

United States 12 Month Oil Fund, LP  
Form 424B3  
April 03, 2009

PROSPECTUS

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Registration No. 333-157494

## United States 12 Month Oil Fund, LP 105,200,000 Units

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

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

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

Authorized purchasers are the only persons that may place orders to create and redeem baskets. An authorized purchaser is under no obligation to create or redeem baskets, and an authorized purchaser is under no obligation to offer to the public units of any baskets it does create. Authorized purchasers that do offer to the public units from the baskets they create will do so at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the NYSE Arca, the net asset value of US12OF at the time the authorized purchaser purchased the creation basket and the net asset value of the units at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the crude oil futures contract market and the market for other crude oil interests. The prices of units offered by authorized purchasers are expected to fall between US12OF's net asset value and the trading price of the units on the NYSE Arca at the time of sale. The difference between the price paid by authorized purchasers as underwriters and the price paid to such authorized purchasers by investors will be deemed underwriting compensation. Units initially comprising the same basket but offered by authorized purchasers to the public at different times may have different offering prices. Units trade in the secondary market on the NYSE Arca. Units may trade in the secondary market at prices that are lower or higher relative to their net asset value per unit. The amount of the discount or premium in the trading price relative to the net asset value per unit may be influenced by various factors, including the number of investors who seek to purchase or sell units in the secondary market and the liquidity of the crude oil futures contract market and the market for other crude oil interests. Authorized purchasers are not required to sell any specific number or dollar amount of units.

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

Some of the risks of investing in US12OF include:

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

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

US12OF does not expect to make cash distributions.

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

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

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

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

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

	Per Unit	Per Basket
Price of the units*	\$ 31.68	\$ 3,168,000

\*Based on closing net asset value on March 25, 2009. The price may vary based on net asset value on a particular day.  
**The date of this prospectus is March 31, 2009.**

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## **COMMODITY FUTURES TRADING COMMISSION RISK DISCLOSURE STATEMENT**

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

**FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT**

**CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 95 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, ON PAGE 6.**

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

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

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Until April 25, 2009 (25 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

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## PROSPECTUS SUMMARY

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

### Overview of US12OF

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

The net assets of US12OF consist primarily of investments in futures contracts for light, sweet crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the New York Mercantile Exchange ( NYMEX ), ICE Futures (formerly, the International Petroleum Exchange) or other U.S. and foreign exchanges (collectively, Oil Futures Contracts ) and other oil 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 ). For convenience and unless otherwise specified, Oil Futures Contracts and Other Oil Interests collectively are referred to as oil interests in this prospectus. The General Partner is authorized by US12OF in its sole judgment to employ, establish the terms of employment for, and terminate commodity trading advisors or futures commission merchants.

The investment objective of US12OF is to have the changes in percentage terms of its units' net asset value ( NAV ) reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as

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

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

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

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

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

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

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

year. The Benchmark Oil Futures Contracts would remain 12 consecutive contract months but they would now consist of the August contract of the current year through the July contract of the next year.

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

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

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

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

US12OF creates and redeems units only in blocks called Creation Baskets and Redemption Baskets, respectively.

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

day are expected to effect such transactions in the secondary market, on the NYSE Arca, at the market price per unit, rather than in connection with the creation or redemption of baskets.

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

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

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

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

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

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

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

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



## The Units

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

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

## US12OF s Investments in Oil Interests

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

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

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

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

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

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

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

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**As noted, US12OF invests primarily in Oil Futures Contracts, including those traded on the New York Mercantile Exchange. US12OF expressly disclaims any association with such Exchange or endorsement of**

**US12OF by such Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.**

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

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

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

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

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

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

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

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

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

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

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

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

## Principal Offices of US12OF and the General Partner

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

## Financial Condition of US12OF

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

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

Assumed initial selling price per unit	\$ 50.00
Management Fee (0.60%) <sup>(1)</sup>	\$ 0.30
Creation Basket Fee <sup>(2)</sup>	\$ (0.01 )
Estimated Brokerage Fee (0.03%) <sup>(3)</sup>	\$ 0.02
Interest Income (0.24%) <sup>(4)</sup>	\$ (0.12 )
Registration Fees <sup>(5)</sup>	\$ 0.31
NYMEX Licensing Fee <sup>(6)</sup>	\$ 0.02
Independent Directors and Officers' Fees <sup>(7)</sup>	\$ 0.01
Fees and expenses associated with tax accounting and reporting <sup>(8)</sup>	\$ 0.09
Amount of trading income (loss) required for the redemption value at the end of one year to equal the initial selling price of the unit	\$ 0.62

Percentage of initial selling price per unit 1.24 %

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

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

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

(4) US12OF will earn interest on funds it will deposit with the futures commission merchant and the Custodian and it estimates that the interest rate will be 0.24% based on the current interest rate on three-month Treasury Bills as of March 17, 2009. The actual rate may vary.

