

United States Heating Oil Fund, LP  
Form 10-K/A  
May 24, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K/A  
(Amendment No. 1)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the fiscal year ended December 31, 2009.

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: 001-34016

United States Heating Oil Fund, LP  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-8837345  
(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  
(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

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

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

Indicate by check mark 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   
(Do not check if a smaller reporting company)

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, 2009 was: \$7,731,000.

The registrant had 500,000 outstanding units as of March 29, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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## UNITED STATES HEATING OIL FUND, LP

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## Explanatory Note

The United States Heating Oil Fund, LP (“USHO”) is filing this Amendment No. 1 to its annual report on Form 10-K (“Form 10-K/A”) for the fiscal year ended December 31, 2009 that was filed with the U.S. Securities and Exchange Commission on March 30, 2010 (the “Form 10-K”). This Form 10-K/A replaces pages 107 to 125 of Part II, Item 8 of the Form 10-K filed on March 30, 2010. The purpose of the Form 10-K/A is to restate the audited Consolidated Financial Statements of United States Commodity Funds LLC, the general partner of USHO (the “General Partner”), included in the Form 10-K to accurately reflect the accounting for startup expenses (offering costs) for the funds managed by the General Partner (the “Funds”) after the General Partner’s management concluded that there was an error relating to the accounting for startup expenses. The General Partner formerly treated the deferred offering costs as a capitalized asset and, once a Fund’s registration statement became effective, the General Partner charged the deferred offering costs to equity. However, the General Partner’s management concluded that these startup expenses should instead be charged to operations as incurred and should be reflected in the applicable period. As a result of the error in accounting for the Funds’ startup expenses, the General Partner’s audited Consolidated Financial Statements have been restated to charge the startup expenses to current operations; accordingly, the consolidated statements of financial condition, consolidated statements of operations, consolidated statements of changes in equity and consolidated statements of cash flows have been restated to reflect this change. The cumulative effect from the error on equity as of December 31, 2007 is \$(187,056). The significant effects of the restatement on the General Partner’s consolidated statements of financial condition as of December 31, 2009 and 2008 and its consolidated statements of operations and consolidated statements of cash flows for the years then ended are included in Note 10 to the General Partner’s audited Consolidated Financial Statements.

There were no changes to USHO’s audited financial statements included in the Form 10-K; therefore, USHO’s financial statements have not been included in the Form 10-K/A.

Except as set forth above, no other changes have been made to the Form 10-K, and the Form 10-K/A does not amend, update or change any other items or disclosure found in the Form 10-K. Further, the Form 10-K/A does not reflect events that occurred after the filing of the Form 10-K.

Part II

Item 8. Financial Statements and Supplementary Data.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Member of  
United States Commodity Funds LLC and Subsidiaries

We have audited the accompanying consolidated statements of financial condition of United States Commodity Funds LLC (formerly Victoria Bay Asset Management, LLC) and Subsidiaries (the "Company"), as of December 31, 2009 and 2008, and the related consolidated statements of operations and other comprehensive income (loss), changes in equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United States Commodity Funds LLC (formerly Victoria Bay Asset Management, LLC) and Subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, the accompanying consolidated financial statements have been restated.

/s/ SPICER JEFFRIES LLP

Greenwood Village, Colorado  
March 30, 2010, except as to the fourth paragraph above and Note 10,  
which are as of May 19, 2010

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

|  | December 31,          |                     |
|--|-----------------------|---------------------|
|  | 2009                  | 2008                |
|  | As Restated (Note 10) |                     |
| <b>ASSETS</b>  |                       |                     |
| Cash and cash equivalents                            | \$ 1,789,182          | \$ 125,815          |
| Management fees receivable                           | 2,973,237             | 893,111             |
| Investments (Notes 2 and 4)                          | 43,304                | 34,579              |
| Other assets   | 4,171                 | 1,960               |
| <b>Total assets</b>                                  | <b>\$ 4,809,894</b>   | <b>\$ 1,055,465</b> |
| <b>LIABILITIES AND EQUITY (DEFICIT)</b>              |                       |                     |
| <b>LIABILITIES:</b>                                  |                       |                     |
| Accounts payable                                     | \$ 505,858            | \$ 624,688          |
| Income tax payable                                   | 181,031               | 285,400             |
| Expense waiver payable (Note 3)                      | 811,004               | 311,038             |
| <b>Total liabilities</b>                             | <b>1,497,893</b>      | <b>1,221,126</b>    |
| <b>COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)</b> |                       |                     |
| <b>EQUITY (DEFICIT):</b>                             |                       |                     |
| Member's equity (deficit) (Notes 3 and 7)            | 3,310,041             | (167,621)           |
| Noncontrolling interests (Note 3)                    | 1,960                 | 1,960               |
| <b>Total equity (deficit)</b>                        | <b>3,312,001</b>      | <b>(165,661)</b>    |
| <b>Total liabilities and equity (deficit)</b>        | <b>\$ 4,809,894</b>   | <b>\$ 1,055,465</b> |

The accompanying notes are an integral part of these statements.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

