

United States 12 Month Oil Fund, LP  
Form 10-K  
March 08, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011.**  
or  
 **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from      to      .**  
Commission file number: 001-33859

**United States 12 Month Oil Fund, LP**

(Exact name of registrant as specified in its charter)

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

**20-0431897**  
(I.R.S. Employer Identification No.)

**1320 Harbor Bay Parkway, Suite 145**

**Alameda, California 94502**

(Address of principal executive offices) (Zip code)

**(510) 522-9600**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**Units of United States 12 Month Oil Fund, LP**  
(Title of each class)

**NYSE Arca, Inc.**  
(Name of exchange on which registered)

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.     Yes     No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.     Yes     No

## Edgar Filing: United States 12 Month Oil Fund, LP - Form 10-K

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's units held by non-affiliates of the registrant as of June 30, 2011 was: \$213,493,000.

The registrant had 3,650,000 outstanding units as of March 5, 2012.

### DOCUMENTS INCORPORATED BY REFERENCE:

None.

**Table of Contents**

## UNITED STATES 12 MONTH OIL FUND, LP

## Table of Contents

	<b>Page</b>
<b>Part I.</b>	
<u>Item 1. Business.</u>	1
<u>Item 1A. Risk Factors.</u>	27
<u>Item 1B. Unresolved Staff Comments.</u>	43
<u>Item 2. Properties.</u>	43
<u>Item 3. Legal Proceedings.</u>	43
<u>Item 4. Mine Safety Disclosures.</u>	43
<b>Part II.</b>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	43
<u>Item 6. Selected Financial Data.</u>	44
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	44
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk.</u>	65
<u>Item 8. Financial Statements and Supplementary Data.</u>	66
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	85
<u>Item 9A. Controls and Procedures.</u>	85
<u>Item 9B. Other Information.</u>	86
<b>Part III.</b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance.</u>	86
<u>Item 11. Executive Compensation.</u>	91
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	92
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence.</u>	92
<u>Item 14. Principal Accountant Fees and Services.</u>	93
<b>Part IV.</b>	
<u>Item 15. Exhibits and Financial Statement Schedules.</u>	94
<u>Exhibit Index.</u>	94
<u>Signatures.</u>	95

---

**Table of Contents**

**Part I**

**Item 1. Business.**

**What is US12OF?**

The United States 12 Month Oil Fund, LP ( US12OF ) is a Delaware limited partnership organized on June 27, 2007. US12OF maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. US12OF is a commodity pool that issues limited partnership interests ( units ) traded on the NYSE Arca, Inc. (the NYSE Arca ). It operates pursuant to the terms of the Amended and Restated Agreement of Limited Partnership dated as of December 4, 2007 (as amended from time to time, the LP Agreement ), which grants full management control to its general partner, United States Commodity Funds LLC ( USCF ).

The investment objective of US12OF is for the daily changes in percentage terms of its units per unit net asset value ( NAV ) to reflect the daily changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts for light, sweet crude oil traded on the New York Mercantile Exchange (the NYMEX ), consisting of the near month contract to expire and the contracts for the following 11 months, for a total of 12 consecutive months contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire and the contracts for the following 11 consecutive months (the Benchmark Oil Futures Contracts ), less US12OF s expenses. When calculating the daily movement of the average price of the 12 contracts, each contract month will be equally weighted. USCF does not intend to operate US12OF in a fashion such that its per unit NAV will equal, in dollar terms, the spot price of light, sweet crude oil or any particular futures contract based on light, sweet crude oil. It is not the intent of US12OF to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Oil Futures Contracts (as defined below) and Other Oil-Related Investments (as defined below). US12OF s units began trading on December 6, 2007. USCF is the general partner of US12OF and is responsible for the management of US12OF.

**Who is USCF?**

USCF is a single member limited liability company that was formed in the state of Delaware on May 10, 2005. Prior to June 13, 2008, USCF was known as Victoria Bay Asset Management, LLC. It maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. USCF 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 previously owned an insurance company organized under Bermuda law (which has been liquidated) and a registered investment adviser firm named Ameristock Corporation, which has been distributed to the Wainwright shareholders. USCF is a member of the National Futures Association (the NFA ) and registered as a commodity pool operator ( CPO ) with the Commodity Futures Trading Commission (the CFTC ) on December 1, 2005.

USCF also serves as general partner or sponsor of the United States Oil Fund, LP ( USOF ), the United States Natural Gas Fund, LP ( USNG ), the United States Gasoline Fund, LP ( UGA ), the United States Heating Oil Fund, LP ( USHO ), the United States Short Oil Fund, LP ( USSO ), the United States 12 Month Natural Gas Fund, LP ( US12NG ), the United States Brent Oil Fund, LP ( USBO ), the United States Commodity Index Fund ( USCI ), the United States Copper Index Fund ( CPER ), the United States Metals Index Fund ( USMI ) and the United States Agriculture Index Fund ( USAG ). All funds listed previously are referred to collectively herein as the Related Public Funds. USOF, USNG, UGA, USHO, USSO, US12NG, USBO, USCI and CPER are actively operating funds and all are listed on the NYSE Arca. The Related Public Funds are subject to reporting requirements under the Securities Exchange Act of 1934, as amended (the Exchange Act ). For more information about each of the Related Public Funds, investors in US12OF may call 1.800.920.0259 or visit [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com) or the SEC s website at [www.sec.gov](http://www.sec.gov).

