

United States Brent Oil Fund, LP  
Form 424B3  
May 01, 2014  
Table of Contents

PROSPECTUS

Filed pursuant to Rule 424(b)(3)  
SEC File No. 333-187501

## United States Brent Oil Fund, LP®\*

43,500,000 Shares

\*Principal U.S. Listing Exchange: NYSE Arca, Inc.

The United States Brent Oil Fund, LP ( BNO ) is an exchange traded fund organized as a limited partnership, that issues shares that trade on the NYSE Arca stock exchange ( NYSE Arca ). BNO's investment objective is to track a benchmark of short-term futures contracts. BNO pays its general partner, United States Commodity Funds LLC ( USCF ), a limited liability company a management fee and incurs operating costs. USCF and BNO are located at 1999 Harrison Street, Suite 1530, Oakland, CA 94612. The telephone number for both USCF and BNO is 510.522.9600. In order for a hypothetical investment in shares to break even over the next 12 months, assuming a selling price of \$42.16 (the price as of January 31, 2014), the investment would have to generate 1.16% return or \$0.49.

BNO is an exchange traded fund. This means that most investors who decide to buy or sell shares of BNO shares place their trade orders through their brokers and may incur customary brokerage commissions and charges. Shares trade on the NYSE Arca under the ticker symbol BNO and are bought and sold throughout the trading day at bid and ask prices like other publicly traded securities.

Shares trade on the NYSE Arca after they are initially purchased by Authorized Purchasers, institutional firms that purchase shares in blocks of 50,000 shares called baskets through BNO's marketing agent, ALPS Distributors, Inc. (the Marketing Agent). The price of a basket is equal to the net asset value of 50,000 shares on the day that the order to purchase the basket is accepted by the Marketing Agent. The offering of BNO's shares is a best efforts offering, which means that neither the Marketing Agent nor any Authorized Purchaser is required to purchase a specific number or dollar amount of shares. USCF pays the Marketing Agent a marketing fee consisting of a fixed annual amount plus an incentive fee based on the amount of shares sold. Authorized Purchasers will not receive from BNO, USCF or any of their affiliates any fee or other compensation in connection with the sale of shares. Aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution-related services in connection with this offering of shares will not exceed 10% of the gross proceeds of the offering.

Investors who buy or sell shares during the day from their broker may do so at a premium or discount relative to the market value of the underlying Brent crude oil futures contracts in which BNO invests due to supply and demand forces at work in the secondary trading market for shares that are closely related to, but not identical to, the same forces influencing the prices of Brent crude oil and the Brent crude oil futures contracts that serve as BNO's investment benchmark. Investing in BNO involves risks similar to those involved with an investment directly in the crude oil market, the correlation risk described above, and other significant risks. See **Risk Factors Involved with an Investment in BNO** beginning on page 4.

The offering of BNO's shares is registered with the Securities and Exchange Commission ( SEC ) in accordance with the Securities Act of 1933 (the 1933 Act ). The offering is intended to be a continuous offering and is not expected to terminate until all of the registered shares have been sold or three years from the date of the original offering, whichever is earlier, although the offering may be temporarily suspended if and when no suitable investments for BNO are available or practicable. BNO is not a mutual fund registered under the Investment Company Act of 1940 ( 1940 Act ) and is not subject to regulation under such Act.

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

BNO is a commodity pool and USCF is a commodity pool operator subject to regulation by the Commodity Futures Trading Commission and the National Futures Association under the Commodities Exchange Act.

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

**The date of this prospectus is May 1, 2014.**

**Table of Contents**

**COMMODITY FUTURES TRADING COMMISSION**

**RISK DISCLOSURE STATEMENT**

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

**FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, AND ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL AT PAGE 31 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, AT PAGE 31.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING A DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AT PAGE 4.**

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

**SWAPS TRANSACTIONS, LIKE OTHER FINANCIAL TRANSACTIONS, INVOLVE A VARIETY OF SIGNIFICANT RISKS. THE SPECIFIC RISKS PRESENTED BY A PARTICULAR SWAP TRANSACTION NECESSARILY DEPEND UPON THE TERMS OF THE TRANSACTION AND YOUR CIRCUMSTANCES. IN GENERAL, HOWEVER, ALL SWAPS TRANSACTIONS INVOLVE SOME COMBINATION OF MARKET RISK, CREDIT RISK, COUNTERPARTY CREDIT RISK, FUNDING RISK, LIQUIDITY RISK, AND OPERATIONAL RISK.**

**HIGHLY CUSTOMIZED SWAPS TRANSACTIONS IN PARTICULAR MAY INCREASE LIQUIDITY RISK, WHICH MAY RESULT IN A SUSPENSION OF REDEMPTIONS. HIGHLY LEVERAGED TRANSACTIONS MAY EXPERIENCE SUBSTANTIAL GAINS OR LOSSES IN VALUE AS A RESULT OF RELATIVELY SMALL CHANGES IN THE VALUE OR LEVEL OF AN UNDERLYING OR RELATED MARKET FACTOR.**

**IN EVALUATING THE RISKS AND CONTRACTUAL OBLIGATIONS ASSOCIATED WITH A PARTICULAR SWAP TRANSACTION, IT IS IMPORTANT TO CONSIDER THAT A SWAP TRANSACTION MAY BE MODIFIED OR TERMINATED ONLY BY MUTUAL CONSENT OF THE ORIGINAL PARTIES AND SUBJECT TO AGREEMENT ON INDIVIDUALLY NEGOTIATED TERMS. THEREFORE, IT MAY NOT BE POSSIBLE FOR THE COMMODITY POOL OPERATOR TO MODIFY, TERMINATE, OR OFFSET THE POOL'S OBLIGATIONS OR THE POOL'S EXPOSURE TO THE RISKS ASSOCIATED WITH A TRANSACTION PRIOR TO ITS SCHEDULED TERMINATION DATE.**