CONSOLIDATED STATEMENTS OF OPERATIONS  
AND OTHER COMPREHENSIVE INCOME (LOSS)

|  | Year Ended December 31, |                     |
|--|-------------------------|---------------------|
|  | 2009                    | 2008                |
|  | As Restated (Note 10)   |                     |
| <b>REVENUE:</b>                                |                         |                     |
| Management fees                                | \$ 27,224,589           | \$ 8,631,883        |
| <b>EXPENSES:</b>                               |                         |                     |
| Salaries, wages, payroll taxes and benefits    | 3,705,288               | 1,389,888           |
| Distribution fees                              | 2,896,155               | 1,026,625           |
| Fund startup expenses                          | 1,032,975               | 719,494             |
| Administration fees                            | 1,866,968               | 665,696             |
| General and administrative                     | 968,114                 | 460,794             |
| Professional fees                              | 767,669                 | 1,159,643           |
| Custodial fees                                 | 306,575                 | 118,453             |
| Fees and licenses expense                      | 138,074                 | 27,683              |
| Expense waiver expense (Note 3)                | 822,231                 | 311,038             |
| Transfer agent fees                            | 110,126                 | 208,274             |
| Advertising and promotion                      | 78,224                  | 79,202              |
| <b>Total expenses</b>                          | <b>12,692,399</b>       | <b>6,166,790</b>    |
| <b>OTHER INCOME:</b>                           |                         |                     |
| Other income                                   | 53,444                  | -                   |
| Dividend income                                | 3,934                   | 14                  |
| <b>Total other income</b>                      | <b>57,378</b>           | <b>14</b>           |
| <b>NET INCOME BEFORE INCOME TAXES</b>          | <b>14,589,568</b>       | <b>2,465,107</b>    |
| <b>PROVISION FOR INCOME TAXES:</b>             |                         |                     |
| Income tax expense (Note 5)                    | 6,229,595               | 1,260,622           |
| <b>NET INCOME</b>                              | <b>8,359,973</b>        | <b>1,204,485</b>    |
| <b>OTHER COMPREHENSIVE INCOME (LOSS):</b>      |                         |                     |
| Unrealized gain (loss) on investments (Note 7) | 8,725                   | (88,820)            |
| <b>COMPREHENSIVE INCOME</b>                    | <b>\$ 8,368,698</b>     | <b>\$ 1,115,665</b> |

The accompanying notes are an integral part of these statements.





UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

|   | Member's<br>Equity<br>(Deficit) | Noncontrolling<br>Interests<br>(Note 3) |
|---|---------------------------------|---|
| BALANCES, December 31, 2007   | \$ (311,393)                    | \$ 2,940                                |
| Adjustment to opening member's equity (Note 10)                       | (187,056)                       | -                                       |
| BALANCES, December 31, 2007, as restated                              | (498,449)                       | 2,940                                   |
| Purchase of interest in United States Short Oil Fund, LP              | -                               | 980                                     |
| Redemption of interest in United States Heating Oil Fund, LP          | -                               | (980)                                   |
| Redemption of interest in United States Gasoline Fund, LP             | -                               | (980)                                   |
| Other comprehensive loss (Note 7)                                     | (88,820)                        | -                                       |
| Distributions   | (784,837)                       | -                                       |
| Net income  | 1,204,485                       | -                                       |
| BALANCES, December 31, 2008, as restated                              | (167,621)                       | 1,960                                   |
| Other comprehensive income (Note 7)                                   | 8,725                           | -                                       |
| Redemption of interest in United States Short Oil Fund, LP            | -                               | (980)                                   |
| Redemption of interest in United States 12 Month Natural Gas Fund, LP | -                               | (980)                                   |
| Purchase of interest in United States Short Natural Gas Fund, LP      | -                               | 980                                     |
| Purchase of interest in United States Brent Oil Fund, LP              | -                               | 980                                     |
| Distributions   | (4,891,036)                     | -                                       |
| Net income  | 8,359,973                       | -                                       |
| BALANCES, December 31, 2009, as restated                              | \$ 3,310,041                    | \$ 1,960                                |

The accompanying notes are an integral part of these statements.



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Year Ended December 31, |                   |
|---|-------------------------|-------------------|
|   | 2009                    | 2008              |
|   | As Restated (Note 10)   |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                         |                   |
| Net income  | \$ 8,359,973            | \$ 1,204,485      |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                   |
| Increase in management fees receivable  | (2,080,126)             | (392,983)         |
| (Increase) decrease in other assets   | (2,211)                 | 980               |
| Decrease in due to parent   | -                       | (109,539)         |
| (Decrease) increase in income taxes payable                                       | (104,369)               | 254,498           |
| Increase in expense waiver payable  | 499,966                 | 311,038           |
| Decrease in accounts payable  | (118,830)               | (410,757)         |
| <b>Net cash provided by operating activities</b>                                  | <b>6,554,403</b>        | <b>857,722</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                         |                   |
| Distributions   | (4,891,036)             | (784,837)         |
| Increase (decrease):  |                         |                   |
| Noncontrolling interest in United States Heating Oil Fund, LP                     | -                       | (980)             |
| Noncontrolling interest in United States Gasoline Fund, LP                        | -                       | (980)             |
| Noncontrolling interest in United States Brent Oil Fund, LP                       | 980                     | -                 |
| Noncontrolling interest in United States 12 Month Natural Gas Fund, LP            | (980)                   | -                 |
| Noncontrolling interest in United States Short Natural Gas Fund, LP               | 980                     | -                 |
| Noncontrolling interest in United States Short Oil Fund, LP                       | (980)                   | 980               |
| <b>Net cash used in financing activities</b>                                      | <b>(4,891,036)</b>      | <b>(785,817)</b>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                  | <b>1,663,367</b>        | <b>71,905</b>     |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>                               | <b>125,815</b>          | <b>53,910</b>     |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                                     | <b>\$ 1,789,182</b>     | <b>\$ 125,815</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                          |                         |                   |
| Cash paid for taxes   | \$ 4,485,400            | \$ 1,119,761      |