---

## **Table of Contents**

USCF has also filed registration statements to register units of the United States Sugar Fund ( USSF ), the United States Natural Gas Double Inverse Fund ( UNGD ), the United States Gasoil Fund ( USGO ) and the United States Asian Commodities Basket Fund ( USABF ), each of which is a series of the United States Commodity Funds Trust I. USSF, UNGD, USGO, USABF are currently not available to the public, as such funds are still in the process of review by various regulatory agencies which have regulatory authority over USCF and such funds.

USCF is required to evaluate the credit risk of US12OF to the futures commission merchant, oversee the purchase and sale of US12OF s units by certain authorized purchasers ( Authorized Purchasers ), review daily positions and margin requirements of US12OF and manage US12OF s investments. USCF also pays the fees of ALPS Distributors, Inc., which serves as the marketing agent for US12OF (the Marketing Agent ), and Brown Brothers Harriman & Co. ( BBH&Co. ), which serves as the administrator (the Administrator ) and the custodian (the Custodian ) for US12OF.

Limited partners have no right to elect USCF as the general partner on an annual or any other continuing basis. If USCF voluntarily withdraws as general partner, however, the holders of a majority of US12OF s outstanding units (excluding for purposes of such determination units owned, if any, by the withdrawing USCF and its affiliates) may elect its successor. USCF may not be removed as general partner except upon approval by the affirmative vote of the holders of at least 66 and 2/3 percent of US12OF s outstanding units (excluding units owned, if any, by USCF and its affiliates), subject to the satisfaction of certain conditions set forth in the LP Agreement.

The business and affairs of USCF are managed by a board of directors (the Board ), which is comprised of four management directors (the Management Directors ), some of whom are also its executive officers, and three independent directors who meet the independent director requirements established by the NYSE Arca Equities Rules and the Sarbanes-Oxley Act of 2002. The Management Directors have the authority to manage USCF pursuant to its LLC Agreement, as amended from time to time. Through its Management Directors, USCF manages the day-to-day operations of US12OF. The Board has an audit committee which is made up of the three independent directors (Peter M. Robinson, Gordon L. Ellis and Malcolm R. Fobes III). For additional information relating to the audit committee, please see *Item 10. Directors, Executive Officers and Corporate Governance Audit Committee* in this annual report on Form 10-K.

### **How Does US12OF Operate?**

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

The net assets of US12OF consist primarily of investments in futures contracts for light, sweet crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, Oil Futures Contracts ) and, to a lesser extent, in order to comply with regulatory requirements or in view of market conditions, other oil interests such as cash-settled options on Oil Futures Contracts, forward contracts for oil, cleared swap contracts and non-exchange traded ( 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-Related Investments ). Market conditions that USCF currently anticipates could cause US12OF to invest in Other Oil-Related Investments include those allowing US12OF to obtain greater liquidity or to execute transactions with more favorable pricing. For convenience and unless otherwise specified, Oil Futures Contracts and Other Oil-Related Investments collectively are referred to as Oil Interests in this annual report on Form 10-K. US12OF invests substantially the entire amount of its assets in Oil Futures Contracts while supporting such investments by holding the amounts of its margin, collateral and other requirements relating to these obligations in short-term obligations of the United States of two years or less ( Treasuries ), cash and cash equivalents. The daily holdings of US12OF are available on US12OF s website at [www.unitedstates12monthoilfund.com](http://www.unitedstates12monthoilfund.com).

---

**Table of Contents**

The investment objective of US12OF is for the daily changes in percentage terms of its units' per unit NAV to reflect the daily changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts for light, sweet crude oil traded on the NYMEX, consisting of the near month contract to expire and the contracts for the following 11 months, for a total of 12 consecutive months' contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contracts that are the next month contract to expire (the Benchmark Oil Futures Contracts), less US12OF's expenses. When calculating the daily movement of the average price of the 12 contracts each contract month is equally weighted. USCF does not intend to operate US12OF in a fashion such that its per unit NAV will equal, in dollar terms, the spot price of light, sweet crude oil or any particular futures contract based on light, sweet crude oil. It is not the intent of US12OF to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. US12OF may invest in interests other than the Benchmark Oil Futures Contract to comply with accountability levels and position limits. For a detailed discussion of accountability levels and position limits, see *Item 1. Business - What are Oil Futures Contracts?* below in this annual report on Form 10-K.

USCF employs a neutral investment strategy in order to track changes in the average prices of the Benchmark Oil Futures Contracts regardless of whether these prices go up or go down. US12OF's neutral investment strategy is designed to permit investors generally to purchase and sell US12OF's units for the purpose of investing indirectly in crude oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their crude oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in crude oil and/or the risks involved in hedging may exist. In addition, an investment in US12OF involves the risk that the changes in the price of US12OF's units will not accurately track the changes in the average prices of the Benchmark Oil Futures Contracts, and that changes in the Benchmark Oil Futures Contracts will not closely correlate with changes in the spot price of light, sweet crude oil.