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b>Disclosure Document:</b>	
<u>Prospectus Summary</u>	1
<u>BNO's Investment Objective and Strategy</u>	1
<u>Principal Investment Risks of an Investment in BNO</u>	2
<u>BNO's Fees and Expenses</u>	3
<u>Risk Factors Involved With an Investment in BNO</u>	4
<u>Investment Risk</u>	4
<u>Correlation Risk</u>	5
<u>Tax Risk</u>	7
<u>OTC Contract Risk</u>	9
<u>Other Risks</u>	10
<u>Additional Information About BNO, its Investment Objective and Investments</u>	16
<u>What are the Trading Policies of BNO?</u>	23
<u>Composite Performance Data for BNO</u>	25
<u>BNO's Operations</u>	26
<u>USCF and its Management and Traders</u>	26
<u>BNO's Service Providers</u>	28
<u>BNO's Fees and Expenses</u>	30
<u>Breakeven Analysis</u>	31
<u>Conflicts of Interest</u>	32
<u>USCF's Responsibilities and Remedies</u>	33
<u>Liability and Indemnification</u>	34
<u>Provisions of Law</u>	35
<u>Books and Records</u>	35
<u>Statements, Filings, and Reports</u>	35
<u>Reports to Limited Partners</u>	36
<u>Fiscal Year</u>	37
<u>Governing Law; Consent to Delaware Jurisdiction</u>	37
<u>Legal Matters</u>	37
<u>U.S. Federal Income Tax Considerations</u>	37
<u>Backup Withholding</u>	47
<u>Other Tax Considerations</u>	47
<u>Investment by ERISA Accounts</u>	47
<u>Form of Shares</u>	49
<u>Transfer of Shares</u>	50
<u>What is the Plan of Distribution?</u>	51
<u>Calculating NAV</u>	53
<u>Creation and Redemption of Shares</u>	54
<u>Use of Proceeds</u>	59
<u>Information You Should Know</u>	59
<u>Summary of Promotional and Sales Material</u>	60
<u>Intellectual Property</u>	60
<u>Where You Can Find More Information</u>	61
<u>Statement Regarding Forward-Looking Statements</u>	61
<u>Incorporation by Reference of Certain Information</u>	62
<u>Privacy Policy</u>	62
<u>Appendix A</u>	A-1
<u>Glossary of Defined Terms</u>	A-1

**Table of Contents**

**PROSPECTUS SUMMARY**

*This is only a summary of the prospectus and, while it contains material information about BNO and its shares, it does not contain or summarize all of the information about BNO and the shares contained in this prospectus that is material and/or which may be important to you. You should read this entire prospectus, including Risk Factors Involved with an Investment in BNO beginning on page 4, before making an investment decision about the shares. For a glossary of defined terms, see Appendix A.*

**BNO**

United States Brent Oil Fund, LP ( BNO ), a Delaware limited partnership, is a commodity pool that issues common shares of beneficial interests that may be purchased and sold on the NYSE Arca. BNO is managed and controlled by United States Commodity Funds LLC ( USCF ). USCF is registered as a commodity pool operator ( CPO ) with the Commodity Futures Trading Commission ( CFTC ) and is a member of the National Futures Association ( NFA ).

**BNO's Investment Objective and Strategy:**

The investment objective of BNO is for the daily changes in percentage terms of its shares' per share net asset value ( NAV ) to reflect the daily changes in percentage terms of the spot price of Brent crude oil, as measured by the daily changes in the price of a specified short-term futures contract on Brent crude oil called the Benchmark Futures Contract , less BNO's expenses.

**What is the Benchmark Futures Contract ?**

The Benchmark Futures Contract is the futures contract on Brent crude oil as traded on the Ice Futures Exchange (the ICE Futures ) 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.

BNO seeks to achieve its investment objective by investing primarily in futures contracts for crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, the ICE Futures Exchange or other U.S. and foreign exchanges (collectively, Futures Contracts ), and to a lesser extent, in order to comply with regulatory requirements or in view of market conditions, other crude oil-related investments such as cash-settled options on Futures Contracts, forward contracts for crude oil, cleared swap contracts and non-exchange traded ( over-the-counter or OTC ) transactions that are based on the price of crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, Other Crude Oil-Related Investments ). Market conditions that USCF currently anticipates could cause BNO to invest in Other Crude Oil-Related Investments include those allowing BNO to obtain greater liquidity or to execute transactions with more favorable pricing. For convenience and unless otherwise specified, Futures, Contracts and Other Crude Oil-Related Investments, collectively are referred to as Crude Oil Interests in this prospectus.

In addition, USCF believes that market arbitrage opportunities cause daily changes in BNO's share price on the NYSE Arca to closely track daily changes in BNO's NAV per share. USCF further believes that the daily changes in prices of the Benchmark Futures Contract have historically tracked the daily changes in the spot price of Brent crude oil. USCF believes that the net effect of these relationships will be the daily changes in the price of BNO's shares on NYSE Arca will closely track, in percentage terms, the daily changes in the spot price of Brent crude oil, less BNO's expenses.

Specifically, BNO seeks to achieve its investment objective by investing so that the average daily change in BNO's NAV for any period of 30 successive valuation days will be within plus/minus 10 percent of the average daily percentage change in the price of the Benchmark Futures Contract over the same period.

## **Table of Contents**

Investors should be aware that BNO's investment objective is *not* for its NAV or market price of shares to equal, in dollar terms, the spot price of Brent crude oil or any particular futures contract based on Brent crude oil *nor* is its BNO's investment objective for the percentage change in its NAV to reflect the percentage change of the price of any particular futures contract as measured over a time period *greater than one day*. This is because natural market forces called contango and backwardation have impacted the total return on an investment in BNO's shares during the past year relative to a hypothetical direct investment in Brent crude oil and, in the future, it is likely that the relationship between the market price of BNO's shares and the changes in the spot price of Brent crude oil will continue to be so impacted by contango and backwardation. (It is important to note that this comparison ignores the potential costs associated with physically owning and storing Brent crude oil, which could be substantial.)