The accompanying notes are an integral part of these statements.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATION

Victoria Bay Asset Management, LLC was formed as a single-member limited liability company in the State of Delaware on May 10, 2005. On June 13, 2008, Victoria Bay Asset Management, LLC changed its name to United States Commodity Funds LLC (the "Company"). The Company is the General Partner (the "General Partner") of United States Oil Fund, LP ("USOF"), United States Natural Gas Fund, LP ("USNG"), United States Heating Oil Fund, LP ("USHO"), United States Gasoline Fund, LP ("USG"), United States 12 Month Oil Fund, LP ("US12OF"), United States 12 Month Natural Gas Fund, LP ("US12NG"), United States Short Oil Fund, LP ("USSO"), United States Brent Oil Fund, LP ("USBO"), United States Short Natural Gas Fund, LP ("USSNG"), and is the Sponsor ("Sponsor") of United States Commodity Index Funds Trust ("Trust"). The Company is registered as a commodity pool operator with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). USOF, USNG, USHO, USG, US12OF, US12NG and USSO (collectively, the "Funds") are commodity pools registered with the CFTC and members of the NFA that issue units that may be purchased and sold on the NYSE Arca, Inc. ("NYSE Arca") under the ticker symbols "USO," "UNG," "UHN," "UGA," "USL," "UNL" and "DNO." USBO is a commodity pool that is in the process of registering its units that may be purchased and sold on the NYSE Arca and the United States Commodity Index Fund ("USCI"), a series of the Trust, will also be a commodity pool and the Trust is in the process of registering USCI's units to be purchased and sold on the NYSE ARCA. USSNG is a commodity pool that has been formed but has not yet begun the process of registering its units.

USOF began trading on April 10, 2006 by purchasing futures contracts for light, sweet crude oil that are traded on the New York Mercantile Exchange (the "Exchange"). The investment objective of USOF is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of the futures contract on light sweet crude oil traded on the Exchange, that is the near month contract to expire, 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, less USOF's expenses. USOF seeks to accomplish its objective through 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 Exchange and other U.S. and foreign exchanges and other oil interests such as cash-settled options on futures contracts, forward contracts for crude oil, cleared swap contracts and over-the-counter transactions that are based on the price of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels, futures contracts and indices based on the foregoing.

USNG began trading on April 18, 2007 by purchasing futures contracts for natural gas that are traded on the Exchange. The investment objective of USNG is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of natural gas delivered to the Henry Hub, Louisiana, as measured by the changes in the price of the futures contract on natural gas traded on the Exchange that is the near month contract to expire, 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, less USNG's expenses. USNG seeks to accomplish its objective through investments in futures contracts for natural gas, crude oil, heating oil, gasoline, and other petroleum-based fuels that are traded on the Exchange and other U.S. and foreign exchanges and other natural gas-related investments such as cash-settled options on futures contracts, forward contracts for natural gas, cleared swap contracts and over-the-counter transactions that are based on the price of natural gas, crude oil and other petroleum-based fuels, futures contracts and indices based on the foregoing.



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATION (continued)

US12OF began trading on December 6, 2007 by purchasing futures contracts for light, sweet crude oil that are traded on the Exchange. The investment objective of US12OF is for the changes in percentage terms of its units' net asset value to 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 crude oil traded on the 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. US12OF seeks to accomplish its objective through 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 Exchange and or other U.S. and foreign exchanges and other oil interests such as cash-settled options on futures contracts, forward contracts for oil, cleared swap contracts and over-the-counter transactions that are based on the price of crude oil, other petroleum-based fuels, futures contracts and indices based on the foregoing.

USG began trading on February 26, 2008 by purchasing futures contracts on gasoline that are traded on the Exchange. The investment objective of USG is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of unleaded gasoline, as measured by the changes in the price of the futures contract on gasoline traded on the Exchange that is the near month contract to expire, 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 contact to expire, less USG's expenses. USG seeks to accomplish its objective through investments in futures contracts for gasoline, crude oil, natural gas, heating oil and other petroleum-based fuels that are traded on the Exchange and other U.S. and foreign exchanges and other gasoline-related investments such as cash-settled options on futures contracts, forward contracts for gasoline, cleared swap contracts and over-the-counter transactions that are based on the price of gasoline, crude oil and other petroleum-based fuels, futures contracts and indices based on the foregoing.

