



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: United States Short Oil Fund, LP**

**Background Information on the Fund**

As more fully explained in the Registration Statement (No. 333-144409), the United States 12 Month Natural Gas Fund, LP (the "Fund" or "US12NG"), is a commodity pool that is not registered as an investment company under the Investment Company Act of 1940. Each Unit of the Fund (the "Unit" or "Units" or "Shares") represents a fractional undivided beneficial interest in the net assets of the Fund. US12NG is not a mutual fund registered under the Investment Company Act of 1940 and is not subject to regulation under such Act.

The investment objective of US12NG 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 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 NYMEX (the "Benchmark 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 US12NG'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 US12NG to be operated in a fashion such that its NAV will equal, in dollar terms, the spot price of natural gas or any particular futures contract based on natural gas.

The Fund was organized as a limited partnership under Delaware law on June 27, 2007. The Fund is operated pursuant to the Amended and Restated Agreement of Limited Partnership dated October 30, 2009. It is expected that the initial limited partner of the Fund will be Kellogg Capital Group, LLC. It is managed and controlled by its general partner, United States Commodity Funds 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 with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). Prior to June 13, 2008, the General Partner's name was Victoria Bay Asset Management, LLC. US12NG will pay the General Partner a management fee of 0.75% of NAV on its average net assets.

The net assets of US12NG will consist primarily of investments in futures contracts for natural gas, crude oil, heating oil, gasoline and other petroleum-based fuels that are traded on the New York Mercantile Exchange (the "NYMEX"), ICE Futures (formerly, the

International Petroleum Exchange) or other U.S. and foreign exchanges (collectively, “Futures Contracts”) 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 (collectively, “Other Natural Gas-Related Investments”). For convenience and unless otherwise specified, Futures Contracts and Other Natural Gas-Related Investments collectively are referred to as “Natural Gas Interests” in this prospectus. The General Partner is authorized by US12NG in its sole judgment to employ, establish the terms of employment for, and terminate commodity trading advisors or other futures commission merchants.

The Fund will invest in Natural Gas 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 Futures Contracts and Other Natural Gas-Related Investments. The primary focus of the General Partner will be the investment in Futures Contracts and the management of 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 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 natural gas 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 natural gas prices the value of the near month contract would tend to decline as it approaches expiration.

The 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 natural gas 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.

It is not the intent of US12NG to be operated in a fashion such that its NAV will equal, in dollar terms, the spot price of natural gas or any particular futures contract or contracts based on

natural gas. US12NG will invest in interests other than the Benchmark Futures Contract to comply with accountability levels and position limits.

As a specific benchmark, the General Partner will endeavor to place US12NG's trades in Futures Contracts and Other Natural Gas-Related Investments and otherwise manage US12NG's investments so that "A" will be within plus/minus 10 percent of "B", where:

- A is the average daily change in US12NG's NAV for any period of 30 successive valuation days, i.e., any NYSE Arca trading day as of which US12NG calculates its NAV, and
- B is the average daily change in the average of the prices of the Benchmark Futures Contracts over the same period.

An investment in the units is intended to allow both retail and institutional investors to easily gain exposure to the natural gas market in a cost-effective manner. The units are also expected to provide additional means for diversifying an investor's investments or hedging exposure to changes in natural gas prices.

The composition of the Benchmark Futures Contracts will be 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 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 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 will employ a "neutral" investment strategy intended to track the changes in the price of the Benchmark Futures Contracts regardless of whether these prices go up or go down. US12NG's "neutral" investment strategy is designed to permit investors generally to purchase and sell US12NG's units for the purpose of investing indirectly in natural gas in a cost-effective manner, and/or to permit participants in the natural gas markets or other industries to hedge the risk of losses in their natural gas related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in natural gas and/or the risks involved in hedging may exist. In addition, an investment in US12NG involves the risk that the changes in the price of US12NG's units will not accurately track the changes in the average of the prices of the Benchmark Futures Contracts. For example, US12NG will also invest in Treasuries, cash and/or cash equivalents to be used to meet its current or potential margin or collateral requirements with respect to its investments in Futures Contracts and Other Natural Gas-Related Investments. US12NG does not expect there to be any meaningful correlation between the performance of its investments in Treasuries/cash/cash equivalents and the changes in the price of natural gas. 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 natural gas, this correlation is not anticipated as part of US12NG's efforts to meet its objectives. This and certain risk factors discussed in this prospectus may cause a lack of correlation between the changes in the Fund's NAV and the changes in the price of natural gas.

