorously contest if ever alleged, USOF could be required to repurchase the units so offered, plus statutory interest from the date of purchase, for a period of one year following the date of such violation.**

Information about USOF has been published in articles and other media coverage and may include statements made by employees or officers of the General Partner, including an interview of John Hyland, USOF's Portfolio Manager, on Market Watch, that took place on the afternoon of April 10, 2006, the date of USOF's initial offering of units. The transcript of this interview is included in this prospectus as Appendix B. The interview presented, and certain other articles or media coverage may present, certain statements about USOF in isolation and do not disclose many of the related risks and uncertainties described in this prospectus. As a result, the interview, articles and other media coverage of USOF and the offering of its units should not be considered in isolation and you should make your investment decision only after reading this entire prospectus carefully.

You should carefully evaluate all the information in this Prospectus, including the risks described in this section and throughout the Prospectus. We have in the past received, and may continue to receive media coverage, including coverage that is not directly attributable to statements made by our officers and employees. You should rely only on the information contained in this Prospectus in making your investment decision.

## Legal Risks

*Representatives of the New York Mercantile Exchange have notified USOF of its belief that USOF is engaging in unauthorized use of such Exchange's service marks and settlement prices.*

USOF will invest primarily in Oil Futures Contracts, and particularly in Oil Futures Contracts traded on the New York Mercantile Exchange. Representatives of the New York Mercantile Exchange have at various times asserted varying claims regarding USOF's operations and the Exchange's service marks and settlement prices of oil futures contracts traded on the Exchange.

The New York Mercantile Exchange initially claimed that USOF's use of the Exchange's service marks would cause confusion as to USOF's source, origin, sponsorship or approval, and constitute infringement of the Exchange's trademark rights and unfair competition and dilution of the Exchange's marks. In response to these claims, the General Partner changed USOF's name. In addition, 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.

The General Partner has also engaged in discussions with the New York Mercantile Exchange regarding a possible license agreement. In this regard, USOF received a letter from the Exchange dated March 29, 2006 (the March 29th Letter). The March 29th Letter was in response to USOF's request for additional information in connection with the negotiation of the possible license agreement. In the March 29th Letter, the Exchange stated that it would cause the cessation of any market data vendor's provision of New York Mercantile Exchange settlement prices to USOF and/or take other action to prevent USOF from using any New York Mercantile Exchange settlement prices unless USOF enters into a license agreement with the Exchange, or has indicated in writing that it will cease from using any

Exchange settlement prices. USOF will continue to seek an amicable resolution to this situation. It is evaluating the current draft of the license agreement in view of the March 29th letter but is also taking into account a recent New York federal district court decision against the NYMEX that found under similar circumstances that NYMEX's intellectual property rights, including those related to its settlement prices, were significantly limited. USOF and the General Partner have retained separate counsel to represent them in this matter.

At this time, USOF is unable to determine what the outcome from this matter will be. There could be a number of consequences. Under the license agreement currently being negotiated, USOF would be required to pay a license

fee to the New York Mercantile Exchange for the use of its settlement prices. Also, if the resolution or lack of resolution of this matter results in a material restriction on, or significant additional expense associated with, the use of the New York Mercantile Exchange's oil futures contract settlement prices, USOF may be required to invest to a greater degree than currently anticipated in Oil Futures Contracts traded on commodity exchanges other than the New York Mercantile Exchange and Other Oil Interests. These or other consequences may adversely affect USOF's ability to achieve its investment objective.

***Others may also notify USOF of intellectual property rights that could adversely impact USOF.***

Separately, Goldman, Sachs & Co. (Goldman Sachs) sent USOF a letter on March 17, 2006, providing USOF notice under 35 U.S.C. Section 154(d) of two pending United States patent applications, Publication Nos. 2004/0225593A1 and 2006/0036533A1. Both patent applications are generally directed to a method and system for creating and administering a publicly traded interest in a commodity pool. In particular, the Abstract of each patent application defines a means for creating and administering a publicly traded interest in a commodity pool that includes the steps of forming a commodity pool having a first position in a futures contract and a corresponding second position in a margin investment, and issuing equity interest of the commodity pool to third party investors. USOF Units are equity interests in a publicly traded commodity pool. In addition, USOF will directly invest in futures contracts and hold other investments to be used as margin for its future contract positions. If patents were to be issued to Goldman Sachs based upon these patent applications as currently drafted, and USOF continued to operate as currently contemplated after the patents were issued, claims against USOF and the General Partner for infringement of the patents may be made by Goldman Sachs. However, as these patent applications are pending and have not been substantively examined by the U.S. Patent and Trademark Office, it is uncertain at this time what subject matter will be covered by the claims of any patent issuing on one of these applications, should a patent issue at all.

Under the provisions of 35 U.S.C. § 154(d), Goldman Sachs may seek damages in the form of a reasonable royalty from the date the Units are publicly offered for sale to the date one of their cited patent applications issues as a U.S. Patent if, and only if, the invention as claimed in the issued patent is substantially identical to the invention as claimed in the published patent application. To obtain a reasonable royalty under 35 U.S.C. § 154(d), one of Goldman Sachs's patents must issue and then it must be proved that post-issuance acts or systems of USOF infringe a valid claim of the issued patent, and that the infringed claim is substantially identical to one of the claims in the corresponding published application. If at the time a Goldman Sachs patent issues, USOF does not infringe the claims of the issued patent based on its current design or through modifications made prior to issuance, or if any infringed issued claim is not substantially identical to a published claim, then Goldman Sachs will not be able to obtain a reasonable royalty under 35 U.S.C. § 154(d). At this time neither of Goldman Sachs's patent applications have been substantively examined by an examiner at the U.S. Patent and Trademark Office nor are they currently being considered for examination on an expedited basis under a Petition to Make Special, and considering that both have been placed in Class 705 for examination, which has an average pendency of approximately 44-45 months to issuance (or abandonment) and an issuance rate of approximately 11% in 2004, it is likely that neither application will issue within the next two years. Nonetheless, USOF currently is reviewing the Goldman Sachs published patent applications, and is engaged in discussions with Goldman Sachs regarding their pending applications and USOF's own pending patent application. At this time, due in part to the requirements of 35 U.S.C. § 154(d) and the fact that the Goldman Sachs patent applications are pending and have not been issued as U.S. Patents, USOF is unable to determine what the outcome from this matter will be. See **Operating Risks** Third parties may infringe upon or otherwise violate intellectual property rights or assert that the General Partner has infringed or otherwise violated their intellectual property rights, which may result in significant costs and diverted attention.