USHO began trading on April 9, 2008 by purchasing futures contracts on heating oil that are traded on the Exchange. The investment objective of USHO is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of heating oil, as measured by the changes in the price of the futures contract on heating oil traded on the Exchange that is the near month contract to expire, 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 contact to expire, less USHO's expenses. USHO seeks to accomplish its objective through investments in futures contracts for heating oil, crude oil, gasoline, natural gas and other petroleum-based fuels that are traded on the Exchange and other U.S. and foreign exchanges and other heating oil-related investments such as cash-settled options on futures contracts, forward contracts for heating oil, cleared swap contracts and over-the-counter transactions that are based on the price of heating oil, crude oil and other petroleum-based fuels, futures contracts and indices based on the foregoing.



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATION (concluded)

USSO began trading on September 24, 2009 by selling futures contracts on light, sweet crude oil that are traded on the Exchange. The investment objective of USSO is for the changes in percentage terms of its units' net asset value to inversely reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of the futures contract on light, sweet crude oil as traded on the Exchange that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire, less USSO's expenses. USSO accomplishes its objective through taking short positions in futures contracts for light, sweet crude oil and other types of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the Exchange and other crude oil-related investments such as cash-settled options on Futures Contracts, forward contracts for crude oil, cleared swap contracts and over-the-counter transactions that are based on the price of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels, futures contracts and indices based on the foregoing.

US12NG began trading on November 18, 2009 by purchasing futures contracts for natural gas that are traded on the Exchange. The investment objective of US12NG is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of natural gas delivered at the Henry Hub, Louisiana, as measured by the changes in the average of the prices of 12 futures contracts on natural gas traded on the Exchange, 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 and the contracts for the following 11 consecutive months, less US12NG's expenses. When calculating the daily movement of the average price of the 12 contracts each contract month will be equally weighted. US12NG seeks to accomplish its objective through investments in futures contracts for natural gas, crude oil, heating oil, gasoline and other petroleum-based fuels that are traded on the Exchange and other U.S. and foreign exchanges and other natural gas-related investments such as cash-settled options on futures contracts, forward contracts for natural gas, cleared swap contracts and over-the-counter transactions that are based on the price of natural gas, crude oil and other petroleum-based fuels, futures contracts and indices based on the foregoing.

As of December 31, 2009, USBO, USCI and USSNG had not formally begun operations. USBO and the Trust, on behalf of USCI, filed registration statements on Form S-1 with the Securities and Exchange Commission (the "SEC") and the Company is in the process of filing amendments to Form S-1 for USBO and USCI.

The Company is a wholly owned subsidiary of Wainwright Holdings, Inc. ("Wainwright"), a Delaware corporation. Wainwright is a holding company that is controlled by the president of the Company and served as the initial limited partner of the Funds. It also serves as the initial limited partner for USBO and USSNG.

As the General Partner of the Funds, the Company is required to evaluate the credit risk of the Funds to their futures commission merchant, oversee the purchases and sales of the Funds' units by certain "authorized purchasers," review the daily positions and margin requirements of the Funds, and manage the Funds' investments. The Company also pays continuing service fees to the marketing agent for communicating with the authorized purchasers.





UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Company, as General Partner of the Funds, USBO and USSNG and as Sponsor to the Trust and USCI, has included the accounts of USBO, USSNG and USCI since their inception in the consolidated financial statements. The Company has recorded a noncontrolling interest for the amount directly owned by the limited partner (representing the limited partner interest owned by Wainwright, except with respect to the Trust, which does not have a limited partner). Subsequent to the Funds commencing operations, the Company and Wainwright redeemed their partnership interests. Therefore, as of December 31, 2009, the accounts of each of the Funds were no longer included in the accompanying consolidated statement of financial condition. All intercompany accounts and balances have been eliminated in consolidation.

Revenue recognition

The Company recognizes revenue in the period earned under the terms of the Funds' respective Limited Partnership Agreements, as amended from time to time (the "Limited Partnership Agreements"). These agreements provide for fees based upon a percentage of the daily average net asset value of the Funds. In connection with the Funds' trading activities, commodity futures contracts, cleared swap contracts, forward contracts, physical commodities, and related options are recorded on the trade-date basis. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains and losses on open contracts are reflected in the statement of financial condition and represent the difference between original contract amount and market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the financial statements. Changes in the unrealized gains or losses between periods are reflected in the statement of operations.

The Company earns interest on its assets on deposit at the broker at the 90-day Treasury bill rate for deposits denominated in U.S. dollars. In addition, the Funds earn interest on funds held with their custodian at prevailing market rates earned on such investments.

General Partner management fee

Under the Funds' respective Limited Partnership Agreements, the Company is responsible for investing the assets of the Funds in accordance with the objectives and policies of the Funds. In addition, the Company has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to the Funds. For these services, the Funds are contractually obligated to pay the Company a management fee, which is paid monthly, based on the average daily net assets of the Funds. Through December 31, 2008 USOF paid a fee equal to 0.50% per annum on average daily net assets of \$1,000,000,000 or less and 0.20% of average daily net assets that were greater than \$1,000,000,000. Effective January 1, 2009, USOF pays a management fee of 0.45% per annum on its average daily net assets. USNG pays a fee equal to 0.60% per annum on average daily net assets of \$1,000,000,000 or less and 0.50% of average daily net assets that are greater than \$1,000,000,000. US12OF, USHO, USG and USSO each pay a fee of 0.60% per annum on their average daily net assets. US12NG pays a fee of 0.75% per annum on its average daily net assets.