The Benchmark Oil Futures Contracts are changed from the near month contract to expire and the 11 following months to the next month contract to expire and the 11 following months during one day each month. On that day, USCF rolls US12OF's positions by closing, or selling, US12OF's Oil Interests and reinvests the proceeds from closing these positions in new Oil Interests.

The anticipated dates on which the Benchmark Oil Futures Contracts are changed and US12OF's Oil Interests are rolled will be posted on US12OF's website at [www.unitedstates12monthoilfund.com](http://www.unitedstates12monthoilfund.com), and are subject to change without notice.

US12OF's total portfolio composition is disclosed on its website each business day that the NYSE Arca is open for trading. The website disclosure of portfolio holdings is made daily and includes, as applicable, the name and value of each oil interest, the specific types of Other Oil-Related Investments and characteristics of such Other Oil-Related Investments, the name and value of each Treasury security and cash equivalent, and the amount of cash held in US12OF's portfolio. US12OF's website is publicly accessible at no charge. US12OF's assets used for margin and collateral are held in segregated accounts pursuant to the Commodity Exchange Act (the CEA) and CFTC regulations.

Effective February 29, 2012, the units issued by US12OF may only be purchased by Authorized Purchasers and only in blocks of 50,000 units called Creation Baskets. The amount of the purchase payment for a Creation Basket is equal to the aggregate NAV of the units in the Creation Basket. Similarly, only Authorized Purchasers may redeem units and only in blocks of 50,000 units called Redemption Baskets. Prior to February 29, 2012, Authorized Purchasers could only purchase or redeem units in blocks of 100,000 units. The amount of the redemption proceeds for a Redemption Basket is equal to the aggregate NAV of units in the Redemption Basket. The purchase price for Creation Baskets, and the redemption price for Redemption Baskets are the actual NAV calculated at the end of the business day when a request for a purchase or redemption is received by US12OF. The NYSE Arca publishes an approximate per unit NAV intra-day based on the prior day's per unit NAV and the current price of the Benchmark Oil Futures Contracts, but the price of Creation Baskets and Redemption Baskets is determined based on the actual per unit NAV calculated at the end of the day.

---

## **Table of Contents**

While US12OF issues units only in Creation Baskets, units are listed on the NYSE Arca and investors may purchase and sell units at market prices like any listed security.

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

In managing US12OF's assets, USCF does not use a technical trading system that issues buy and sell orders. USCF instead employs a quantitative methodology whereby each time a Creation Basket is sold, USCF purchases Oil Interests, such as the Benchmark Oil Futures Contracts, that have an aggregate market value that approximates the amount of Treasuries and/or cash received upon the issuance of the Creation Basket.

By remaining invested as fully as possible in Oil Futures Contracts or Other Oil-Related Investments, USCF believes that the changes in percentage terms in US12OF's per unit NAV will continue to closely track the daily changes in percentage terms in the average of the prices of the price of the Benchmark Oil Futures Contract. USCF believes that certain arbitrage opportunities result in the price of the units traded on the NYSE Arca closely tracking the per unit NAV of US12OF. Additionally, Oil Futures Contracts traded on the NYMEX have closely tracked the spot price of the underlying light, sweet crude oil. Based on these expected interrelationships, USCF believes that the changes in the price of US12OF's units traded on the NYSE Arca have closely tracked and will continue to closely track the changes in the spot price of light, sweet crude oil. For performance data relating to US12OF's ability to track its benchmark, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Tracking US12OF's Benchmark* in this annual report on Form 10-K.

USCF endeavors to place US12OF's trades in Oil Futures Contracts and Other Oil-Related Investments and otherwise manage US12OF's investments so that  $A$  will be within plus/minus 10 percent of  $B$ , where:

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

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

USCF believes that market arbitrage opportunities will cause the daily changes in US12OF's unit price on the NYSE Arca to closely track the daily changes in US12OF's per unit NAV. USCF believes that the net effect of these two expected relationships and the relationships described above between US12OF's per unit NAV and the Benchmark Oil Futures Contracts, will be that the daily changes in the price of US12OF's units on the NYSE Arca will closely track, in percentage terms, the daily changes in the spot price of a barrel of light, sweet crude oil, less US12OF's expenses. For performance data relating to US12OF's ability to track its benchmark, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Tracking US12OF's Benchmark* in this annual report on Form 10-K.

The specific Oil Futures Contracts purchased depend on various factors, including a judgment by USCF as to the appropriate diversification of US12OF's investments in futures contracts with respect to the month of expiration, and the prevailing price volatility of particular contracts. In addition, US12OF may make use of a mixture of standard sized futures contracts as well as the smaller sized mini contracts. While USCF has made significant investments in NYMEX Oil Futures Contracts, for various reasons, including the ability to enter into the precise amount of exposure to the crude oil market, position limits or other regulatory requirements limiting US12OF's holdings, and market conditions, it may invest in Futures Contracts traded on other exchanges or invest in Other Oil-Related Investments. To the extent that US12OF invests in Other Oil-Related Investments, it would prioritize investments in contracts and instruments that are economically equivalent to the Benchmark Oil Futures Contracts, including cleared swaps that satisfy such criteria, and then, to a lesser extent, it would invest in other types of cleared swaps and other contracts, instruments and swaps, including swaps in the over-the-counter market. If US12OF is required by law or regulation, or by one of its regulators, including a futures exchange, to reduce its position in the Futures Contracts to the applicable position limit or to a specified accountability level or if market conditions dictate it would be more appropriate to invest in Other Oil-Related Investments, a substantial portion of US12OF's assets could be invested in accordance with such priority in Other Oil-Related Investments that are intended to replicate the return on the Futures Contracts. As US12OF's assets reach higher levels, it is more likely to exceed position limits, accountability levels or other regulatory limits and, as a result, it is more likely that it will invest in accordance with such priority in Other Oil-Related Investments at such higher levels. In addition, market conditions that USCF currently anticipates could cause US12OF to invest in Other Oil-Related Investments include those allowing US12OF to obtain greater liquidity or to execute transactions with more favorable pricing. See *Item 1. Business Regulation* in this annual report on Form 10-K for a discussion of the potential impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) on US12OF's ability to invest in over-the-counter transactions and cleared swaps.