## THE OFFERING

### What is USOF?

USOF is a Delaware limited partnership organized on May 12, 2005. USOF maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. USOF is a commodity pool. It operates pursuant to the terms of the LP Agreement dated as of October 15, 2006, which grants full management control to the General Partner.

### Who is the General Partner?

Our sole General Partner is Victoria Bay Asset Management, LLC (formerly Standard Asset Management, LLC), a single member limited liability company that was formed in the state of Delaware on May 10, 2005 and which changed its name on June 10, 2005. It maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The General Partner is a wholly-owned subsidiary of Wainwright Holdings, Inc., a Delaware corporation ( "Wainwright" ). Mr. Nicholas Gerber (discussed below) controls Wainwright by virtue of his ownership of Wainwright's shares. Wainwright is a holding company that also owns an insurance company organized under Bermuda law. The General Partner is registered with the CFTC as a CPO and is a member of the NFA.

On September 11, 2006, the General Partner formed USNG, another limited partnership that will be a commodity pool and intends to issue units to be traded on the American Stock Exchange. The investment objective of USNG is for the changes in percentage terms of the unit's net asset value to reflect the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana as measured by the Benchmark Futures Contract, less USNG's expenses. The General Partner is the general partner of USNG and will be responsible for the management of the USNG. Wainwright will be the initial limited partner of USNG.

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

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

The business and affairs of our General Partner are managed by a board of directors, and will be comprised of four management directors who are also its executive officers and three independent directors who meet the independent director requirements established by the American Stock Exchange and the Sarbanes-Oxley Act of 2002. The General Partner has an audit committee which is made up of the three independent directors (Peter M. Robinson, Gordon L. Ellis, and Malcolm R. Fobes III). The audit committee is governed by an audit committee charter that is posted on USOF's website. Mr. Fobes and Mr. Ellis meet the financial sophistication requirements of the American Stock Exchange and the audit committee charter. Through its management directors, the General Partner manages the day-to-day operations of USOF.

**Nicholas Gerber** has been the President and CEO of the General Partner since June 9, 2005 and a Management Director of the General Partner since May 10, 2005. He maintains his main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. Mr. Gerber will act as a portfolio manager for USOF. Mr. Gerber has

an extensive background in securities portfolio management and in developing investment funds that make use of indexing and futures contracts. Mr. Gerber is the founder of Ameristock Corporation, a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since 1995. Since 1995, Mr. Gerber has been the portfolio manager of the Ameristock Mutual Fund, Inc. a mutual fund registered under the Investment Company Act of 1940, focused on large cap U.S. equities that currently has approximately \$800 million in assets. In these roles, Mr. Gerber has gained extensive experience in evaluating and retaining third-party service providers, including custodians,

accountants, transfer agents, and distributors. Prior to managing Ameristock Mutual Fund Inc., Mr. Gerber served as a portfolio manager with Bank of America Capital Management. While there he was responsible for the daily stewardship of four funds with a combined value in excess of \$240 million. At Bank of America Capital Management, Mr. Gerber worked extensively in the development and managing of mutual funds and institutional accounts that were designed to track assorted equity market indices such as the Standard & Poor's 500 and the Standard & Poor's Midcap 400. Before joining Bank of America, he was managing director and founder of the Marc Stevens Futures Index Fund, a fund that combined the use of commodity futures with equity stock index futures. The futures index fund was a commodity pool and Mr. Gerber was the Commodity Pool Operator. It was ultimately purchased by Newport Commodities. Mr. Gerber's two decades of experience in institutional investment include a period of employment as a floor trader on the New York Futures Exchange. Mr. Gerber has passed the Series 3 examination for associated persons. He holds an MBA in finance from the University of San Francisco and a BA from Skidmore College. Mr. Gerber is 44 years old.

**Andrew F. Ngim** has been a Management Director of the General Partner since May 10, 2005 and Treasurer of the General Partner since June 9, 2005. He received a Bachelor of Arts from the University of California at Berkeley in 1983. Mr. Ngim has been the Managing Director of Ameristock Corporation since 1999. He was the co-portfolio manager of the Ameristock Large Company Growth Fund from December 2000 to June 2002 and a Benefits Consultant with PriceWaterhouseCoopers from 1994 to 1999. Mr. Ngim is 46 years old.

**Howard Mah** has been a Management Director of the General Partner since May 10, 2005 and Secretary of the General Partner since June 9, 2005. Mr. Mah also serves as the General Partner's Chief Compliance Officer. He received a Bachelor of Education from the University of Alberta, in 1986 and an MBA from the University of San Francisco in 1988. He has been the Compliance Officer of Ameristock Corporation since 2001; a tax & finance consultant in private practice since 1995, Secretary of Ameristock Mutual Fund since 1995 and Ameristock Focused Value Fund from December 2000 to January 2005; Chief Compliance Officer of Ameristock Mutual Fund since 2004 and the Co-Portfolio Manager of the Ameristock Focused Value Fund from December 2000 to January 2005. Mr. Mah is 42 years old.

**Robert L. Nguyen** has been a Management Director of the General Partner since May 10, 2005. He received a Bachelor of Science from California State University Sacramento in 1981. Mr. Nguyen has been the Managing Principal of Ameristock Corporation since 2000. He was Co-Portfolio Manager of the Ameristock Large Company Growth Fund from December 2000 to June 2002 and Institutional Specialist with Charles Schwab & Company Inc. from 1995 to 1999. Mr. Nguyen is 46 years old.

**Peter M. Robinson** has been an Independent Director of the General Partner since September 30, 2005. Mr. Robinson has been employed with the Hoover Institution since 1993. Mr. Robinson graduated from Dartmouth College in 1979 and Oxford University in 1982. Mr. Robinson spent six years in the White House, serving from 1982 to 1983 as chief speechwriter to Vice President George Bush and from 1983 to 1988 as special assistant and speechwriter to President Ronald Reagan. After the White House, Mr. Robinson received an MBA from the Stanford University Graduate School of Business. Mr. Robinson then spent a year in New York City with Fox Television. He spent a second year in Washington, D.C., with the Securities and Exchange Commission, where he served as the director of the Office of Public Affairs, Policy Evaluation, and Research. Mr. Robinson has also written three books and has been published in the *New York Times*, *Red Herring*, and *Forbes ASAP* and he is the editor of *Can Congress Be Fixed?: Five Essays on Congressional Reform* (Hoover Institution Press, 1995). Mr. Robinson is 49 years old.