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Partner management fee (concluded)

The Funds pay for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, the Financial Industry Regulatory Authority (“FINRA”) formerly the National Association of Securities Dealers, or any other regulatory agency in connection with the offer and sale of subsequent units after their initial registration and all legal, accounting, printing and other expenses associated therewith. The Funds also pay the fees and expenses of the independent directors.

Investments

The Company’s investments in common stock are classified as available-for-sale-securities and are considered to be held for an indefinite period. Securities investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities. Available-for-sale-securities are recorded at fair value on the statement of financial condition, with the change in fair value excluded from earnings and recorded as a component of other comprehensive income (loss) included in member’s equity. Unrealized holding gain (loss) on such securities, which were added to (subtracted from) member’s equity were \$8,725 and \$(88,820) for the years ended December 31, 2009 and 2008 (see Note 7).

Realized gains or losses are recorded upon disposition of investments calculated based upon the difference between the proceeds and the cost basis determined using the specific identification method.

Brokerage commissions

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

Additions and redemptions

Authorized purchasers may purchase creation baskets of the Funds only in blocks of 100,000 units at a price equal to the net asset value of the units calculated shortly after the close of the core trading session on the NYSE Arca on the day the order is placed. Authorized purchasers may redeem units from the Funds only in blocks of 100,000 units called “Redemption Baskets.” The amount of the redemption proceeds for a Redemption Basket will be equal to the net asset value of the Funds’ units in the Redemption Basket as of the end of each business day.

The Funds receive or pay the proceeds from units sold or redeemed within three business days after the trade-date of the purchase or redemption. The amounts due from authorized purchasers are reflected in the Funds’ statement of financial condition as receivables for units sold, and amounts payable to authorized purchasers upon redemption are reflected as payable for units redeemed.

Partnership capital and allocation of partnership income and losses

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

method of allocation as described in the Limited Partnership Agreements.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Calculation of net asset value

The Funds calculate their net asset value on each NYSE Arca trading day by taking the current market value of their total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. The Funds use the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

Cash equivalents

Cash equivalents are highly liquid investments with original maturity dates of three months or less.

Accounting estimates

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

Income taxes

The Company has filed an election with the Internal Revenue Service to be treated as an association taxable as a corporation. The Company files a consolidated federal income tax return with Wainwright and provides for income taxes as if the Company filed separately. The Company, however, does not file on a consolidated basis for state income tax purposes. The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Classification ("ASC") Topic 740-10, Accounting for Income Taxes ("FASB ASC Topic 740-10"). Under the asset and liability method of FASB ASC Topic 740-10, deferred tax assets and liabilities are recognized for the estimated future tax consequences or benefits attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Fund startup expenses

The Company expenses all startup expenses associated with the registration of the Funds. Fund startup expenses include offering costs relating to the initial registration of units and include, but are not limited to, legal fees pertaining to the initial registration of the Funds' units, SEC and FINRA registration fees, initial fees paid to be listed on an exchange and other similar costs.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

Effective January 1, 2008, the Company adopted FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes ("FASB ASC Topic 740-10"), which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. FASB ASC Topic 740-10 is effective for private companies for fiscal years beginning after December 15, 2008. The Company's adoption of FASB ASC Topic 740-10 did not have a material effect on its consolidated financial position, results of operations or liquidity.

Effective January 1, 2008, the Company adopted FASB ASC Topic 820, Fair Value Measurements and Disclosures ("FASB ASC Topic 820"). FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. The changes to past practice resulting from the application of FASB ASC Topic 820 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. FASB ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the Company (observable inputs) and (2) the Company's own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the FASB ASC Topic 820 hierarchy are as follows:

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

Level II - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

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

In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety. The Company's adoption of FASB ASC Topic 820 did not have a material effect on its consolidated financial position, results of operations or liquidity.

In December 2007, the FASB issued FASB ASC Topic 810-10-65, Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. FASB ASC Topic 810-10-65 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. Additionally, FASB ASC Topic 810-10-65 requires that transactions between an entity and noncontrolling interests be treated as equity transactions. FASB ASC Topic 810-10-65 is effective for fiscal years beginning after December 15, 2008.

Adoption on January 1, 2009, as required, did not have a material effect on the Company's financial condition, results of operations or liquidity. The minority interests previously reflected in the Company's financial statements have been reclassified to conform to the current presentation.



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Recent accounting pronouncements (concluded)

In March 2008, the FASB released FASB ASC Topic 815-10, Disclosures about Derivative Instruments and Hedging Activities. FASB ASC Topic 815-10 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The Company adopted FASB ASC Topic 815-10 on January 1, 2009. The Company's adoption of FASB ASC Topic 815-10 did not have a material effect on the Company's financial condition, results of operations or liquidity.