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

An investment in BNO involves a degree of risk. Some of the risks you may face are summarized below. A more extensive discussion of these risks appears beginning on page 4.

#### **Investment Risk**

Investors may choose to use BNO as a means of investing indirectly in Brent crude oil. There are significant risks and hazards inherent in the Brent crude oil industry that may cause the price of Brent crude oil to widely fluctuate.

#### **Correlation Risk**

To the extent that investors use BNO as a means of indirectly investing in Brent crude oil, there is the risk that the daily changes in the price of BNO's shares on the NYSE Arca will not closely track the daily changes in the spot price of Brent crude oil. This could happen if the price of shares traded on the NYSE Arca does not correlate closely with the value of BNO's NAV; the changes in BNO's NAV do not correlate closely with the changes in the price of the Benchmark Futures Contract; or the changes in the price of the Benchmark Futures Contract do not closely correlate with the changes in the cash or spot price of Brent crude oil. This is a risk because if these correlations do not exist, then investors may not be able to use BNO as a cost-effective way to indirectly invest in Brent crude oil or as a hedge against the risk of loss in Brent crude oil-related transactions.

The price relationship between the near month contract to expire and the next month contract to expire that compose the Benchmark Futures Contract will vary and may impact both the total return over time of BNO's NAV, as well as the degree to which its total return tracks other Brent crude oil price indices' total returns. In cases in which the near month contract's price is lower than the next month contract's price (a situation known as *contango* in the futures markets), then absent the impact of the overall movement in Brent crude oil prices the value of the benchmark contract would tend to decline as it approaches expiration. In cases in which the near month contract's price is higher than the next month contract's price (a situation known as *backwardation* in the futures markets), then absent the impact of the overall movement in Brent crude oil prices the value of the benchmark contract would tend to rise as it approaches expiration.

#### **Tax Risk**

BNO is organized and operated as a limited partnership in accordance with the provisions of its limited partnership agreement and applicable state law, and therefore, has a more complex tax treatment than conventional mutual funds.

#### **OTC Contract Risk**

BNO may also invest in Other Crude Oil-Related Investments, many of which are negotiated or *OTC* contracts that are not as liquid as Futures Contracts and expose BNO to credit risk that its counterparty may not be able to satisfy its obligations to BNO.

## Table of Contents

### Other Risks

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

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

You will have no rights to participate in the management of BNO and will have to rely on the duties and judgment of USCF to manage BNO.

BNO is subject to actual and potential inherent conflicts involving USCF, various commodity futures brokers and Authorized Purchasers. USCF's officers, directors and employees do not devote their time exclusively to BNO. USCF's persons are directors, officers or employees of other entities that may compete with BNO for their services, including other commodity pools (funds) that USCF manages (these funds are referred to in this prospectus as the *Related Public Funds* and are identified in the Glossary). They could have a conflict between their responsibilities to BNO and to those other entities. As a result of these and other relationships, parties involved with BNO have a financial incentive to act in a manner other than in the best interests of BNO and the shareholders.

### BNO's Fees and Expenses

**This table describes the fees and expenses that you may pay if you buy and hold shares of BNO. You should note that you may pay brokerage commissions on purchases and sales of BNO's shares, which are not reflected in the table. Authorized Purchasers will pay applicable creation and redemption fees. See *Creation and Redemption of Shares-Creation and Redemption Transaction Fee*, page 58.**

#### **Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)**

Management Fees <sup>(1)</sup>	0.75%
Other Fund Expenses <sup>(1)</sup>	0.45%
Expense Waiver <sup>(2)</sup>	(0.30)%
Net Other Fund Expenses	0.15%
<b>Total Annual Fund Operating Expenses After Expense Waiver</b>	<b>0.90%</b>

- (1) Based on amounts for the year ended December 31, 2013, extracted from the *Financial Highlights* footnote to BNO's audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013 filed March 26, 2014, which is incorporated by reference into this prospectus. See *Incorporation By Reference of Certain Information*, page 62. The individual expense amounts in dollar terms are shown in the table below.

Management fees	\$ 299,440
Professional fees	\$ 140,442
Brokerage commissions	\$ 29,674
Other expenses	\$ 9,012

- (2) USCF has voluntarily agreed to pay certain expenses typically borne by BNO, to the extent that such expenses exceed 0.15% of BNO's NAV, on an annualized basis. USCF has no obligation to continue such payments. If this agreement were terminated, the Annual Fund Operating Expenses could increase, which would negatively impact your total return from an investment in BNO.





---

**Table of Contents**

**RISK FACTORS INVOLVED WITH AN INVESTMENT IN BNO**

*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this prospectus as well as information found in our periodic reports, which include BNO's financial statements and the related notes, that are incorporated by reference. See Incorporation By Reference of Certain Information, page 62.*

BNO's investment strategy is designed to provide investors with a means of investing indirectly in Brent crude oil and to hedge against movements in the spot price of Brent crude oil. BNO seeks to achieve its investment objective by investing in Crude Oil Interests. Accordingly, an investment in BNO involves investment risk similar to a direct investment in Crude Oil Interests. An investment in BNO also involves correlation risk, which is the risk that investors purchasing shares to hedge against movements in the price of Brent crude oil will have an efficient hedge only if the price they pay for their shares closely correlates with the price of Brent crude oil. In addition to investment risk and correlation risk, an investment in BNO involves tax risks, OTC risks, and other risks.

**Investment Risk**

*The NAV of BNO's shares relates directly to the value of the Benchmark Futures Contracts and other assets held by BNO and fluctuations in the prices of these assets could materially adversely affect an investment in BNO's shares. Past performance is not necessarily indicative of future results; all or substantially all of an investment in BNO could be lost.*

BNO's investment objective is for the daily percentage change in NAV of its shares to track the daily percentage changes in the price of the Benchmark Futures Contract, less expenses. The net assets of BNO consist primarily of investments in Futures Contracts and, to a lesser extent, in Other Crude Oil-Related Investments. The NAV of BNO's shares relates directly to the value of these assets (less liabilities, including accrued but unpaid expenses), which in turn relates to the price of light, sweet crude oil in the marketplace. Brent crude oil prices depend on regional and global events or conditions that affect supply and demand for oil.