**Gordon L. Ellis** has been an Independent Director of the General Partner since September 30, 2005. Mr. Ellis has been Chairman of International Absorbents, Inc. since July 1988, President and Chief Executive Officer since November 1996 and a Class I Director of the company since July 1985. Mr. Ellis is also a director of Absorption Corp., International Absorbents, Inc.'s wholly-owned subsidiary. Mr. Ellis is a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective as of February 3, 2004 and is currently winding down its operations and liquidating following such sale. Mr. Ellis is a professional engineer with an MBA in

international finance. Mr. Ellis is 60 years old.

**Malcolm R. Fobes III** has been an Independent Director of the General Partner since September 30, 2005. Mr. Fobes manages the investment program of the Berkshire Focus Fund. He is primarily responsible for the day-to-day management of the Berkshire Focus Fund's portfolio. Mr. Fobes founded the Berkshire Focus Fund's investment adviser, Berkshire Capital Holdings, Inc., in 1993, where he has been responsible for directing the company's

investment programs in both public and private companies located in the Silicon Valley. Prior to forming Berkshire Capital, Mr. Fobes was employed by various technology-related companies, including Adobe Systems, Inc., a leading provider of digital publishing and imaging software technologies. Mr. Fobes holds a B.S. degree in finance and economics from San Jose State University in California. Mr. Fobes is 42 years old.

**John Love** will act as the Operations Manager. Mr. Love has served as the operations manager of Ameristock Corporation since 2002, where he is responsible for marketing the Ameristock Mutual Fund. From April 2001 to September 2002, Mr. Love was the project manager for TouchVision Interactive where he provided leadership to project teams while assisting with business and process development. From January 1996 to November 2000, Mr. Love was the managing director of Jamison/Gold (Keane Inc.) where he provided leadership to all departments including operations, production, technology, sales, marketing, administration, recruiting, and finance. From December 2000 to February 2001, Mr. Love was employed by Digital Boardwalk Inc. Mr. Love's experience also includes leading a group of multimedia producers who controlled web and kiosk projects from pre-contract to deployment. He holds a BFA in cinema-television from the University of Southern California. Mr. Love does not have any experience operating a commodity pool. Mr. Love is 35 years old.

**John T. Hyland, CFA** will act as a Portfolio Manager and as the Director of Portfolio Research. Mr. Hyland has an extensive background in portfolio management and research with both equity and fixed income securities, as well as in the development of new types of complex investment funds. He is currently a principal at Towerhouse Capital Management, LLC, a firm that provides portfolio management and new fund development expertise to non-U.S. institutional investors. Prior to founding Towerhouse in 2003, Mr. Hyland was the Director of Global Property Securities Research for Roulac International, where he worked on the development of a hedge fund focused on global real estate stocks. From 1996 through 2001, Mr. Hyland was the Director of Securities Research and Portfolio Manager for the capital markets division of CB Richard Ellis, a global commercial real estate services firm. His division provided portfolio management of equities as an advisor or sub-advisor for mutual funds and separate accounts focused on real estate investment trusts. In addition, his group conducted research in the area of structured commercial real estate debt (including Commercial Mortgage-Back Securities, or CMBS), and lead the creation of one of the earliest re-securitizations of multiple CMBS pool tranches into a Collateralized Debt Obligation (CDO) vehicle. In the ten years prior to working at CB Richard Ellis, Mr. Hyland had worked as a portfolio manager or financial representative for several other investment firms and mutual funds. Mr. Hyland received his Chartered Financial Analyst (CFA) designation in 1994. From 1993 until 2003, Mr. Hyland was on the Board of Directors of the Security Analysts of San Francisco (SASF), a not-for-profit organization of investment management professionals. He served as the president of the SASF from 2001-2002. Mr. Hyland is a member of the CFA Institute (formerly AIMR). He is also a member of the National Association of Petroleum Investment Analysts (NAPIA), a not-for-profit organization of investment professionals focused on the oil industry. He serves as an arbitrator for the National Association of Securities Dealers (NASD), as part of their dispute resolution program. He is a graduate of the University of California, Berkeley and received a BA in political science/international relations in 1982. Mr. Hyland is 47 years old.

**Kathryn D. Rooney** will act as a Marketing Manager. Her primary responsibilities include soliciting orders, customers and customer funds. Currently, Ms. Rooney is the Director of Business Development for Ameristock Mutual Fund. She has held this position since September of 2003. Prior to working for Ameristock Mutual Fund, Ms. Rooney was the Regional Director for Accessor Capital Management from November of 2002 to September of 2003. Before working at Accessor Capital Management, Ms. Rooney worked at ALPS Mutual Fund Services, Inc. as a National Sales Director. She held this position from May of 1999 through November of 2002. Before working at ALPS Mutual Fund Services, Inc., Ms. Rooney worked as a Trust Officer for Fifth Third Bank from June of 1994 through May of 1999. Ms. Rooney is 34 years old.

The following are individual Principals, as that term is defined in CFTC Rule 3.1, for USOF: Melinda Gerber, Howard Mah, Andrew Ngim, Robert Nguyen, Peter Robinson, Gordon Ellis, Malcolm Fobes, John Love, and John Hyland. These individuals are principals due to their positions, however, Nicholas Gerber and Melinda Gerber are also principals due to their controlling stake in Wainwright. None of the principals owns or has any other beneficial

interest in USOF. Nicholas Gerber and John Hyland make trading and investment decisions for USOF. Nicholas Gerber, John Love, and John Hyland execute trades on behalf of USOF. In addition, Nicholas Gerber, John Love, John Hyland and Kathryn Rooney are registered with the CFTC as Associated Persons of the General Partner and are members of the NFA.