The Fund will create and redeem units only in blocks of 100,000 units called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. It is expected that baskets will be created when there is sufficient demand for units that the market price per unit is at a premium to the NAV per unit. Authorized Purchasers will then sell such units, which will be listed on the Exchange, to the public at per unit offering prices that are expected to reflect, among other factors, the trading price of the units on the Exchange, the NAV of the Fund 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 Futures Contracts market and the market for Other Crude Oil-Related Investments. The prices of units offered by Authorized Purchasers are expected to fall between the Fund's NAV and the trading price of the units on the Exchange at the time of sale. Similarly, it is expected that baskets will be redeemed when the market price per unit is at a discount to the NAV per unit. Retail investors seeking to purchase or sell units on any day are expected to affect such transactions in the secondary market, on the Exchange, at the market price per unit, rather than in connection with the creation or redemption of baskets.

The NAV is calculated by taking the current market value of US12NG's total assets and subtracting any liabilities. Under US12NG's current operational procedures, the Administrator calculates the NAV of US12NG once each trading day. The NAV for a particular trading day is released after 4:00 p.m. EST. The core trading session of the Exchange typically closes at 4:00 p.m. EST. The Administrator uses the NYMEX closing price (determined at the close of the NYMEX or 2:30 p.m. EST) for the contracts held on the NYMEX, but calculates or determines the value of all other US12NG investments as of the earlier of the close of the Exchange or 4:00 p.m. EST. The NYSE Arca currently calculates an approximate net asset value every 15 seconds throughout each day US12NG's units are traded on the NYSE Arca for as long as the NYMEX's main pricing mechanism is open.

The Fund will pay the General Partner a management fee of 0.75% of NAV on its average net assets. Brokerage fees for Treasuries, Futures Contracts, and Other Natural Gas- Related Investments are estimated to be 0.022% and will be paid to unaffiliated brokers.

Individual certificates will not be issued for the Units. Instead, Units will be represented by one or more global certificates, which will be deposited by the Administrator with the Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. Investors should note that there is no regulated source of last-sale information regarding physical commodities, such as natural gas. Also, the Securities & Exchange Commission (the "SEC") has no regulatory jurisdiction over the trading of natural gas. Instead, that responsibility lies with the CFTC.

For more information regarding the Fund's investment strategy, please read the prospectus for the Fund.

The registration statement describes the various fees and expenses for the Fund and its Units. For a more complete description of the Fund, visit the Fund's website at [www.unitedstates12monthnaturalgasfund.com](http://www.unitedstates12monthnaturalgasfund.com).

### **Indicative Fund Value**

In order to provide updated information relating to the Fund for use by investors and market professionals, the NYSE Arca will calculate and disseminate throughout the core trading session on each trading day an updated indicative fund value. The indicative fund value will be calculated by using the prior day's closing NAV per unit of the Fund as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the active natural gas Futures Contracts on the NYMEX.

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

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

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

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

### **Purchases and Redemptions in Creation Unit Size**

Exchange members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Funds' prospectus and Statement of Additional Information, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

### **Principal Risks**

Interested persons are referred to the discussion in the prospectus for the Trust of the principal risks of an investment in the Shares. These include tracking error risk (factors causing the Trust's performance to not match the performance of its underlying security), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector

risk, investment approach risk, non-diversification risk, commodity risk, management risk and liquidity risk.

### **Principal Risks**

Interested persons are referred to the Prospectus for a description of risks associated with an investment in the Shares. These risks include foreign market risk, leverage risk and correlation and compounding risk. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

The Funds seek investment results **for a single day only**, not for longer periods. This means that the return of the Funds for a period longer than a single trading day will be the result of each day's returns compounded over the period, which will very likely differ from the twice the return of the applicable Index for that period. Investors should monitor their holdings consistent with their strategies, as frequently as daily. The Funds' prospectus describing correlation, leverage and other risks is available at [www.proshares.com](http://www.proshares.com).

### **Exchange Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

### **Trading Hours**

Trading in the shares on EDGA and EDGX Exchanges (the "Exchanges") is on a UTP basis and is subject to the Exchanges equity trading rules. The shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the shares during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Suitability**

Trading in the Shares on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate

internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **Trading Halts**

The Exchanges will halt trading in the Shares of a Trust in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the Shares of a Trust if the primary market de-lists the Shares.

### **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund's website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The SEC has issued exemptive, interpretive, or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Shares.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

## **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

## **SEC Rule 14e-5**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:

- i. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- ii. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- iii. such bids or purchases are not affected for the purpose of facilitating such tender offer.

## **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security



which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

#### **SEC Rule 15c1-5 and 15c1-6**

The Commission has issued a No-Action letter with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of fund shares and secondary market transactions therein.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>Cusip</b>
UNL	United States Short Oil Fund, LP	91288X109