**Economic conditions.** The demand for Brent crude oil correlates closely with general economic growth rates. The occurrence of recessions or other periods of low or negative economic growth will typically have a direct adverse impact on crude oil prices. Other factors that affect general economic conditions in the world or in a major region, such as changes in population growth rates, periods of civil unrest, government austerity programs, or currency exchange rate fluctuations, can also impact the demand for Brent crude oil. Sovereign debt downgrades, defaults, inability to access debt markets due to credit or legal constraints, liquidity crises, the breakup or restructuring of fiscal, monetary, or political systems such as the European Union, and other events or conditions that impair the functioning of financial markets and institutions also may adversely impact the demand for Brent crude oil.

**Other demand-related factors.** Other factors that may affect the demand for crude oil and therefore its price, include technological improvements in energy efficiency; seasonal weather patterns, which affect the demand for crude oil associated with heating and cooling; increased competitiveness of alternative energy sources that have so far generally not been competitive with oil without the benefit of government subsidies or mandates; and changes in technology or consumer preferences that alter fuel choices, such as toward alternative fueled vehicles.

**Other supply-related factors.** Brent crude oil prices also vary depending on a number of factors affecting supply. For example, increased supply from the development of new oil supply sources and technologies to enhance recovery from existing sources tends to reduce crude oil prices to the extent such supply increases are not offset by commensurate growth in demand. Similarly, increases in industry refining or petrochemical manufacturing capacity may impact the supply of Brent crude oil. World oil supply levels can also be affected by factors that reduce available supplies, such as adherence by member countries to the Organization of the

## **Table of Contents**

Petroleum Exporting Countries ( OPEC ) production quotas and the occurrence of wars, hostile actions, natural disasters, disruptions in competitors' operations, or unexpected unavailability of distribution channels that may disrupt supplies. Technological change can also alter the relative costs for companies in the petroleum industry to find, produce, and refine oil and to manufacture petrochemicals, which in turn may affect the supply of and demand for oil.

**Other market factors.** The supply of and demand for crude oil may also be impacted by changes in interest rates, inflation, and other local or regional market conditions.

**Price Volatility May Possibly Cause the Total Loss of Your Investment.** Futures contracts have a high degree of price variability and are subject to occasional rapid and substantial changes. Consequently, you could lose all or substantially all of your investment in BNO.

## **Correlation Risk**

Investors purchasing shares to hedge against movements in the price of crude oil will have an efficient hedge only if the price they pay for their shares closely correlates with the price of crude oil. Investing in BNO's shares for hedging purposes involves the following risks:

The market price at which the investor buys or sells shares may be significantly less or more than NAV.

Daily percentage changes in NAV may not closely correlate with daily percentage changes in the price of the Benchmark Futures Contract.

Daily percentage changes in the prices of the Benchmark Futures Contract may not closely correlate with daily percentage changes in the price of Brent crude oil.

***The market price at which investors buy or sell shares may be significantly less or more than NAV.***

BNO's NAV per share will change throughout the day as fluctuations occur in the market value of BNO's portfolio investments. The public trading price at which an investor buys or sells shares during the day from their broker may be different from the NAV of the shares. Price differences may relate primarily to supply and demand forces at work in the secondary trading market for shares that are closely related to, but not identical to, the same forces influencing the prices of the Brent crude oil and the Benchmark Futures Contract at any point in time. USCF expects that exploitation of certain arbitrage opportunities by Authorized Purchasers and their clients and customers will tend to cause the public trading price to track NAV per share closely over time, but there can be no assurance of that.

The NAV of BNO's shares may also be influenced by non-concurrent trading hours between the NYSE Arca and the various futures exchanges on which crude oil is traded. While the shares trade on the NYSE Arca from 9:30 a.m. to 4:00 p.m. Eastern Time, the trading hours for the futures exchanges on which Brent crude oil trade may not necessarily coincide during all of this time. For example, while the shares trade on the NYSE Arca until 4:00 p.m. Eastern Time, liquidity in the global light sweet crude market will be reduced after the close of the NYMEX at 2:30 p.m. Eastern Time. As a result, during periods when the NYSE Arca is open and the futures exchanges on which Brent crude oil is traded are closed, trading spreads and the resulting premium or discount on the shares may widen and, therefore, increase the difference between the price of the shares and the NAV of the shares.

***Daily percentage changes in BNO's NAV may not correlate with daily percentage changes in the price of the Benchmark Futures Contract.***

It is possible that the daily percentage changes in BNO's NAV per share may not closely correlate to daily percentage changes in the price of the Benchmark Futures Contract. Non-correlation may be attributable to

## **Table of Contents**

disruptions in the market for Brent crude oil, the imposition of position or accountability limits by regulators or exchanges, or other extraordinary circumstances. As BNO approaches or reaches position limits with respect to the Benchmark Futures Contract and other Futures Contracts or in view of market conditions, BNO may begin investing in Other Crude Oil-Related Investments. In addition, BNO is not able to replicate exactly the changes in the price of the Benchmark Futures Contract because the total return generated by BNO is reduced by expenses and transaction costs, including those incurred in connection with BNO's trading activities, and increased by interest income from BNO's holdings of Treasuries. Tracking the Benchmark Futures Contract requires trading of BNO's portfolio with a view to tracking the Benchmark Futures Contract over time and is dependent upon the skills of USCF and its trading principals, among other factors.

***Daily percentage changes in the price of the Benchmark Futures Contract may not correlate with daily percentage changes in the spot price of Brent crude oil.***

The correlation between changes in prices of the Benchmark Futures Contract and the spot price of Brent crude oil may at times be only approximate. The degree of imperfection of correlation depends upon circumstances such as variations in the speculative oil market, supply of and demand for Futures Contracts (including the Benchmark Futures Contract) and Other Crude Oil-Related Investments, and technical influences in oil futures trading.