**Compensation and Fees to the General Partner**

USOF pays a management fee to the General Partner as follows:

**Assets**

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

**Prior Performance of the General Partner and Affiliates**

On September 11, 2006, the General Partner formed USNG, but since it has not begun trading there is no prior performance for USNG. USOF's offering began on April 10, 2006 and is a continuous offering. As of August 31, 2006, the total amount of money raised by USOF from Authorized Purchasers was \$776,368,000; the total number of Authorized Purchasers was 6; the number of baskets purchased by Authorized Purchasers was 117; and the aggregate amount of units purchased was 11.7 million. For more information on the performance of USOF, see the Performance Tables below.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS****Experience in Raising and Investing in Funds**

Dollar Amount Offered:	\$ 1,046,860,000
Dollar Amount Raised:	\$ 776,368,000
Organizational Expenses:	
SEC registration fee:	\$ 111,369.93
AMEX Listing Fee:	\$ 5,000
Auditor's fees and expenses*:	\$ 44,000
Legal fees and expenses*:	\$ 1,151,354.68
Printing expenses*:	\$ 400,000
Length of Offering:	Continuous

\*

Paid for by an affiliate of the General Partner

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

*Expenses Paid by USOF through July 31, 2006 in dollar terms (unaudited):*

<b>Expense</b>	<b>Amount in Dollar Terms</b>
Amount Paid to General Partner:	\$ 329,395
Amount Paid in Portfolio Brokerage Commissions:	\$ 99,542
Other Amounts Paid:	\$ 0
Total Expenses Paid:	\$ 428,937

*Expenses Paid by USOF through July 31, 2006 as a Percentage of Average Daily Net Assets (unaudited)*

<b>Expenses</b>	<b>Amount as a Percentage of Average Daily Net Assets</b>
General Partner	0.50% annualized
Portfolio Brokerage Commissions	0.13% annualized
Total Expense Ratio	0.63% annualized



**Performance Capsule**

Name of Commodity Pool:	USOF
Type of Commodity Pool:	Exchange traded security
Inception of Trading:	April 10, 2006
Aggregate Gross Capital Subscriptions (from inception through August 31, 2006):	\$776,368,000
Total Net Assets as of August 31, 2006:	\$413,791,074
Initial NAV Per Unit as of Inception:	\$67.39
NAV per Unit as of August 31, 2006:	\$64.65
Worst Monthly Percentage Draw-down:	August 2006 (6.97 %)
Worst Peak-to-Valley Draw-down:	June 2006-August 2006 (7.47 %)
Total Rate of Return Since Inception:	(4.07 %)

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

<b>Month</b>	<b>Rates of Return For the Year 2006</b>
April	3.47%
May	(2.91% )
June	3.16%
July	(0.50% )
August	(6.97% )

Draw-down: Losses experienced by a pool or trading program 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 a pool or trading program. 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.

In addition, Nicholas Gerber, the president and CEO of the General Partner, ran the Marc Stevens Futures Index Fund over 10 years ago. This fund combined commodity futures with equity stock index futures. It was a very small private offering, which had under \$1 million in assets. The Marc Stevens Futures Index Fund was a commodity pool and Mr. Gerber was the CPO. 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 has approximately \$800 million in assets.

**How Does USOF Operate?**

The investment objective of USOF for changes in percentage terms of the units' NAV to reflect the changes in percentage terms of the spot price of West Texas Intermediate light, sweet crude oil delivered to Cushing, Oklahoma, less USOF's expenses. USOF will invest in Oil Futures Contracts, which are futures contracts for WTI light, sweet

crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the New York Mercantile Exchange or other U.S. and foreign exchanges, and Other Oil Interests such as cash-settled options on Oil Futures Contracts, forward contracts for oil and over-the-counter transactions that are based on the price of oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing.

The primary catalyst for determining the allocation mix of Oil Futures Contracts and Other Oil Interests to be purchased by the General Partner is speculative position limits of the exchanges and the ability to manage USOF's investments in a smooth and controlled manner. As noted above, USOF anticipates investing in Oil Futures Contracts that are traded on U.S. and foreign exchanges. USOF intends to purchase futures contracts on foreign exchanges, such as the ICE Futures or the Singapore Exchange, if permitted under applicable regulatory

requirements, as a result of position limits on the New York Mercantile Exchange. It does not intend to trade on foreign exchanges to make a profit.

USOF seeks to achieve its investment objective by investing in a mix of Oil Futures Contracts and Other Oil Interests such that changes in USOF's NAV will closely track the changes in the price of a specified Oil Futures Contract ( Benchmark Oil Futures Contract ). The General Partner believes the Benchmark Oil Futures Contract historically exhibited a close correlation with the changes in the spot price of WTI light, sweet crude oil. On any Valuation Day (a Valuation Day is any day as of which USOF calculates its NAV), the Benchmark Oil Futures Contract is the Near Month Contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange unless the Near Month Contract will expire within two weeks of the Valuation Day, in which case the Benchmark Oil Futures Contract is the Second to Nearest Out Month Contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange.

More specifically, the General Partner will endeavor 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, 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 will cause changes in USOF's unit price on the American Stock Exchange to closely track changes in USOF's NAV. The General Partner further believes that the prices of the Benchmark Oil Futures Contract have historically closely tracked the spot prices of WTI light, sweet crude oil. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between USOF's NAV and the Benchmark Oil Futures Contract, will be that the changes in the price of USOF's units on the American Stock Exchange will closely track the changes in the spot price of a barrel of WTI light, sweet crude oil, less USOF's expenses.

These relationships are illustrated in the following diagram:

**The Price of USOF's Units Is Expected to Correlate Closely  
With USOF's NAV**

USOF's units are traded on the American Stock Exchange. The price of units will fluctuate in response to USOF's NAV and the supply and demand pressures of the exchange. Because of certain arbitrage opportunities, the General Partner believes the price of USOF's units traded on the Exchange will correlate closely with the USOF's NAV.

**Changes in USOF's NAV Are Expected to Correlate Closely With the Changes in the Price of the Benchmark  
Oil  
Futures Contract**

The General Partner will endeavor to invest USOF's assets as fully as possible in Oil Futures Contracts and Other Oil Interests so that the changes in the NAV will closely correlate with changes in the price of the Benchmark Oil Futures Contract.

**Changes in the Price of the Benchmark Oil Futures  
Contract Are Expected to Correlate Closely With Changes  
in the Spot Price of Light, Sweet Crude Oil**

The General Partner believes that changes in the price of the Benchmark Oil Futures Contract will closely correlate with changes in the cash or spot price of light, sweet crude oil

The General Partner will employ a neutral investment strategy intended to track the spot price of WTI light, sweet crude oil regardless of whether the price of oil 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 oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their oil-related transactions.