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

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

(7) The foregoing assumes that the assets of US12OF are aggregated with those of certain other funds formed by the General Partner, that the aggregate fees paid to the independent directors for 2008 was \$282,000, that the allocable portion of the fees borne by US12OF was \$1,762, and that US12OF has \$30 million in assets.

(8) US12OF assumed the aggregate costs attributable to tax accounting and reporting for 2008 to be \$55,000. The number in the break-even table assumes US12OF has \$30 million in assets.

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## The Offering

#### Offering

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

#### Use of Proceeds:

The General Partner applies substantially all of US12OF s assets toward trading in Oil Futures Contracts and other oil interests and investing in Treasuries, cash and/or cash equivalents. The General Partner will deposit a portion of US12OF s net assets with the futures commission merchant, UBS Securities LLC, or other custodian to be used to meet its current or potential margin or collateral requirements in connection with its investment in Oil Futures Contracts. US12OF uses only Treasuries, cash and/or cash equivalents to satisfy these requirements. The General Partner expects that all entities that will hold or trade US12OF s assets will be based in the United States and will be subject to United States regulations. Approximately 5% to 20% of US12OF s assets are normally committed as margin for Oil Futures Contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The remaining portion of US12OF s assets, of which the General Partner expects to be the vast majority, will be held in Treasuries, cash and/or cash equivalents by its custodian, Brown Brothers Harriman & Co. ( Custodian ) or posted as collateral to support US12OF s investments in oil interests. All interest income earned on these investments is retained for US12OF s benefit.

#### NYSE Arca Symbol:

USL

Creation and Redemption:

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

Withdrawal:

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

(i)

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

(ii)

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

Registration Clearance and Settlement:

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

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

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

Net Asset Value:

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

Fund Expenses:

US12OF pays the General Partner a management fee of 0.60% of NAV on its average net assets. Brokerage fees for Treasuries, Oil Futures Contracts, and Other Oil Interests are estimated to be 0.03% and will be paid to unaffiliated brokers. US12OF also pays any licensing fees for the use of intellectual property, registration fees paid to the SEC, the Financial Industry Regulatory Authority ( FINRA ), or other regulatory agency in connection with this and subsequent offers and sales of the units and the legal, printing, accounting and other expenses associated with such registrations. The license fee paid to the NYMEX is 0.04% of NAV for the first \$1,000,000,000 of assets and 0.02%

of NAV after the first \$1,000,000,000 of assets. The assets of US12OF are aggregated with those of other funds formed or to be formed by the General Partner for the purpose of calculating the NYMEX license fee. US12OF also is responsible for the fees and expenses, which may include directors and officers liability insurance, of the independent directors of the General Partner in connection with their activities with respect to US12OF. These director fees and expenses may be shared with other funds managed by the General Partner. These fees and expenses, in total, amounted to \$282,000 for 2008, and US12OF's portion was \$1,762, though this amount may change in future years. The General Partner, and not US12OF, is responsible for payment of the fees of US12OF's Marketing Agent, Administrator and Custodian. US12OF and/or the General Partner may be required to indemnify the Marketing Agent, Administrator or Custodian under certain circumstances. US12OF also pays the fees and expenses associated with its tax accounting and reporting requirements which were estimated to be \$55,000 for 2008, which do not include certain initial implementation services fees and base services fees which are paid by the General Partner.

Termination Events:

US12OF shall continue in effect from the date of its formation in perpetuity, unless sooner terminated upon the occurrence of any one or more of the following events: the death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of a General Partner who is the sole remaining General Partner, unless a majority in interest of limited partners within ninety

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(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:

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

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

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

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

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

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

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

no commercially productive crude oil or natural gas reservoirs will be found;  
crude oil and natural gas drilling and production activities may be shortened, delayed or canceled;  
the ability of an oil producer to develop, produce and market reserves may be limited by:  
title problems,  
political conflicts, including war,  
weather conditions,  
compliance with governmental requirements,  
refinery capacity, and  
mechanical difficulties or shortages or delays in the delivery of drilling rigs and other equipment;  
decisions of the cartel of oil producing countries (e.g., OPEC, the Organization of the Petroleum Exporting Countries), to produce more or less oil;  
increases in oil production due to price rises may make it more economical to extract oil from additional sources and may later temper further oil price increases; and  
economic activity of users, as certain economies expand oil consumption (e.g., China, India) and as economies contract (in a recession or depression), oil demand and prices fall.  
The crude oil industry experiences numerous operating risks. These operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases.

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

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

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

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

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

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

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

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

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

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

US12OF plans to buy only as many Oil Futures Contracts and Other Oil Interests that it can to get the changes in percentage terms of the NAV as close as possible to the changes in percentage terms in the price of the Benchmark Oil Futures Contracts. The remainder of its assets will be invested in Treasuries, cash and/or cash equivalents and will

The impact of environmental and other governmental laws and regulations may affect the price of crude oil.6



be used to satisfy initial margin and additional margin requirements, if any, and to otherwise support its investments in oil interests. Investments in Treasuries, cash and/or cash equivalents, both directly and as margin, will provide rates of return that will vary from changes in the value of the spot price of light, sweet crude oil and the price of the Benchmark Oil Futures Contract.