## **Table of Contents**

USCF may not be able to fully invest US12OF's assets in the Futures Contracts having an aggregate notional amount exactly equal to US12OF's NAV. For example, as standardized contracts, the Futures Contracts are for a specified amount of a particular commodity, and US12OF's NAV and the proceeds from the sale of a Creation Basket are unlikely to be an exact multiple of the amounts of those contracts. As a result, in such circumstances, US12OF may be better able to achieve the exact amount of exposure to changes in price of the Benchmark Oil Futures Contracts through the use of Other Oil-Related Investments, such as over-the-counter contracts that have better correlation with changes in price of the Benchmark Oil Futures Contracts.

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

USCF does not anticipate letting US12OF's Oil Futures Contracts expire and taking delivery of the underlying commodity. Instead, USCF closes existing positions, *e.g.*, when it changes the Benchmark Oil Futures Contracts or Other Oil-Related Investments or it otherwise determines it would be appropriate to do so and reinvests the proceeds in new Oil Futures Contracts or Other Oil-Related Investments. Positions may also be closed out to meet orders for Redemption Baskets and in such case proceeds for such baskets will not be reinvested.

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

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

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

## **Table of Contents**

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 the Organization of Petroleum Exporting Countries ( OPEC ) also affect supply and prices. Oil export embargoes and the current conflict in Iraq represent other routes through which political developments move the market. It is not possible to predict the aggregate effect of all or any combination of these factors.

*Heating Oil.* Heating oil, also known as No. 2 fuel oil, accounts for 25% of the yield of a barrel of crude oil, the second largest cut from oil after gasoline. The heating oil futures contract listed and traded on the NYMEX trades in units of 42,000 gallons (1,000 barrels) and is based on delivery in the New York harbor, the principal cash market center. The ICE Futures also offers a Heating Oil Futures Contract which trades in units of 42,000 U.S. gallons (1,000 barrels). The Heating Oil Futures Contract is cash-settled against the prevailing market price for Heating Oil delivered to the New York Harbor.

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

*Natural Gas.* Natural gas accounts for almost a quarter of U.S. energy consumption. The natural gas futures contract listed and traded on the NYMEX trades in units of 10,000 million British thermal units and is based on delivery at the Henry Hub in Louisiana, the nexus of 16 intra- and interstate natural gas pipeline systems that draw supplies from the region's prolific gas deposits. The pipelines serve markets throughout the U.S. East Coast, the Gulf Coast, the Midwest, and up to the Canadian border. The price of natural gas has historically been volatile.

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

Futures Contracts are agreements between two parties. One party agrees to buy a commodity such as crude oil from the other party at a later date at a price and quantity agreed-upon when the contract is made. Oil Futures Contracts are traded on futures exchanges, including the NYMEX. For example, the Benchmark Oil Futures Contracts are traded on the NYMEX in units of 1,000 barrels. Oil Futures Contracts traded on the NYMEX are priced by floor brokers and other exchange members both through an open outcry of offers to purchase or sell the contracts and through an electronic, screen-based system that determines the price by matching electronically offers to purchase and sell. Additional risks of investing in Oil Futures Contracts are included in *Item 1A. Risk Factors* in this annual report on Form 10-K.

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

---

## **Table of Contents**

The accountability levels for the Benchmark Oil Futures Contracts and other Oil Futures Contracts traded on U.S.-based futures exchanges, such as the NYMEX, are not a fixed ceiling, but rather a threshold above which the NYMEX may exercise greater scrutiny and control over an investor's positions. The current accountability level for investments for any one-month in the Benchmark Oil Futures Contracts is 10,000 net contracts. In addition, the NYMEX imposes an accountability level for all months of 20,000 net futures contracts for light, sweet crude oil. If US12OF and the Related Public Funds exceed these accountability levels for investments in the futures contract for light, sweet crude oil, the NYMEX will monitor such exposure and ask for further information on their activities, including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of US12OF and the Related Public Funds. If deemed necessary by the NYMEX, it could also order US12OF and the Related Public Funds to reduce their aggregate net position back to the accountability level. In addition, the ICE Futures maintains the same accountability levels, position limits and monitoring authority for its light, sweet crude oil contract as the NYMEX. As of December 31, 2011, US12OF and the Related Public Funds held a net of 11,177 NYMEX Crude Oil Futures CL contracts. As of December 31, 2011, US12OF did not hold any Futures Contracts traded on the ICE Futures.