USOF's total portfolio composition will be disclosed, each business day that the American Stock Exchange is open for trading, on USOF's website at <http://www.unitedstatesoilfund.com> and through the American Stock Exchange's website at <http://www.amex.com>. The website disclosure of portfolio holdings will be made daily and will include, 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 cash equivalents held in USOF's portfolio. USOF's website is publicly accessible at no charge.

The units may be purchased by Authorized Purchasers only in blocks of 100,000 units called Creation Baskets. The amount of the purchase payment for a Creation Basket will be equal to the aggregate NAV of units in the Creation Basket. Similarly, Authorized Purchasers may redeem units only in blocks of 100,000 units called Redemption Baskets. The amount of the redemption proceeds for a Redemption Basket will be equal to the aggregate NAV of units in the Redemption Basket. The purchase price for Creation Baskets, and the redemption price for Redemption Baskets will be the actual NAV calculated at the end of the business day when notice for a purchase or redemption is received by USOF. The American Stock Exchange will publish an approximate NAV



intra-day based on the prior day's NAV and the current price of Benchmark Oil Futures Contracts, but the basket price will be determined based on the actual NAV at the end of the day.

While USOF will only issue units in large blocks called Creation Baskets, units may also be purchased and sold in much smaller increments on the American Stock Exchange. 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.

The General Partner believes that for many investors the units represent a cost-effective way to invest indirectly in light, sweet crude oil. However, as noted, because USOF invests in Oil Futures Contracts and Other Oil Interests rather than directly in oil, the performance of the price of the units may not accurately and consistently reflect the performance of the spot price of WTI light, sweet crude oil.

Graph A and Graph B on the following page illustrate the correlation between the monthly average spot price of WTI light, sweet crude oil and the monthly average price of futures contracts for WTI light, sweet crude oil delivered to Cushing, Oklahoma traded on the New York Mercantile Exchange. In addition, Graph C illustrates the correlation between the Benchmark Oil Futures Contract and other fuel-based commodity futures contracts in which USOF may invest.

These correlations are relevant because the General Partner will endeavor to invest USOF's assets in Oil Futures Contracts and Other Oil Interests so that changes in USOF's NAV will correlate as closely as possible with changes in the price of the Benchmark Oil Futures Contract. As noted, the General Partner also believes that the changes in price of the Benchmark Oil Futures Contract will closely correlate with changes in the spot price of WTI light, sweet crude oil. Assuming that the units' value tracks the Benchmark Oil Futures Contract as intended because of the correlations illustrated by the following charts, the stated objective of USOF for the units' NAV to reflect the performance of the spot price of WTI light, sweet crude oil would be met if the trend reflected over the past ten years were to continue. However, there is no guaranty that such trend will continue. To obtain the monthly average prices, 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.

**GRAPH A**

**GRAPH B**





**GRAPH C**

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

In managing USOF's assets the General Partner does not intend to use a technical trading system that issues buy and sell orders. The General Partner does intend to employ a quantitative methodology whereby each time a Creation Basket is purchased, the General Partner will purchase oil interests, such as an Oil Futures Contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange, that have an aggregate face amount that approximates the amount of Treasuries and cash received upon the issuance of one or more Creation Baskets.

As an example, assume that a Creation Basket purchase order is placed on January 2, 2007. If one were to assume USOF's closing NAV per unit for January 2 is \$63.76, USOF would receive \$6,376,000 for the Creation Basket (\$63.76 NAV per unit times 100,000 units, and ignoring the Creation Basket fee of \$1,000). Assume that the price of an Oil Futures Contract for WTI light, sweet crude oil on January 3, 2007 is \$63,770. Because the price of oil reflected in these Near Month futures contracts on January 3, 2007 is different (in this case, higher) than the price of oil reflected in USOF's NAV calculated as of January 2, 2007 (the day the corresponding Creation Basket was sold), USOF cannot invest the entire purchase amount corresponding to the Creation Basket in futures contracts i.e., it can only invest in 99 Oil Futures Contracts with an aggregate value of \$6,313,230 (\$63,770 per contract times 99 contracts). Assuming a margin equal to 10% of the value of the Oil Futures Contracts which would require \$631,323 in Treasuries to be deposited as margin with the futures commission merchant through which the contract was purchased, the remainder of the purchase price for the Creation Basket, \$5,744,677, would remain invested in cash 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 to be purchased will depend 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 anticipates significant investments in New York Mercantile Exchange Oil Futures Contracts, as USOF reaches certain position

limits on the New York Mercantile Exchange, or for other reasons, it will 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 oil. Instead, the General Partner will close existing positions when it is determined 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.

By remaining invested as fully as possible in Oil Futures Contracts or Other Oil Interests, the General Partner believes that changes in USOF's NAV will closely track the changes in the prices of the futures contracts in which USOF invests. The General Partner believes that certain arbitrage opportunities will result in the price of the units traded on the American Stock Exchange 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 New York Mercantile Exchange 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 American Stock Exchange will closely track the changes in the spot price of WTI light, sweet crude oil.

### **What are Oil Futures Contracts?**

Oil Futures Contracts are agreements between two parties. One party agrees to buy 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 New York Mercantile Exchange. Oil Futures Contracts trade in units of 1,000 barrels. For example, on the New York Mercantile Exchange futures contracts are priced by floor brokers and other exchange members through an open outcry of offers to purchase or sell the contracts. In contrast, another exchange, ICE Future, uses 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?](#)

*Speculative Position Limits.* The CFTC and U.S. designated contract markets such as the New York Mercantile Exchange have established limits or position accountability rules (i.e., speculative position limits or position limits) on the maximum net long or net short speculative position that any person or group of persons under common trading control (other than a hedge, which USOF is not) may hold, own or control in commodity interests. The net position is the difference between an individual or firm's open long contracts and open short contracts in any one commodity. Speculative position limits are intended to, among other things, prevent a corner or squeeze on a market or undue influence on prices by any single trader or group of traders.

Most U.S. futures exchanges also limit the amount of fluctuation in the prices of some futures contracts or options on futures contracts during a single trading day. These regulations specify what are referred to as daily price fluctuation limits (i.e., daily limits). The daily limits establish the maximum amount that the price of a futures contract or an 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 contract or option on a futures contract, no trades may be made at a price beyond the limit.