***Natural forces in the oil futures market known as backwardation and contango may increase BNO's tracking error and/or negatively impact total return.***

The design of BNO's Benchmark Futures Contract is such that every month it begins by using the near month contract to expire until the near month contract is within two weeks of expiration, when, over a four day period, it transitions to the next month contract to expire as its benchmark contract and keeps that contract as its benchmark until it becomes the near month contract and close to expiration. In the event of a Brent crude oil futures market where near month contracts trade at a higher price than next month to expire contracts, a situation described as backwardation in the futures market, then absent the impact of the overall movement in Brent crude oil prices the value of the benchmark contract would tend to rise as it approaches expiration. Conversely, in the event of a Brent crude oil futures market where near month contracts trade at a lower price than next month contracts, a situation described as contango in the futures market, then absent the impact of the overall movement in Brent crude oil prices the value of the benchmark contract would tend to decline as it approaches expiration. When compared to total return of other price indices, such as the spot price of Brent crude oil, the impact of backwardation and contango may cause the total return of BNO's per share NAV to vary significantly. Moreover, absent the impact of rising or falling oil prices, a prolonged period of contango could have a significant negative impact on BNO's per share NAV and total return and investors could lose part or all of their investment. See

Additional Information About BNO, its Investment Objective and Investments for a discussion of the potential effects of contango and backwardation.

***Accountability levels, position limits, and daily price fluctuation limits set by the exchanges have the potential to cause tracking error, which could cause the price of shares to substantially vary from the price of the Benchmark Futures Contract.***

Designated contract markets, such as the NYMEX and ICE Futures, have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by BNO is not) may hold, own or control. In addition to accountability levels and position limits, the NYMEX and ICE Futures also set daily price fluctuation limits on futures contracts. The daily price fluctuation limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price. Once the daily price fluctuation limit has been reached in a particular futures contract, no trades may be made at a price beyond that limit.

---

## **Table of Contents**

On November 5, 2013, the CFTC proposed a rulemaking that would establish specific limits on speculative positions in 28 physical commodity futures and option contracts as well as swaps that are economically equivalent to such contracts in the agriculture, energy and metals markets (the Position Limit Rules). On the same date, the CFTC proposed another rule addressing the circumstances under which market participants would be required to aggregate their positions with other persons under common ownership or control (the Proposed Aggregation Requirements). Specifically, the Position Limit Rules would, among other things: identify which contracts are subject to speculative position limits; set thresholds that restrict the number of speculative positions that a person may hold in a spot month, individual month, and all months combined; create an exemption for positions that constitute *bona fide* hedging transactions; impose responsibilities on designated contract markets (DCMs) and swap execution facilities (SEFs) to establish position limits or, in some cases, position accountability rules; and apply to both futures and swaps across four relevant venues—OTC, DCMs, SEFs as well as non-U.S. located trading platforms.

Until such time as the Position Limit Rules are adopted, the regulatory architecture in effect prior to the adoption of the Position Limit Rules will govern transactions in commodities and related derivatives (collectively, Referenced Contracts). Under that system, the CFTC enforces federal limits on speculation in agricultural products (*e.g.*, corn, wheat and soy), while futures exchanges enforce position limits and accountability levels for agricultural and certain energy products (*e.g.*, oil and natural gas). As a result, BNO may be limited with respect to the size of its investments in Crude Oil Interests subject to these limits. Finally, subject to certain narrow exceptions, the Position Limit Rules require the aggregation, for purposes of the position limits, of all positions in the 28 Referenced Contracts held by a single entity and its affiliates, regardless of whether such position existed on U.S. futures exchanges, non-U.S. futures exchanges, in cleared swaps or in OTC swaps. Under the CFTC's existing position limits requirements and the Position Limit Rules, a market participant is generally required to aggregate all positions for which that participant controls the trading decisions with all positions for which that participant has a 10 percent or greater ownership interest in an account or position, as well as the positions of two or more persons acting pursuant to an express or implied agreement or understanding. At this time, it is unclear how the Proposed Aggregation Requirements may affect BNO, but it may be substantial and adverse. By way of example, the Proposed Aggregation Requirements in combination with the Position Limit Rules may negatively impact the ability of BNO to meet its investment objectives through limits that may inhibit USCF's ability to sell additional Creation Baskets of BNO.

All of these limits may potentially cause a tracking error between the price of BNO's shares and the price of the Benchmark Futures Contract. This may in turn prevent investors from being able to effectively use BNO as a way to hedge against crude oil-related losses or as a way to indirectly invest in crude oil.

BNO has not limited the size of its offering and is committed to utilizing substantially all of its proceeds to purchase Crude Oil Interests. If BNO encounters accountability levels, position limits, or price fluctuation limits for Futures Contracts on the NYMEX or ICE Futures, it may then, if permitted under applicable regulatory requirements, purchase Futures Contracts on other exchanges that trade listed crude oil futures. In addition, if BNO exceeds accountability levels on either the NYMEX or ICE Futures and is required by such exchanges to reduce its holdings, such reduction could potentially cause a tracking error between the price of BNO's shares and the price of the Benchmark Futures Contract.

## **Tax Risk**

*An investor's tax liability may exceed the amount of distributions, if any, on its shares.*

Cash or property will be distributed at the sole discretion of USCF. USCF has not and does not currently intend to make cash or other distributions with respect to shares. Investors will be required to pay U.S. federal income tax and, in some cases, state, local, or foreign income tax, on their allocable share of BNO's taxable income, without regard to whether they receive distributions or the amount of any distributions. Therefore, the tax liability of an investor with respect to its shares may exceed the amount of cash or value of property (if any) distributed.