Position limits differ from accountability levels in that they represent fixed limits on the maximum number of futures contracts that any person may hold and cannot allow such limits to be exceeded without express CFTC authority to do so. In addition to accountability levels and position limits that may apply at any time, the NYMEX and the ICE Futures impose position limits on contracts held in the last few days of trading in the near month contract to expire. It is unlikely that US12OF will run up against such position limits because US12OF's investment strategy is to close out its positions and roll from the near month contracts to expire to the next month contracts during a one-day period beginning two weeks from expiration of the contracts.

On October 18, 2011, the CFTC adopted new rules, which establish position limits and limit formulas for certain physical commodity futures including Oil Futures Contracts and options on Oil Futures Contracts, executed pursuant to the rules of designated contract markets (*i.e.*, certain regulated exchanges) and commodity swaps that are economically equivalent to such futures and options contracts. See *Commodity Interest Markets Regulation* in this annual report on Form 10-K for information regarding the Dodd-Frank Act.

*Price Volatility.* The price volatility of Oil Futures Contracts generally has been historically greater than that for traditional securities such as stocks and bonds. Price volatility often is greater day-to-day as opposed to intra-day. Oil Futures Contracts tend to be more volatile than stocks and bonds because price movements for crude oil are more currently and directly influenced by economic factors for which current data is available and are traded by crude oil futures traders throughout the day. Because US12OF invests a significant portion of its assets in Oil Futures Contracts, the assets of US12OF, and therefore the prices of US12OF's units, may be subject to greater volatility than traditional securities.

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

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

US12OF's investment objective is for the daily changes in percentage terms of its units' per unit NAV to reflect the daily changes in percentage terms of the average price of the Benchmark Oil Futures Contracts, less US12OF's expenses. US12OF invests primarily in Oil Futures Contracts. US12OF seeks to have its aggregate NAV approximate at all times the aggregate market value of the Oil Futures Contracts (or Other Oil-Related Investments) it holds.

## **Table of Contents**

In connection with investing in Oil Futures Contracts and Other Oil-Related Investments, US12OF holds Treasuries, cash and/or cash equivalents that serve as segregated assets supporting US12OF's positions in Oil Futures Contracts and Other Oil-Related Investments. For example, the purchase of an Oil Futures Contract with a stated value of \$10 million would not require US12OF to pay \$10 million upon entering into the contract; rather, only a margin deposit, generally of 5% to 30% of the stated value of the Oil Futures Contract, would be required. To secure its Oil Futures Contract obligations, US12OF would deposit the required margin with the futures commission merchant and would separately hold, through its Custodian, Treasuries, cash and/or cash equivalents in an amount equal to the balance of the current market value of the contract, which at the contract's inception would be \$10 million minus the amount of the margin deposit, or \$9.5 million (assuming a 5% margin).

As a result of the foregoing, typically 5% to 30% of US12OF's assets are held as margin in segregated accounts with a futures commission merchant. In addition to the Treasuries and cash it posts with the futures commission merchant for the Oil Futures Contracts it owns, US12OF may hold, through the Custodian or futures commission merchant, Treasuries, cash and/or cash equivalents that can be posted as additional margin or as other collateral to support its over-the-counter contracts. US12OF earns income from the Treasuries and/or cash equivalents that it purchases, and on the cash it holds through the Custodian. US12OF anticipates that the earned income will increase the NAV and limited partners' capital contribution accounts. US12OF reinvests the earned income, holds it in cash, or uses it to pay its expenses. If US12OF reinvests the earned income, it makes investments that are consistent with its investment objective.

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

#### ***Liquidity***

US12OF invests only in Oil Futures Contracts and Other Oil-Related Investments that, in the opinion of USCF, are traded in sufficient volume to permit the ready taking and liquidation of positions in these financial interests and in over-the-counter Other Oil-Related Investments that, in the opinion of USCF, may be readily liquidated with the original counterparty or through a third party assuming the position of US12OF.

#### ***Spot Commodities***

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

#### ***Leverage***

USCF endeavors to have the value of US12OF's Treasuries, cash and cash equivalents, whether held by US12OF or posted as margin or other collateral, at all times approximate the aggregate market value of its obligations under its Oil Futures Contracts and Other Oil-Related Investments. Commodity pools' trading positions in futures contracts or other related investments 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 interest's) entire market value. While USCF has not and does not intend to leverage US12OF's assets, it is not prohibited from doing so under the LP Agreement.

#### ***Borrowings***

Borrowings are not used by US12OF unless US12OF is required to borrow money in the event of physical delivery, if US12OF trades in cash commodities, or for short-term needs created by unexpected redemptions.

## **Table of Contents**

### ***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. Consequently, US12OF may purchase options on crude Oil Futures Contracts on these exchanges in pursuing its investment objective.