*Impact of Speculative Position Limits.* The foregoing position limits will impact the mix of investments in Oil Interests by USOF, and the mix will vary dependent on the level of assets held by USOF. The following example illustrates how the mix will vary as assets increase, assuming the spot price of WTI light, sweet crude oil remains the same: Assuming the spot price for WTI light, sweet crude oil and the unit price were each \$60, USOF anticipates that it would invest the first \$300 million of its daily net assets only in Oil Futures Contracts. The majority of those contracts would consist of the current Benchmark Oil Futures Contract. At this level, USOF could purchase 5,000 of such contracts or 25% of the New York Mercantile Exchange's speculative position limit for such contracts. When

daily net assets exceed \$300 million, USOF anticipates that it will invest the majority of its assets above that amount in the current Benchmark Oil Futures Contract with the balance of its net assets being invested in a mix of other Oil Futures Contracts, such as the Oil Futures Contracts tied to Brent crude oil as traded on New York Mercantile Exchange or to WTI light, sweet crude oil or Brent Crude Oil as traded on the ICE Futures, and other Oil Interests.

Once the daily net assets of the portfolio exceed approximately \$1.2 billion, USOF anticipates that a majority of all further investments will be made in Oil Futures Contracts, other than the current Benchmark Oil Futures Contract, and in Other Oil Interests. These other Oil Futures Contracts would be purchased on New York Mercantile Exchange and on other exchanges, including non-U.S. exchanges such as the ICE Futures.

USOF anticipates that once the daily net assets of the portfolio exceed approximately \$2.4 billion, the ability of the portfolio to invest in additional current Benchmark Oil Futures Contracts may be sharply limited due to certain position limit rules in effect on New York Mercantile Exchange. Assuming the current Benchmark Oil Futures Contract is at the same price level as indicated above and half of USOF's assets were then fully invested in such contracts (\$1.2 billion), the current New York Mercantile Exchange position limits for such contracts (20,000 contracts for WTI light, sweet crude oil futures contracts) would be met. Under that scenario, all additional investments above the \$2.4 billion level would be required to be invested in other Oil Futures Contracts and Other Oil Interests. USOF anticipates that at or above the \$2.4 billion daily net asset level, the majority of the total portfolio holdings will be in other Oil Futures Contracts or Other Oil Interests.

Under current conditions, USOF anticipates it would not use non-crude oil based Oil Futures Contracts (e.g. futures contracts for heating oil, gasoline, and/or natural gas) or non-crude oil based Other Oil Interests until it reaches the speculative position limits on WTI light, sweet crude oil futures contracts traded on the New York Mercantile Exchange.

USOF anticipates that to the extent it invests in Oil Futures Contracts other than WTI 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 invest in 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.

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

Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
New York Mercantile Exchange WTI Light, Sweet Crude Oil	Any one month/all months: 20,000 net futures, but not to exceed 2,000 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.

Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
New York Mercantile Exchange Natural Gas	Any one month/all months: 12,000 net futures, but not to exceed 1,000 in the last three days of trading in the spot month.	\$3.00 per mmBtu (\$30,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$3.00 per mmBtu in either direction. If another halt were triggered, the market would continue to be expanded by \$3.00 per mmBtu in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
New York Mercantile Exchange Heating Oil	7,000 contracts for all months combined, but not to exceed 1,000 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.
New York Mercantile Exchange Gasoline	Any one month/all months: 7,000 net futures.	\$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.
ICE Futures e-Brent Crude Futures Electronic	There are no position limits.	There is no maximum daily price fluctuation limit.
ICE WTI Crude Futures	There are no position limits.	

There is no maximum daily price fluctuation.

*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 barrels of oil are more currently and directly influenced by economic factors for which current data is available and are traded by 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.

*Marking-to-Market Futures Positions.* Oil Futures Contracts are marked to market at the end of each trading day, to ensure that the outstanding futures obligations are limited by the maximum daily permissible price movement. 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 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 New York Mercantile Exchange that are based on WTI 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.

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 WTI 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 conflicts 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.

In Europe, Brent crude oil is the standard for futures contracts traded on the ICE Futures, an electronic marketplace for energy trading and price discovery. Brent crude oil is the price reference for two-thirds of the world's traded 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 at the New York Mercantile Exchange, trades in units of 42,000 gallons (1,000 barrels) and is based on delivery in New York harbor, the principal cash market center. The price of heating oil is volatile.

Natural gas accounts for almost a quarter of U.S. energy consumption. The natural gas futures contract, listed and traded on the New York Mercantile Exchange, 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 is volatile.

Gasoline is the largest single volume refined product sold in the U.S. and accounts for almost half of national oil consumption. The natural gas futures contract, listed and traded on the New York Mercantile Exchange, 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 is volatile.

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



USOF's investment objective is for changes in percentage terms of the units' net asset value to reflect the changes in percentage terms of the spot price of West Texas Intermediate light, sweet crude oil delivered to Cushing, Oklahoma, less USOF's expenses. USOF expects to invest primarily in Oil Futures Contracts. USOF seeks to have its aggregate NAV approximate at all times the outstanding value of Oil Futures Contracts (or Other Oil Interests) USOF holds.

Other than investing in Oil Futures Contracts and Other Oil Interests, USOF will only invest in assets to support these investments in oil interests. At any given time, a significant majority of USOF's investments will be in Treasuries 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 then segregate in a margin account Treasuries 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 deposit, or \$9.5 million (assuming a 5% margin).

USOF intends to earn interest income from the Treasuries that it will purchase and it anticipates that the earned interest income will increase the NAV and limited partners' capital contribution accounts. USOF plans to reinvest the earned interest income, hold it in cash, or use it to pay its expenses. If USOF reinvests the earned interest income, it will make investments that are consistent with its investment objectives.

**What is the Flow of Units?**

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

*Liquidity*

USOF will invest 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 the contracts can be physically settled, USOF does not intend to take or make physical delivery as permitted under the contracts. USOF may from time to time trade in spot, or cash, oil.

*Leverage*

While USOF expects its ratio of variation margin to total assets to generally range from 0% to 5%, 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 face value of its obligations under USOF's Oil Futures Contracts and Other Oil Interests.