---

**Table of Contents**

*An investor's allocable share of taxable income or loss may differ from its economic income or loss on its shares.*

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

*Items of income, gain, deduction, loss and credit with respect to shares could be reallocated if the U.S. Internal Revenue Service ( IRS ) does not accept the assumptions and conventions applied by BNO in allocating those items, with potential adverse consequences for an investor.*

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

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

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

*BNO is organized and operated as a limited partnership in accordance with the provisions of the LP Agreement and applicable state law, and therefore, BNO has a more complex tax treatment than traditional mutual funds.*

BNO is organized and operated as a limited partnership in accordance with the provisions of the LP Agreement and applicable state law. No U.S. federal income tax is paid by BNO on its income. Instead, BNO will furnish shareholders each year with tax information on IRS Schedule K-1 (Form 1065) and each U.S. shareholder is required to report on its U.S. federal income tax return its allocable share of the income, gain, loss and deduction of BNO.

This must be reported without regard to the amount (if any) of cash or property the shareholder receives as a distribution from BNO during the taxable year. A shareholder, therefore, may be allocated income or gain by

## **Table of Contents**

BNO but receive no cash distribution with which to pay the tax liability resulting from the allocation, or may receive a distribution that is insufficient to pay such liability.

In addition to federal income taxes, shareholders may be subject to other taxes, such as state and local income taxes, unincorporated business taxes, business franchise taxes and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which BNO does business or owns property or where the shareholders reside. Although an analysis of those various taxes is not presented here, each prospective shareholder should consider their potential impact on its investment in BNO. It is each shareholder's responsibility to file the appropriate U.S. federal, state, local and foreign tax returns.

## **OTC Contract Risk**

*Currently, OTC transactions are subject to changing regulation.*

A portion of BNO's assets may be used to trade OTC contracts, such as forward contracts or swap or spot contracts. Currently, OTC contracts are typically contracts traded on a principal-to-principal, non-cleared basis through dealer markets that are dominated by major money center and investment banks and other institutions and that prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) had been essentially unregulated by the CFTC. The markets for OTC contracts have relied upon the integrity of market participants in lieu of the additional regulation imposed by the CFTC on participants in the futures markets. To date, the forward markets have been largely unregulated, forward contracts have been executed bi-laterally and, in general, forward contracts have not been cleared or guaranteed by a third party. On November 16, 2012, the Secretary of the Treasury issued a final determination that exempts both foreign exchange swaps and foreign exchange forwards from the definition of "swap" and, by extension, additional regulatory requirements (such as clearing and margin). The final determination does not extend to other foreign exchange derivatives, such as foreign exchange options, certain currency swaps and non-deliverable forwards. While the Dodd-Frank Act and certain regulations adopted thereunder are intended to provide additional protections to participants in the OTC market, the current regulation of the OTC contracts could expose BNO in certain circumstances to significant losses in the event of trading abuses or financial failure by participants. On November 28, 2012, the CFTC issued its final clearing determination requiring that certain credit default swaps and interest rate swaps be cleared by registered DCMs. This is the CFTC's first clearing determination under the Dodd-Frank Act and became effective on February 11, 2013. Beginning on March 11, 2013, swap dealers, major swap participants and certain active funds were required to clear certain credit default swaps and interest rate swaps; and beginning on June 10, 2013, commodity pools, certain private funds and entities predominantly engaged in financial activities were required to clear the same types of swaps. As a result, if BNO enters into or has entered into certain interest rate and credit default swaps on or after June 10, 2013, such swaps will be required to be centrally cleared. Determination on other types of swaps are expected in the future, and, when finalized, could require BNO to centrally clear certain OTC instruments presently entered into and settled on a bi-lateral basis.

*BNO will be subject to credit risk with respect to counterparties to OTC contracts entered into by BNO or held by special purpose or structured vehicles.*

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

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

---

## **Table of Contents**

### ***Valuing OTC derivatives may be less certain than actively traded financial instruments.***

In general, valuing OTC derivatives is less certain than valuing actively traded financial instruments such as exchange traded futures contracts and securities or cleared swaps because the price and terms on which such OTC derivatives are entered into or can be terminated are individually negotiated, and those prices and terms may not reflect the best price or terms available from other sources. In addition, while market makers and dealers generally quote indicative prices or terms for entering into or terminating OTC contracts, they typically are not contractually obligated to do so, particularly if they are not a party to the transaction. As a result, it may be difficult to obtain an independent value for an outstanding OTC derivatives transaction.

### ***The regulatory requirements for posting margin in uncleared swap transactions is evolving.***

The Dodd-Frank Act requires the CFTC and SEC to establish both initial and variation margin requirements on all swaps that are not cleared by a registered clearing organization (*i.e.*, uncleared swaps). In addition, the Dodd-Frank Act provides parties who post initial margin to a swap dealer or major swap participant with a statutory right to insist that such margin be held in a segregated account with an independent custodian. On November 6, 2013, the CFTC published a final rule that imposes requirements on swap dealers and major swap participants with respect to the treatment of collateral posted by their counterparties to margin, guarantee, or secure uncleared swaps. The rule places restrictions on what swap dealers and major swap participants can do with collateral posted by BNO in connection with uncleared swaps.

## **Other Risks**

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

Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as a foreign government taking political actions that disrupt the market for its currency, its crude oil production or exports, or another major export, can also make it difficult to liquidate a position. Because Crude Oil Interests may be illiquid, BNO's Crude Oil Interests may be more difficult to liquidate at favorable prices in periods of illiquid markets and losses may be incurred during the period in which positions are being liquidated. The large size of the positions that BNO may acquire increases the risk of illiquidity both by making its positions more difficult to liquidate and by potentially increasing losses while trying to do so.

OTC contracts that are not subject to clearing may be even less marketable than futures contracts because they are not traded on an exchange, do not have uniform terms and conditions, and are entered into based upon the creditworthiness of the parties and the availability of credit support, such as collateral, and in general, they are not transferable without the consent of the counterparty. These conditions make such contracts less liquid than standardized futures contracts traded on a commodities exchange and could adversely impact BNO's ability to realize the full value of such contracts. In addition, even if collateral is used to reduce counterparty credit risk, sudden changes in the value of OTC transactions may leave a party open to financial risk due to a counterparty default since the collateral held may not cover a party's exposure on the transaction in such situations.