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

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

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

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

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

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

US12OF may make use of "mini" contracts as a way of investing a dollar amount in contracts that may more closely match the dollar amount of net assets of the fund. However, even the use of mini contracts does not completely eliminate the risk that US12OF will not be able to buy or sell the exact number of Futures Contracts necessary. In addition there is a risk that because of the size and relative liquidity of such contracts when compared to standard size Futures Contracts such as the Benchmark Futures Contracts, the price of a smaller contract for a particular month may not equate to the Benchmark Futures Contract for the same month, which could cause the change in the US12OF's per unit price and NAV to vary from changes in the average price of the Benchmark Futures Contracts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Benchmark Futures Contracts consist of the near month contract to expire and the contracts for the following eleven months, except during the last two weeks of the current month when the near month contract is sold and replaced by the futures contract for the thirteenth month following the current month. In the event of a crude oil

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

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

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

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

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

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

The price relationship between the near month contract and the other monthly contracts that compose the Benchmark

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

The futures markets are subject to comprehensive statutes, regulations, and margin requirements. In addition, the CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of futures transactions in the United States is a rapidly changing area of law and is subject to modification by government and judicial action.

The regulation of commodity interest transactions in the United States is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. Considerable regulatory attention has been focused on non-traditional investment pools which are publicly distributed in the United States. There is a possibility of future regulatory changes altering, perhaps to a material extent, the nature of an investment in US12OF or the ability of US12OF to continue to implement its investment strategy. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the energy markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on US12OF is impossible to predict, but could be substantial and adverse.

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

Participants in the crude oil or in other industries may use US12OF as a vehicle to hedge the risk of losses in their crude oil-related transactions. There are several risks in connection with using US12OF as a hedging device. While hedging can provide protection against an adverse movement in market prices, it can also preclude a 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 hedger can lose on the hedging transaction and not realize an offsetting gain in the value of the underlying item being hedged.

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

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In addition, using an investment in US12OF as a hedge for changes in energy costs (*e.g.*, investing in crude oil, heating oil, gasoline, natural gas or other fuels, or electricity) may not correlate because changes in the spot price of crude oil may vary from changes in energy costs because the spot price may not be at the same rate as changes in the

price of other energy products, and, in any case, the price of crude oil does not reflect the refining, transportation, and other costs that may impact the hedger's energy costs.

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

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

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

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

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

## **US12OF's Operating Risks**

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

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

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

In managing and directing the day-to-day activities and affairs of US12OF, the General Partner relies heavily on Mr. Nicholas Gerber, Mr. John Love and Mr. John Hyland. If Mr. Gerber, Mr. Love, or Mr. Hyland were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of US12OF. Furthermore, Mr. Gerber, Mr. Love and Mr. Hyland currently are involved in the management of USOF, the United States Natural Gas Fund, LP ( USNG ), the United States Gasoline Fund, LP ( UGA ) and the United States Heating Oil Fund, LP ( USHO ) (collectively, the Related Public Funds ). The General Partner is currently in the process of registering two other exchange traded security funds, United States Short Oil Fund, LP ( USSO ), and United States 12 Month Natural Gas Fund, LP ( US12NG ). Mr. Gerber is also employed by Ameristock Corporation, a registered investment adviser that manages a public mutual fund. It is estimated that Mr. Gerber will spend approximately 50%

of his time on US12OF and Related Public Fund matters. Mr. Love will spend approximately 100% of his time on US12OF and Related Public Fund matters and Mr. Hyland will spend approximately 85% of his time on US12OF and Related Public Fund matters. To the extent that the General Partner establishes additional funds, even greater demands will be placed on Mr. Gerber, Mr. Love and Mr. Hyland, as well as the other officers of the General Partner, including Mr. Howard Mah, the Chief Financial Officer, and its Board of Directors.

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

U.S. designated contract markets such as the NYMEX have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by US12OF is not) may hold, own or control. For example, the current accountability level for investments at any one time in the Benchmark Oil Futures Contracts is 20,000. While this is not a fixed ceiling, it is a threshold above which the NYMEX may exercise greater scrutiny and control over an investor, including limiting an investor to holding no more than 20,000 Benchmark Oil Futures Contracts. With regard to position limits, the NYMEX limits an investor from holding more than 3,000 net futures in the last 3 days of trading in the near month contract to expire.

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

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

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

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

The General Partner is leanly staffed and relies heavily on key personnel to manage trading activities. 23

and prices. In addition, the Oil Futures Contracts available on the ICE Futures may be subject to accountability levels and position limits.

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

The General Partner's trading system is quantitative in nature and it is possible that the General Pa