### ***Borrowings***

Borrowings will not be used by USOF, unless USOF is required to borrow money in the event of delivery, if USOF trades in cash commodities, or for short-term needs created by unexpected redemptions. USOF intends to maintain Treasuries, cash or cash equivalents that equal the value of margin posted and the actual value of the Oil Futures Contracts. USOF 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 vehicles to use in managing exposure to the crude oil market. USOF may purchase oil-related listed options on these exchanges in pursuing its investment objective.

In addition to the Oil Futures Contracts and listed options relating to crude 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 such futures, 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 oil-based derivatives transactions contain fairly generic terms and conditions and are available from a wide range of participants. Other 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 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 price of the crude oil spot, or forward crude oil prices, or crude oil futures prices. For example, USOF may enter into over-the-counter derivative contracts whose value will be tied to changes in the difference between the WTI spot price, the price of Oil Futures Contract traded on New York Mercantile Exchange and the prices 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 will 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 will also require that the counterparty be highly rated and/or provide collateral or other credit support to address USOF's exposure to the counterparty.

USOF anticipates that the use of Other Oil Interests together with its investments in Oil Futures Contracts will produce price and total return results that closely track the investment goals of USOF.

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 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 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 oil prices.

***Pyramiding***

USOF 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.

**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. will hold USOF's cash and Treasuries pursuant to a custodial agreement. In addition, Brown Brothers Harriman & Co. will perform certain administrative and accounting services for USOF and will prepare certain SEC and CFTC reports on behalf of USOF. The General Partner will pay Brown Brothers Harriman & Co.'s fees.

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 will pay ALPS Distributors, Inc.'s fees.

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

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

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

<b>Service Provider</b>	<b>Compensation Paid by the General Partner</b>
Brown Brothers Harriman & Co., Custodian and Administrator	Minimum \$300,000 annually and, once assets are above \$500 million, an asset charge not in either agreement ranging between 0.035% and 0.06%, plus a \$50,000 Transfer Agency Fee, and in either case transaction charges of \$7.00 to \$15.00 per transaction.
ALPS Distributors, Inc., Marketing Agent	\$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.

\*

The General Partner pays this compensation.

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

<b>Service Provider</b>	<b>Compensation Paid by USOF</b>
ABN Amro, Futures Commission Merchant	Approximately \$3.50 per buy or sell

Non-Affiliated Brokers

Approximately .15% of assets

\*

USOF pays this compensation.

### **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 will keep a record of all holders of the units in the registry (the Register ). The General Partner will recognize transfers of units in certificated form only if done in accordance with the LP Agreement. The beneficial interests in such units will be held in book-entry form through participants and/or accountholders in DTC.



**Book Entry.** Individual certificates will not be issued for the units. Instead, units will be represented by one or more global certificates, which will be deposited by the Administrator with DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates will 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 will be 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 register pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (Exchange Act). DTC holds securities for DTC Participants and facilitates the clearance and settlement of transaction 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 will be 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 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 the 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 will be securities and will be 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 complete 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 his partner capital account. If the General Partner does not give at least fifteen (15) days' written notice to a limited partner, then it may only require withdrawal of all or any portion of the capital account of any limited partner in the following circumstances: (i) the unitholder made a misrepresentation to the General Partner in connection with its purchase of units; or (ii) the limited partner's ownership of units would result in the violation of any law or 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 his 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 his 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 will buy and sell units of USOF in secondary market transactions through brokers. Units will trade on the American Stock Exchange under the ticker symbol listed in this Prospectus. Units will be bought and

sold throughout the trading day like other publicly traded securities. The Authorized Purchaser's function will be to maintain an orderly market in the units, including establishing the bid and ask prices on the Exchange. When buying or selling units through a broker, most investors will 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 will continuously offer 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. Authorized Purchasers will pay a \$1,000 fee for the creation of Creation Baskets. The Marketing Agent will receive, for its services as marketing agent to USOF, as 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, will solicit 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. Previously, she worked at ALPS Mutual Fund Services, Inc. as a National Sales Director. She is also registered with the NFA as an Associated Person of the General Partner.

The initial Authorized Purchaser offered to the public these 100,000 units at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the American Stock Exchange, 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, and are expected to fall between USOF's NAV and the trading price of the units on the American Stock Exchange at the time of sale. Units offered by the initial Authorized Purchaser at different times may have different offering prices. The initial Authorized Purchaser did not receive from USOF, the General Partner or any of their affiliates any fee or other compensation in connection with the sale of the units. USOF did not bear any expenses in connection with the offering or sales of the initial Creation Basket of units.

The offering of baskets is being made in compliance with Conduct Rule 2810 of the NASD. Accordingly, the initial Authorized Purchaser will not make any sales to any account over which it has 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 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, the 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.

KV Execution Services, LLC was the initial Authorized Purchaser. A list of other 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 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. 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 the NASD. 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:

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Taking the current market value of its total assets

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Subtracting any liabilities

The Administrator will calculate the NAV of USOF once each trading day. The NAV for a particular trading day will be released after 4:15 p.m. New York time. It will calculate 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 American Stock Exchange typically closes at 4:15 p.m. New York time. USOF will use the New York Mercantile Exchange closing price (determined at the earlier of the close of that exchange or 2:30 p.m. New York time) for the contracts held on the New York Mercantile Exchange, but will calculate or determine 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 addition, in order to provide updated information relating to USOF for use by investors and market professionals, the American Stock Exchange will calculate and disseminate throughout the trading day an updated indicative fund value. The indicative fund value will be 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 WTI light, sweet Oil Futures Contract on the New York Mercantile Exchange. The prices reported for the active Oil Futures Contract month will be 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 will not be adjusted. The indicative fund value unit basis disseminated during American Stock Exchange trading hours should not be viewed as an actual real time update of the NAV, because NAV is calculated only once at the end of each trading day.

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

The American Stock Exchange will disseminate the indicative fund value through the facilities of CTA/ CQ High Speed Lines. In addition, the indicative fund value will be published on the American Stock Exchange's website and will be 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 American Stock Exchange. Investors and market professionals will be able thorough out 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 American Stock Exchange and sell short oil future 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 will be 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 will not be included in the indicative value. The indicative fund value is based on the prior day's NAV and moves up and down according to changes in Near Month Oil Futures Contracts for WTI light, sweet oil traded on the New York Mercantile Exchange.