In addition to the Oil Futures Contracts and options on the Oil Futures Contracts, there also exists an active non-exchange-traded market in derivatives tied to crude oil. These derivatives transactions (also known as over-the-counter contracts) are usually entered into between two parties in private contracts. Unlike most of the exchange-traded Oil Futures Contracts or exchange-traded options on the Oil Futures Contracts, each party to such contract bears the credit risk of the other party, *i.e.*, the risk that the other party may not be able to perform its obligations under its contract. To reduce the credit risk that arises in connection with such contracts, US12OF will generally enter into an agreement with each counterparty based on the Master Agreement published by the International Swaps and Derivatives Association, Inc. that provides for the netting of its overall exposure to its counterparty.

USCF assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty to an over-the-counter contract pursuant to guidelines approved by USCF's Board.

US12OF may employ spreads or straddles in its trading to mitigate the differences in its investment portfolio and its goal of tracking the price of the Benchmark Oil Futures Contract. US12OF would use a spread when it chooses to take simultaneous long and short positions in futures written on the same underlying asset, but with different delivery months.

US12OF has not employed any hedging methods since all of its investments have been made over an exchange. Therefore, US12OF has not been exposed to counterparty risk.

### ***Pyramiding***

US12OF has not and will not employ the technique, commonly known as pyramiding, in which the speculator uses unrealized profits on existing positions as variation margin for the purchase or sale of additional positions in the same or another commodity interest.

### **Who are the Service Providers?**

In its capacity as the Custodian for US12OF, BBH&Co. holds US12OF's Treasuries, cash and/or cash equivalents pursuant to a custodial agreement. BBH&Co. is also the registrar and transfer agent for the units. In addition, in its capacity as Administrator for US12OF, BBH&Co. performs certain administrative and accounting services for US12OF and prepares certain SEC, NFA and CFTC reports on behalf of US12OF. USCF pays BBH&Co.'s fees for these services.

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

US12OF also employs ALPS Distributors, Inc. as the Marketing Agent. USCF pays the Marketing Agent an annual fee. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution-related services in connection with the offering of units exceed ten percent (10%) of the gross proceeds of the offering.

## Table of Contents

ALPS's principal business address is 1290 Broadway, Suite 1100, Denver, CO 80203. ALPS is the marketing agent for US12OF. ALPS is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation.

UBS Securities LLC (UBS Securities) is US12OF's futures commission merchant. US12OF and UBS have entered into an Institutional Futures Client Account Agreement. This agreement requires UBS Securities to provide services to US12OF in connection with the purchase and sale of Oil Interests that may be purchased or sold by or through UBS Securities for US12OF's account. US12OF pays UBS Securities' commissions for executing and clearing trades on behalf of US12OF.

UBS Securities' principal business address is 677 Washington Blvd, Stamford, CT 06901. UBS Securities is a futures clearing broker for US12OF. UBS Securities is registered in the U.S. with FINRA as a broker-dealer and with the CFTC as a futures commission merchant. UBS Securities is a member of various U.S. futures and securities exchanges.

UBS is and has been a defendant in numerous legal proceedings, including actions brought by regulatory organizations and government agencies, relating to its securities and commodities business that allege various violations of federal and state securities laws. UBS AG, the ultimate parent company to UBS Securities LLC, files annual reports and quarterly reports to the SEC in which it discloses material information about UBS matters, including information about any material litigation or regulatory investigations ([https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/quarterly\\_reporting/2011.html](https://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2011.html)). Actions with respect to UBS Securities' futures commission merchant business are publicly available on the website of the National Futures Association (<http://www.nfa.futures.org/>).

On April 29, 2010, the CFTC issued an order with respect to UBS Securities LLC and levied a fine of \$200,000. The Order stated that on February 6, 2009, UBS Securities' employee broker aided and abetted UBS Securities' customer's concealment of material facts from the NYMEX in violation of Section 9(a)(4) of the CEA, 7 U.S.C. § 13(a)(4) (2006). Pursuant to NYMEX Rules, a block trade must be reported to NYMEX within five minutes of the time of execution consistent with the requirements of NYMEX Rule 6.21C(A)(6). Although the block trade in question was executed earlier in the day, UBS Securities' employee broker allegedly aided and abetted its customer's concealment of facts when, in response to the customer's request to delay reporting the trade until after the close of trading, UBS Securities' employee did not report the trade until after the close. The fine has been paid and the matter is now closed.

On August 14, 2008 the New Hampshire Bureau of Securities Regulation filed an administrative action against UBS Securities relating to a student loan issuer, the New Hampshire Higher Education Loan Corp. (NHHELCO). The complaint alleged fraudulent and unethical conduct in violation of New Hampshire state statutes. On April 14, 2010, UBS entered into a Consent Order resolving all of the Bureau's claims. UBS paid \$750,000 to the Bureau for all costs associated with the Bureau's investigation. UBS entered a separate civil settlement with NHHELCO and provided a total financial benefit of \$20M to NHHELCO.

In the summer of 2008, the Massachusetts Securities Division, Texas State Securities Board, and the New York Attorney General all brought actions against UBS and UBS Financial Services, Inc. (UBS Financial), alleging violations of various state law anti-fraud provisions in connection with the marketing and sale of auction rate securities.