### ***BNO is not actively managed and tracks the Benchmark Futures Contract during periods in which the price of the Benchmark Futures Contract is flat or declining as well as when the price is rising.***

BNO is not actively managed by conventional methods. Accordingly, if BNO's investments in Crude Oil Interests are declining in value, BNO will not close out such positions except in connection with paying the proceeds to an Authorized Purchaser upon the redemption of a basket or closing out futures positions in connection with the monthly change in the Benchmark Futures Contract. USCF will seek to cause the NAV of BNO's shares to track the Benchmark Futures Contract during periods in which its price is flat or declining as well as when the price is rising.

## **Table of Contents**

***The NYSE Arca may halt trading in BNO's shares, which would adversely impact an investor's ability to sell shares.***

BNO's shares are listed for trading on the NYSE Arca under the market symbol BNO. Trading in shares may be halted due to market conditions or, in light of NYSE Arca rules and procedures, for reasons that, in the view of the NYSE Arca, make trading in shares inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules that require trading to be halted for a specified period based on a specified market decline. Additionally, there can be no assurance that the requirements necessary to maintain the listing of BNO's shares will continue to be met or will remain unchanged.

***The lack of an active trading market for BNO's shares may result in losses on an investor's investment in BNO at the time the investor sells the shares.***

Although BNO's shares are listed and traded on the NYSE Arca, there can be no guarantee that an active trading market for the shares will be maintained. If an investor needs to sell shares at a time when no active trading market for them exists, the price the investor receives upon sale of the shares, assuming they were able to be sold, likely would be lower than if an active market existed.

***Limited partners may have limited liability in certain circumstances, including potentially having liability for the return of wrongful distributions.***

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

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

***USCF is leanly staffed and relies heavily on key personnel to manage BNO and other funds.***

In managing and directing the day-to-day activities and affairs of BNO, USCF relies heavily on Messrs. Howard Mah and John Hyland. If Messrs. Mah or Hyland were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of BNO.

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

Based on the fees and expenses paid by BNO for the year ended December 31, 2013 and BNO's average daily total net assets for 2013, an investor in BNO would pay fees and expenses, prior to any expense waivers, of 1.20% of the amount of the investor's investment.

These fees and expenses must be paid in all cases regardless of whether BNO's activities are profitable. Accordingly, BNO must earn trading gains sufficient to compensate for these fees and expenses before it can earn any profit.



## **Table of Contents**

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

The futures markets are subject to comprehensive statutes, regulations, and margin requirements. In addition, the CFTC and futures exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. Regulation of commodity interest transactions in the United States is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. Considerable regulatory attention has been focused on non-traditional investment pools that are publicly distributed in the United States. In addition, various national governments outside of the United States have expressed concern regarding the disruptive effects of speculative trading in the energy markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on BNO is impossible to predict, but it could be substantial and adverse.

***An investment in BNO may provide little or no diversification benefits. Thus, in a declining market, BNO may have no gains to offset losses from other investments, and an investor may suffer losses on an investment in BNO while incurring losses with respect to other asset classes.***

Historically, Crude Oil Interests have generally been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is a low statistically valid relationship between the performance of futures and other commodity interest transactions, on the one hand, and stocks or bonds, on the other hand.

However, there can be no assurance that such non-correlation will continue during future periods. If, contrary to historic patterns, BNO's performance were to move in the same general direction as the financial markets, investors will obtain little or no diversification benefits from an investment in BNO's shares. In such a case, BNO may have no gains to offset losses from other investments, and investors may suffer losses on their investment in BNO at the same time they incur losses with respect to other investments.

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

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

***BNO is not a registered investment company so shareholders do not have the protections of the 1940 Act.***

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

***Trading in international markets could expose BNO to credit and regulatory risk.***

BNO invests primarily in Futures Contracts, a significant portion of which are traded on United States exchanges, including the NYMEX. However, a portion of BNO's trades may take place on markets and exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the

## **Table of Contents**

same degree of regulation as their U.S. counterparts. Trading in non-U.S. markets also leaves BNO susceptible to swings in the value of the local currency against the U.S. dollar. Additionally, trading on non-U.S. exchanges is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets.

***BNO and USCF may have conflicts of interest, which may permit them to favor their own interests to the detriment of shareholders.***

BNO is subject to actual and potential inherent conflicts involving USCF, various commodity futures brokers and Authorized Purchasers. USCF's officers, directors and employees do not devote their time exclusively to BNO. These persons are directors, officers or employees of other entities that may compete with BNO for their services, including the Related Public Funds. They could have a conflict between their responsibilities to BNO and to those other entities. As a result of these and other relationships, parties involved with BNO have a financial incentive to act in a manner other than in the best interests of BNO and the shareholders. USCF has not established any formal procedure to resolve conflicts of interest. Consequently, investors are dependent on the good faith of the respective parties subject to such conflicts of interest to resolve them equitably. Although USCF attempts to monitor these conflicts, it is extremely difficult, if not impossible, for USCF to ensure that these conflicts do not, in fact, result in adverse consequences to the shareholders.

BNO may also be subject to certain conflicts with respect to the Futures Commission Merchant (FCM), including, but not limited to, conflicts that result from receiving greater amounts of compensation from other clients, or purchasing opposite or competing positions on behalf of third party accounts traded through the FCM. In addition, USCF's principals, officers, directors or employees may trade futures and related contracts for their own account. A conflict of interest may exist if their trades are in the same markets and at the same time as BNO trades using the clearing broker to be used by BNO. A potential conflict also may occur if USCF's principals, officers, directors or employees trade their accounts more aggressively or take positions in their accounts which are opposite, or ahead of, the positions taken by BNO.