In May 2009, the FASB issued FASB ASC Topic 855-10-05, Subsequent Events. This standard is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. FASB ASC Topic 855-10-05 is effective for fiscal years and interim periods ending after June 15, 2009.

NOTE 3 - CAPITALIZATION AND RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company paid \$4,891,036 and \$784,837 in distributions to its member. The Company and USOF have incurred offering and organizational costs in the amount of \$2,023,991 which are not included in the accompanying consolidated financial statements at December 31, 2008. Wainwright has provided funding for these costs, but is under no obligation to do so or continue funding these costs. The Company and USOF are not required to reimburse Wainwright or its affiliates for any such costs incurred.

The Funds, USBO and USSNG were each capitalized with \$1,000, of which the Company contributed \$20 and Wainwright contributed \$980. The Trust was capitalized with \$1,000, which was contributed solely by the Company, which is included in cash and cash equivalents in the accompanying statement of financial condition.

In addition, the Company, as General Partner, through no obligation to do so, has agreed to pay certain expenses, including those relating to audit expenses and tax accounting and reporting requirements normally borne by USHO, USG, US12OF, USSO and US12NG to the extent that such expenses exceed 0.15% (15 basis points) of their NAV, on an annualized basis. The Company, as General Partner has no obligation to continue such payments in subsequent years.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - CAPITALIZATION AND RELATED PARTY TRANSACTIONS (concluded)

The Company's consolidated statement of financial condition reflects noncontrolling interests in its subsidiaries as of December 31, 2009 and 2008. A schedule of the noncontrolling interests is presented below:

|   | December 31, |          |
|---|--------------|----------|
|   | 2009         | 2008     |
| Limited partner interest in United States 12 Month Natural Gas Fund, LP | \$ -         | \$ 980   |
| Limited partner interest in United States Short Natural Gas Fund, LP    | 980          | -        |
| Limited partner interest in United States Short Oil Fund, LP            | -            | 980      |
| Limited partner interest in United States Brent Oil Fund, LP            | 980          | -        |
|   | \$ 1,960     | \$ 1,960 |

NOTE 4 - FAIR VALUE MEASUREMENTS

The following table summarizes the valuation of the Company's investments at December 31, 2009 and 2008 using the fair value hierarchy:

| At December 31, 2009: | Total     | Level I   | Level II | Level III |
|-----------------------|-----------|-----------|----------|-----------|
| Investments           | \$ 43,304 | \$ 43,304 | \$ -     | \$ -      |
| At December 31, 2008: | Total     | Level I   | Level II | Level III |
| Investments           | \$ 34,579 | \$ 34,579 | \$ -     | \$ -      |

NOTE 5 - INCOME TAXES

The Company has filed an election with the Internal Revenue Service to be treated as an association taxable as a corporation. The Company files a consolidated federal income tax return with Wainwright and provides for income taxes as if the Company filed separately. The Company, however, does not file on a consolidated basis for state income tax purposes. In connection with filing a consolidated federal income tax return, the Company has recorded federal income tax expense (benefit) and has recorded a corresponding due from parent and due to parent for its federal tax liability (benefit).

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 2009 and 2008, as restated, are as follows:



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - INCOME TAXES (concluded)

|  | December 31, |            |
|--|--------------|------------|
|  | 2009         | 2008       |
| Deferred tax liabilities                   | \$ -         | \$ -       |
| Deferred tax assets:                       |              |            |
| Funds' startup expenses (offering costs)   | \$ 518,000   | \$ 363,000 |
| Unrealized losses on investments           | 220,000      | 224,000    |
| Valuation allowance for deferred tax asset | (738,000)    | (587,000)  |
|  | \$ -         | \$ -       |

The valuation allowance increased by \$151,000 for the year ended December 31, 2009 and increased by \$148,000 for the year ended December 31, 2008.

The portion of the deferred tax asset shown relating to the Company's unrealized losses on investments reported above relates to the unrealized losses on investments and is accounted for as other comprehensive loss (see Note 7).

NOTE 6 - CONTRACTS AND AGREEMENTS

The Company, together with each of the Funds, is a party to marketing agent agreements with ALPS Distributors, Inc. ("ALPS"), a Colorado corporation, whereby ALPS provides certain marketing services for the Funds as outlined in their respective marketing agent agreements. Under the agreement dated as of March 13, 2006, as amended, whereby ALPS provides certain marketing services for USOF, the Company pays ALPS a marketing fee of \$425,000 per annum plus the following incentive fee: 0.00% on USOF's assets from \$0 — \$500 million; 0.04% on USOF's assets from \$500 million — \$4 billion; and 0.03% on USOF's assets in excess of \$4 billion. Under the agreement dated as of April 17, 2007, whereby ALPS provides certain marketing services for USNG, and the agreement dated as of November 13, 2007, whereby ALPS provides certain marketing services for US12OF, the Company pays ALPS fees equal to 0.06% on each of USNG's, US12OF's and US12NG's assets up to \$3 billion and 0.04% on each of USNG's and US12OF's assets in excess of \$3 billion. Under the agreement dated as of February 15, 2008, whereby ALPS provides certain marketing services for USG, and the agreement dated March 10, 2008 whereby ALPS provides certain marketing services for USHO, the Company pays ALPS fees equal to 0.06% on each of USG's and USHO's assets up to \$3 billion and 0.04% on each of USG's and USHO's assets in excess of \$3 billion. Under the agreement dated as of June 8, 2009, whereby ALPS provides certain marketing services for USSO, the Company pays ALPS fees equal to 0.06% on USSO's assets up to \$3 billion; and 0.04% on USSO's assets in excess of \$3 billion.