### ***Creation and Redemption of Units***

USOF will create and redeem units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets will only be 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 will be 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 will be 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 will 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 will 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 oil market and the oil futures market. In some cases, an Authorized Purchaser or its affiliates may from time to time acquire oil or sell oil and may profit in these instances. The General Partner believes that the size and operation of the oil market make it unlikely that an Authorized Purchaser's direct activities in the oil or securities markets will impact the price of oil, Oil Futures Contracts, or the price of the units.

Each Authorized Purchaser will be registered as a broker-dealer under the Exchange Act and is a member in good standing with the NASD, or will be exempt from being or otherwise will not be required to be licensed as a broker-dealer or a member of NASD, and will be 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 be regulated under federal and state banking laws and regulations. Each Authorized Purchaser will have 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 Securities 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 American Stock Exchange, the New York Mercantile Exchange 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 American Stock Exchange, whichever is earlier; except in the case of the initial Authorized Purchaser's or any other Authorized Purchaser's initial order to purchase one or more Creation Baskets on the first day the baskets are to be offered and sold, when such orders shall be placed by 9:00 a.m. New York time on the day agreed to by the General Partner and the initial Authorized Purchaser. 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 ) will be 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 purchase is properly received 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 his 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 will be 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 will direct 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 shall be borne solely by the Authorized Purchaser.

Because orders to purchase baskets must be placed by 12:00 p.m., New York time (except in the case of the initial Authorized Purchaser's or any other Authorized Purchaser's initial order to purchase one or more Creation Baskets on the first day the baskets are to be offered and sold, when such orders shall be placed by 9:00 a.m. New York time on the day agreed to by the General Partner and the initial Authorized Purchaser), 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 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 American 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 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 will consist 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 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 American Stock Exchange or the New York Mercantile Exchange is closed other than customary weekend or holiday closings, or trading on the American Stock Exchange or the New York Mercantile Exchange 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. 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.

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.

### ***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 will create and redeem units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets will only be 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.

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 American Stock Exchange, 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, and are expected to fall between USOF's NAV and the trading price of the units on the American Stock Exchange 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 are expected to trade in the secondary market on the American Stock Exchange. 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 American Stock Exchange 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 New York Mercantile Exchange 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 will initially apply all of USOF's assets toward trading in Oil Futures Contracts and other Oil Interests and cash reserves. The General Partner has sole authority to determine the percentage of assets that will be:

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held on deposit with the futures commission merchant or other custodian

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used for other investments, and

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held in bank accounts to pay current obligations and as reserves.

The General Partner expects to deposit substantially all of USOF's net assets with the futures commission merchant or other custodian for trading. When USOF purchases an Oil Futures Contract and certain exchange traded Other Oil Interests, USOF is required to deposit with the selling 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 variation margin. USOF will invest the remainder of its assets equal to the difference between the margin deposited and the face value of the futures contract in Treasuries.

The General Partner expects that all entities that will hold or trade USOF's assets will be based in the United States and will be subject to United States regulations.

The General Partner believes that 5% to 10% of USOF's assets will normally be 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 intends to invest 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 will be used for USOF's benefit.

The futures commission merchant, government agency or 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.

### **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, bond, stock index, interest rate, currency, energy and metal markets. 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.

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 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 with a counterparty 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 counterparties may require collateral deposits from the other counterparty to support that counterparty's obligation under the swap agreement. If one 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 hedgors and speculators. Hedgors 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 lock in profits that could otherwise be lost due to an adverse movement in 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 hedgor 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 hedgor 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 hedgor to shift the risk of price fluctuations. The usual objective of the hedgor 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.

Unlike the hedgor, 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 hedgor 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 exchanges 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.

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 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 exchange 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 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.

### ***Speculative Position Limits***

The CFTC and U.S. designated contract markets have established limits or position accountability rules, referred to as speculative position limits or position limits, on the maximum net long or net short speculative position that any person or group of persons under common trading control (other than a hedger, which USOF is not) may hold, own or control in commodity interests. Among the purposes of speculative 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 position limits for all commodity interests traded on that exchange, including those involving energy products. 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 position limits USOF's commodity interest positions will not be attributable to investors in their own commodity interest trading.

### ***Daily Price Limits***

Most U.S. futures exchanges (but generally not non-U.S. exchanges) may limit the amount of fluctuation in some futures contract or options on futures contract prices during a single trading day 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 options on 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.

### ***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 ETF. 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 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 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.

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 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.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### *Results of Operations.*

On April 10, 2006, USOF listed its units on the American Stock Exchange under the ticker symbol `USO`. On that day USOF established its initial NAV by setting the price at \$67.39 per unit and issued 200,000 units to the Initial Authorized Purchaser, KV Execution Services LLC, in exchange for \$13,478,000 in cash. USOF also commenced investment operations on that day by purchasing oil futures contracts traded on the New York Mercantile Exchange that are based on WTI light, sweet crude oil. The total market value of the crude oil futures contracts purchased on that day was \$13,418,501 at the time of purchase. USOF established cash deposits equal to \$13,478,000 at the time of the initial sale of units. The majority of those cash assets were held at USOF's custodian bank while less than 10% of the cash balance was held as margin deposits with USOF's futures commission merchant relating to the Oil Futures Contracts purchased.

*Portfolio Expenses.* USOF's expenses consist of investment management fees and commissions. The investment advisory fee that USOF pays to the General Partner is calculated as a percentage of the total net assets of USOF. For total net assets of up to \$1 billion, the investment advisory fee is 0.5%. For assets over \$1 billion, the investment advisory fee is 0.2% on the incremental amount of assets. During the period from April 10, 2006 to June 30, 2006, the daily average total net assets of the USOF were approximately \$194,984,049. At no time during the period from April 10, 2006 to June 30, 2006, did the total net assets of USOF exceed \$1 billion. The investment advisory fee paid by USOF amounted to \$219,023, which was calculated at the 0.50% rate and accrued daily.

USOF also incurs commissions to brokers for the purchase and sale of futures contracts, other oil interests, or U.S. Treasury bills and notes. During the period from April 10, 2006 to June 30, 2006, total commissions paid amounted to \$70,300. Prior to the initial offering, USOF had estimated that the annual level of such commissions for USOF was expected to be 0.35 % of total net assets. As an annualized percentage of total net assets, the second quarter figure represents approximately 0.16% of total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

Expenses incurred from inception through June 30, 2006 in connection with organizing USOF an