On August 8, 2008, UBS Securities and UBS Financial Services reached agreements with the SEC, the NYAG, the Massachusetts Securities Division and other state regulatory agencies represented by the North American Securities Administrators Association (NASAA) to restore liquidity to all remaining client's holdings of auction rate securities by June 30, 2012. On October 2, 2008, UBS Securities and UBS Financial entered into a final consent agreement with the Massachusetts Securities Division settling all allegations in the Massachusetts Securities Division's administrative proceeding against UBS Securities and UBS Financial with regards to the auction rate securities matter. On December 11, 2008, UBS Securities and UBS Financial executed an Assurance of Discontinuance in the auction rate securities settlement with the NYAG. On the same day, UBS Securities and UBS Financial finalized settlements with the SEC. UBS paid penalties of \$75M to NYAG and an additional \$75M to be apportioned among the participating NASAA states. In March 2010, UBS and NASAA agreed on final settlement terms, pursuant to which, UBS agreed to provide client liquidity up to an additional \$200 million.

**Table of Contents**

The Jerome F. Sheldon Trust, et al. v. UBS Securities LLC, et al. is one of a series of consolidated actions filed beginning in 2008 in the Superior Court of California, County of San Francisco relating to Solidus Networks, Inc., d/b/a Pay by Touch ( PBT ), for which UBS served as a placement agent in several offerings by PBT securities. Plaintiffs in the consolidated actions allege, among other things, that UBS and executives of PBT misrepresented the financial condition of PBT and failed to disclose certain legal difficulties of John Rogers (the initial founder and CEO of PBT) including alleged drug use. Plaintiffs' complaint asserts that these alleged misrepresentations and omissions constituted fraud against certain investors in PBT and violated provisions of California securities law. Plaintiff claims \$95 million in damages, plus interest and punitive damages. Trial is scheduled to begin the week of November 21, 2011.

On June 27, 2007, the Securities Division of the Secretary of the Commonwealth of Massachusetts ( Massachusetts Securities Division ) filed an administrative complaint (the Complaint ) and notice of adjudicatory proceeding against UBS Securities LLC, captioned In The Matter of UBS Securities, LLC, Docket No. E-2007-0049, which alleged that UBS Securities violated the Massachusetts Uniform Securities Act (the Act ) and related regulations by providing the advisers for certain hedge funds with gifts and gratuities in the form of below market office rents, personal loans with below market interest rates, event tickets, and other perks, in order to induce those hedge fund advisers to increase or retain their level of prime brokerage fees paid to UBS Securities. On November 22, 2010, UBS entered into a Consent Order and Settlement with the Massachusetts Securities Division, pursuant to which UBS agreed to implementing a disclosure policy and retaining an independent consultant to monitor the policy. UBS also paid a \$100,000 fine.

UBS Securities will act only as clearing broker for US12OF and as such will be paid commissions for executing and clearing trades on behalf of US12OF. UBS Securities has not passed upon the adequacy or accuracy of this annual report on Form 10-K. UBS Securities neither will act in any supervisory capacity with respect to USCF nor participate in the management of USCF or US12OF.

UBS Securities is not affiliated with US12OF or USCF. Therefore, US12OF does not believe that US12OF has any conflicts of interest with UBS Securities or their trading principals arising from their acting as US12OF's futures commission merchant.

Currently, USCF does not employ commodity trading advisors for trading of US12OF contracts. USCF currently does, however, employ a trading advisor for USCI and CPER, SummerHaven Investment Management, LLC ( SummerHaven ). If, in the future, USCF does employ commodity trading advisors for US12OF, it will choose each advisor based on arm's-length negotiations and will consider the advisor's experience, fees and reputation.

**Fees of US12OF**

***Fees and Compensation Arrangements with USCF and Non-Affiliated Service Providers<sup>(1)</sup>***

<b>Service Provider</b>	<b>Compensation Paid by USCF</b>
BBH&Co., Custodian and Administrator	Minimum amount of \$75,000 annually for its custody, fund accounting and fund administration services rendered to all funds, as well as a \$20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first \$500 million of US12OF and the Related Public Funds' combined net assets, (b) 0.0465% for US12OF and the Related Public Funds' combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once US12OF and the Related Public Funds' combined net assets exceed \$1 billion. <sup>(2)</sup>
ALPS Distributors, Inc., Marketing Agent	0.06% on US12OF's assets up to \$3 billion and 0.04% on US12OF's assets in excess of \$3 billion.

(1) USCF pays this compensation.

(2) The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \$75,000. USCF also will pay transaction charge fees to BBH&Co., ranging from \$7.00 to \$15.00 per transaction for the funds.

**Table of Contents****Compensation to USCF**

US12OF is contractually obligated to pay USCF a management fee based on 0.60% per annum on its average net assets. Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. NAV is calculated by taking the current market value of US12OF's total assets and subtracting any liabilities.

**Fees and Compensation Arrangements between US12OF and Non-Affiliated Service Providers<sup>(3)</sup>**

Service Provider	Compensation Paid by US12OF
UBS Securities LLC, Futures Commission Merchant	Approximately \$3.50 per buy or sell; charges may vary

<sup>(3)</sup> US12OF pays this compensation.

**New York Mercantile Exchange Licensing Fee<sup>(4)</sup>**

Assets	Licensing Fee
<b>Prior to October 19, 2011:</b>	
First \$1,000,000,000	0.04% of NAV
After the first \$1,000,000,000	0.02% of NAV
<b>On and after October 20, 2011:</b>	0.015% on all net assets

<sup>(4)</sup> Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. US12OF is responsible for its pro rata share of the assets held by US12OF and the Related Public Funds, other than USBO, USCI, CPER, USMI and USAG.