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



UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - CONTRACTS AND AGREEMENTS (concluded)

The Company and each of the Funds are parties to custodian agreements with Brown Brothers Harriman & Co. (“Brown Brothers”), whereby Brown Brothers holds investments on behalf of the Funds. The Company pays the fees of the custodian, which shall be determined by the parties from time to time. In addition, the Company, with each of the Funds, are parties to administrative agency agreements with Brown Brothers, whereby Brown Brothers acts as the administrative agent, transfer agent and registrar for each of the Funds. The Company also pays the fees of Brown Brothers for its services under these agreements and such fees will be determined by the parties from time to time.

Currently, the Company pays Brown Brothers for its services, in the foregoing capacities, the greater of a minimum amount of \$75,000 annually or an asset-based charge of (a) 0.06% for the first \$500 million of combined net assets, (b) 0.0465% for combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% of combined net assets in excess of \$1 billion. The Company also pays a \$20,000 annual fee for transfer agency services and transaction fees ranging from \$7.00 to \$15.00 per transaction.

Each of the Funds has entered into brokerage agreements pursuant to which UBS Securities LLC acts as the futures commission merchant (the “FCM”). The agreements provide that the FCM will charge commissions of approximately \$7 to \$8 per round-turn trade plus applicable exchange and NFA fees for futures contracts and options on futures contracts.

Each of the Funds has invested primarily in futures contracts traded on the Exchange since the commencement of its operations. On May 30, 2007, USOF and USNG entered into a license agreement with the Exchange whereby the Funds were granted a non-exclusive license to use certain of the Exchange’s settlement prices and service marks. The agreement has an effective date of April 10, 2006. Under the license agreement, the Funds pay the Exchange an asset-based fee for the license. Pursuant to the agreement, the Funds pay a licensing fee that is equal to 0.04% for the first \$1,000,000,000 of combined assets of the Funds and 0.02% for combined assets above \$1,000,000,000. US12OF, USG, USHO and USSO entered into the above license agreement on the same terms with an effective date of December 4, 2007. Other funds managed by the Company that invest primarily in futures contracts traded on the Exchange will also be granted a similar non-exclusive license on the same terms.

The Funds expressly disclaim any association with the Exchange or endorsement of the Funds by the Exchange and acknowledge that “NYMEX” and “New York Mercantile Exchange” are registered trademarks of such Exchange.

The Company has contracted an accounting firm to prepare each of the Funds, USBO, USSNG and the Trust’s yearly income tax filings with the Internal Revenue Service and various states. The cost associated with any registered new fund is expected to be comparable.

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss for the years ended December 31, 2009 and 2008 are as follows:

|  |              |
|--|--------------|
| Balance, December 31, 2007               | \$ (433,189) |
| Unrealized holding losses on investments | (88,820)     |
| Balance, December 31, 2008               | (522,009)    |
| Unrealized holding gains on investments  | 8,725        |
| Balance, December 31, 2009               | \$ (513,284) |

The Company records its other comprehensive loss net of income tax expense (benefit). As of December 31, 2009 and 2008, the Company has not recorded an income tax expense or benefit associated with its accumulated other comprehensive loss (see Note 5).

NOTE 8 - OFF-BALANCE SHEET RISKS AND CONTINGENCIES

The Funds engage in the trading of U.S. futures contracts, options on U.S. contracts, cleared swap contracts and over-the-counter derivative transactions (collectively “derivatives”). The Funds are exposed to both market risk, the risk arising from changes in the market value of the contracts; and credit risk, the risk of failure by another party to perform according to the terms of a contract.

All of the contracts currently traded by the Funds, with the exception of USNG, are exchange-traded. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, the Funds must rely solely on the credit of their respective individual counterparties. To the extent the Funds enter into non-exchange traded contracts, they are subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any. The Funds also have credit risk since the sole counterparty to all domestic futures contracts is the exchange clearing corporation. In addition, the Funds bear the risk of financial failure by the clearing broker.

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

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





UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - OFF-BALANCE SHEET RISKS AND CONTINGENCIES (concluded)

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, the Funds are exposed to market risk equal to the value of futures and forward contracts purchased and unlimited liability on such contracts sold short. As both buyers and sellers of options, the Funds pay or receive a premium at the outset and then bear the risk of unfavorable changes in the price of the contract underlying the option.

The Company's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each clearing broker or counter-party with which it conducts business.

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

The Company has securities for its own account and may incur losses if the market value of the securities decreases subsequent to December 31, 2009.

The Company has a substantial portion of its assets on deposit with banks. Assets deposited with banks are subject to credit risk. In the event of a bank's insolvency, recovery of the Company's assets on deposit may be limited to account insurance or other protection afforded such deposits. As of December 31, 2009, the Company had cash of \$1,531,655 in excess of the federally insured amount of \$250,000.

NOTE 9 - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855-10-05, the Company has performed an evaluation of subsequent events through March 30, 2010 which is the date the financial statements were originally available to be issued and May 19, 2010, which is the date the financial statements were available to be re-issued.

NOTE 10 - RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's management concluded that there was an error relating to the Company's accounting for the Funds' startup expenses (offering costs). The Company's initial accounting treatment was to treat the deferred offering costs as a capitalized asset and, once the Fund's registration statement became effective, the Company charged the deferred offering costs to equity. However, the Company's management concluded that these startup expenses should instead be charged to operations as incurred and should be reflected as a period cost. As a result of the error in accounting for the Funds' startup expenses, the consolidated financial statements have been restated to charge the startup expenses to current operations; accordingly, the consolidated statements of financial condition, consolidated statements of operations, consolidated statements of changes in equity and consolidated statements of cash flows have been restated to reflect this change.

The cumulative effect from the error on equity as of December 31, 2007 is \$(187,056). The following is a summary of the significant effects of the restatement on the Company's consolidated statements of financial condition as of December 31, 2009 and 2008 and its consolidated statements of operations and consolidated statements of cash flows

for the years then ended.

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UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
(formerly Victoria Bay Asset Management, LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

|   | December 31, 2009         |            |              | December 31, 2008         |            |              |
|---|---------------------------|------------|--------------|---------------------------|------------|--------------|
|   | As Previously<br>Reported | Adjustment | As Restated  | As Previously<br>Reported | Adjustment | As Restated  |
| <b>Consolidated Statements of Financial Condition Data:</b> |                           |            |              |                           |            |              |
| <b>Assets:</b>  |                           |            |              |                           |            |              |
| Cash  | \$ 1,789,182              | \$ -       | \$ 1,789,182 | \$ 125,815                | \$ -       | \$ 125,815   |
| Receivables   | 2,973,237                 | -          | 2,973,237    | 893,111                   | -          | 893,111      |
| Investments   | 43,304                    | -          | 43,304       | 34,579                    | -          | 34,579       |
| Deferred offering costs                                     | 453,351                   | (453,351)  | -            | 352,794                   | (352,794)  | -            |
| Other assets  | 4,171                     | -          | 4,171        | 1,960                     | -          | 1,960        |
|   | \$ 5,263,245              |            | \$ 4,809,894 | \$ 1,408,259              |            | \$ 1,055,465 |
| <b>Liabilities:</b>   |                           |            |              |                           |            |              |
| Accounts payable and accrued expenses                       | \$ 505,858                | \$ -       | \$ 505,858   | \$ 624,688                | \$ -       | \$ 624,688   |
| Income taxes payable  | 181,031                   | -          | 181,031      | 285,400                   | -          | 285,400      |
| Expense waiver payable                                      | 811,004                   | -          | 811,004      | 311,038                   | -          | 311,038      |
| Total liabilities   | 1,497,893                 |            | 1,497,893    | 1,221,126                 |            | 1,221,126    |
| <b>Equity (Deficit):</b>                                    |                           |            |              |                           |            |              |
| Member's equity (deficit)                                   | 3,763,392                 | (453,351)  | 3,310,041    | 185,173                   | (352,794)  | (167,621)    |
| Noncontrolling interests                                    | 1,960                     | -          | 1,960        | 1,960                     | -          | 1,960        |
| Total equity  | 3,765,352                 |            | 3,312,001    | 187,133                   |            | (165,661)    |
|   | \$ 5,263,245              |            | \$ 4,809,894 | \$ 1,408,259              |            | \$ 1,055,465 |

UNITED STATES COMMODITY FUNDS LLC AND SUBSIDIARIES  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS (concluded)

|   | Year Ended December 31, 2009 |             |               | Year Ended December 31, 2008 |            |              |
|---|------------------------------|-------------|---------------|------------------------------|------------|--------------|
|   | As Previously Reported       | Adjustment  | As Restated   | As Previously Reported       | Adjustment | As Restated  |
| Consolidated Statements of Operations and Other Comprehensive Income (Loss) Data: |                              |             |               |                              |            |              |
| Revenue   | \$ 27,224,589                | \$ -        | \$ 27,224,589 | \$ 8,631,883                 | \$ -       | \$ 8,631,883 |
| Operating expenses  | (11,659,424)                 | (1,032,975) | (12,692,399)  | (5,447,296)                  | (719,494)  | (6,166,790)  |
| Other income  | 57,378                       | -           | 57,378        | 14                           | -          | 14           |
| Provision for income taxes  | (6,229,595)                  | -           | (6,229,595)   | (1,260,622)                  | -          | (1,260,622)  |
| Net income  | 9,392,948                    |             | 8,359,973     | 1,923,979                    |            | 1,204,485    |
| Other comprehensive income (loss)   | 8,725                        | -           | 8,725         | (88,820)                     | -          | (88,820)     |
| Comprehensive income  | \$ 9,401,673                 |             | \$ 8,368,698  | \$ 1,835,159                 |            | \$ 1,115,665 |