**Expenses Paid or Accrued by US12OF through December 31, 2011 in dollar terms:**

Expenses:	Amount in Dollar Terms
Amount Paid or Accrued to USCF:	\$ 3,129,414
Amount Paid or Accrued in Portfolio Brokerage	
Commissions:	\$ 93,531
Other Amounts Paid or Accrued <sup>(5)</sup> :	\$ 1,488,664
Total Expenses Paid or Accrued:	\$ 4,711,609
Expenses Waived <sup>(6)</sup> :	\$ (108,246)
Total Expenses Paid or Accrued Including Expenses	
Waived <sup>(6)</sup> :	\$ 4,603,363

<sup>(5)</sup> Includes expenses relating to the registration of additional units, legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees, prepaid insurance expenses and miscellaneous expenses and fees and expenses paid to the independent directors of USCF.

<sup>(6)</sup> USCF, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of US12OF's NAV, on an annualized basis, through March 31, 2009, after which date such payments were no longer necessary. USCF has no obligation to pay such expenses in subsequent periods.





**Table of Contents****Expenses Paid or Accrued by US12OF through December 31, 2011 as a Percentage of Average Daily Net Assets:**

<b>Expenses:</b>	<b>Amount as a Percentage of Average Daily Net Assets</b>
Amount Paid or Accrued to USCF:	0.60% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions:	0.02% annualized
Other Amounts Paid or Accrued <sup>(7)</sup> :	0.28% annualized
Total Expenses Paid or Accrued:	0.90% annualized
Expenses Waived <sup>(8)</sup> :	(0.02)% annualized
Total Expenses Paid or Accrued Including Expenses Waived <sup>(8)</sup> :	0.88% annualized

<sup>(7)</sup> Includes expenses relating to the registration of additional units, legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees, prepaid insurance expenses and miscellaneous expenses and fees and expenses paid to the independent directors of USCF.

<sup>(8)</sup> USCF, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of US12OF's NAV, on an annualized basis, through March 31, 2009, after which date such payments were no longer necessary. USCF has no obligation to pay such expenses in subsequent periods.

**Other Fees.** US12OF also pays the fees and expenses associated with its tax accounting and reporting requirements. These fees were approximately \$200,000 for the fiscal year ended December 31, 2011. In addition, US12OF is responsible for paying its portion of the directors and officers liability insurance for US12OF and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of US12OF and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, those Related Public Funds organized as a series of a Delaware statutory trust. US12OF shares the fees and expenses with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ended December 31, 2011 were \$607,582 for US12OF and the Related Public Funds, and US12OF's portion of such fees and expenses was \$29,439.

**Form of Units**

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

**Book Entry.** Individual certificates are not issued for the units. Instead, units are represented by one or more global certificates, which are deposited by the Administrator with DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the units outstanding at any time. Unitholders are limited to: (1) participants in DTC such as banks, brokers, dealers and trust companies (DTC Participants), (2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant (Indirect Participants), and (3) those banks, brokers, dealers, trust companies and others who hold interests in the units through DTC Participants or Indirect Participants, in each case who satisfy the requirements for transfers of units. DTC Participants acting on behalf of investors holding units through such participants' accounts in DTC will follow the delivery practice applicable to securities eligible for DTC's Same-Day Funds Settlement System. Units are credited to DTC Participants' securities accounts following confirmation of receipt of payment.

**DTC.** DTC has advised US12OF as follows: It is a limited purpose trust company organized under the laws of the State of New York and is a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC Participants and facilitates the clearance and settlement of transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants.

## **Table of Contents**

### **Calculating Per Unit NAV**

US12OF's per unit NAV is calculated by:

- Taking the current market value of its total assets;
- Subtracting any liabilities; and
- Dividing that total by the total number of outstanding shares

The Administrator calculates the per unit NAV of US12OF once each NYSE Arca trading day. The per unit NAV for a particular trading day is released after 4:00 p.m. New York time. Trading during the core trading session on the NYSE Arca typically closes at 4:00 p.m. New York time. The Administrator uses the NYMEX closing price (determined at the earlier of the close of the NYMEX or 2:30 p.m. New York time) for the Oil Futures Contracts traded on the NYMEX, but calculates or determines the value of all other US12OF investments (including Oil Futures Contracts not traded on the NYMEX, Other Oil-Related Investments and Treasuries), using market quotations, if available, or other information customarily used to determine the fair value of such investments as of the earlier of the close of the NYSE Arca or 4:00 p.m. New York time, in accordance with the current Administrative Agency Agreement among BBH&Co., US12OF and USCF. Other information customarily used in determining fair value includes information consisting of market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other market data in the relevant market; or information of the types described above from internal sources if that information is of the same type used by US12OF in the regular course of its business for the valuation of similar transactions. The information may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilized. Third parties supplying quotations or market data may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

In addition, in order to provide updated information relating to US12OF for use by investors and market professionals, the NYSE Arca calculates and disseminates throughout the core trading session on each trading day an updated indicative fund value. The indicative fund value is calculated by using the prior day's closing per unit NAV of US12OF as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the activ