***BNO could terminate at any time and cause the liquidation and potential loss of an investor's investment and could upset the overall maturity and timing of an investor's investment portfolio.***

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

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

BNO has not previously made any cash distributions and intends to reinvest any realized gains in additional Crude Oil Interests rather than distributing cash to limited partners. Therefore, unlike mutual funds, commodity pools or other investment pools that actively manage their investments in an attempt to realize income and gains from their investing activities and distribute such income and gains to their investors, BNO generally does not expect to distribute cash to limited partners. An investor should not invest in BNO if the investor will need cash distributions from BNO to pay taxes on its share of income and gains of BNO, if any, or for any other reason. Nonetheless, although BNO does not intend to make cash distributions, the income earned from its investments held directly or posted as margin may reach levels that merit distribution, *e.g.*, at levels where such income is not

## **Table of Contents**

necessary to support its underlying investments in Crude Oil Interests and investors adversely react to being taxed on such income without receiving distributions that could be used to pay such tax. If this income becomes significant then cash distributions may be made.

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

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

*The financial markets are currently in a slow period of recovery and the financial markets are still relatively fragile.*

Since 2008, the financial markets have experienced very difficult conditions and volatility as well as significant adverse trends. The conditions in these markets have resulted in a decrease in availability of corporate credit and liquidity and have led indirectly to the insolvency, closure or acquisition of a number of major financial institutions and have contributed to further consolidation within the financial services industry. In addition, the current administration and Congress have periodically been reaching impasses in passing a fiscal budget, which could create long-term concerns regarding the credit of the United States and interest earned, as well as the United States Government's ability to pay its obligations to holders of Treasuries. If low interest rates on Treasuries continue or if BNO is not able to redeem its investments in Treasuries prior to maturity and the U.S. Government cannot pay its obligations, BNO would be negatively impacted. In addition, BNO might also be negatively impacted by its use of money market mutual funds to the extent those funds might themselves be using Treasuries. Although the financial markets saw signs of recovery beginning in late 2010 and 2011, economic growth in 2012 was slow and the financial markets are still fragile. A poor financial recovery could adversely affect the financial condition and results of operations of BNO's service providers and Authorized Purchasers, which would impact the ability of USCF to achieve BNO's investment objective.

*The failure or bankruptcy of a clearing broker or BNO's Custodian could result in a substantial loss of BNO's assets and could impair BNO in its ability to execute trades.*

Under CFTC regulations, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or even if the customers' funds are segregated by the clearing broker but the clearing broker is unable to satisfy a substantial deficit in a customer account, the clearing broker's other customers may be subject to risk of a substantial loss of their funds in the event of that clearing broker's bankruptcy. In that event, the clearing broker's customers, such as BNO, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers. The bankruptcy of a clearing broker could result in the complete loss of BNO's assets posted with the clearing broker, although the majority of BNO's assets are held in Treasuries, cash and/or cash equivalents with the Custodian and would not be impacted by the bankruptcy of a clearing broker. BNO may also be subject to the risk of the failure of, or delay in performance by, any exchanges and markets and their clearing organizations, if any, on which commodity interest contracts are traded.

In addition, to the extent BNO's clearing broker is required to post BNO's assets as margin to a clearinghouse, the margin will be maintained in an omnibus account containing the margin of all the clearing broker's customers. If BNO's clearing broker defaults to a clearinghouse because of a default by one of the clearing broker's other customers or otherwise, then the clearinghouse can look to all of the margin in the omnibus account, including margin posted by BNO and any other non-defaulting customers of the clearing broker to satisfy the obligations of the clearing broker.

## **Table of Contents**

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

In addition, the majority of BNO's assets are held in Treasuries, cash and/or cash equivalents with the Custodian. The insolvency of the Custodian could result in a complete loss of BNO's assets held by that Custodian, which, at any given time, would likely comprise a substantial portion of BNO's total assets.

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

It is possible that third parties might utilize BNO's intellectual property or technology, including the use of its business methods, trademarks and trading program software, without permission. USCF has a patent for BNO's business method and has registered its trademarks. BNO does not currently have any proprietary software. However, if it obtains proprietary software in the future, any unauthorized use of BNO's proprietary software and other technology could also adversely affect its competitive advantage. BNO may not have adequate resources to implement procedures for monitoring unauthorized uses of its patents, trademarks, proprietary software and other technology. Also, third parties may independently develop business methods, trademarks or proprietary software and other technology similar to that of USCF or claim that USCF has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, USCF may have to litigate in the future to protect its trade secrets, determine the validity and scope of other parties' proprietary rights, defend itself against claims that it has infringed or otherwise violated other parties' rights, or defend itself against claims that its rights are invalid. Any litigation of this type, even if USCF is successful and regardless of the merits, may result in significant costs, divert its resources from BNO, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements.

---

**Table of Contents**

**ADDITIONAL INFORMATION ABOUT BNO, ITS INVESTMENT OBJECTIVE AND INVESTMENTS**

BNO is a Delaware limited partnership organized on September 2, 2009. It operates pursuant to the terms of the Third Amended and Restated Agreement of Limited Partnership dated as of March 1, 2013 (as amended from time to time, the LP Agreement), which grants full management control to USCF. The Limited Partnership Agreement is posted on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com). BNO maintains its main business office at 1999 Harrison Street, Suite 1530, Oakland, California 94612.

The net assets of BNO consist primarily of investments in Futures Contracts, and, to a lesser extent, in order to comply with regulatory requirements or in view of market conditions, Other Crude Oil-Related Investments. Market conditions that USCF currently anticipates could cause BNO to invest in Other Crude Oil-Related Investments include those allowing BNO to obtain greater liquidity or to execute transactions with more favorable pricing.

BNO invests substantially the entire amount of its assets in Futures Contracts while supporting such investments by holding the amounts of its margin, collateral and other requirements relating to these obligations in short-term obligations of the United States of two years or less (Treasuries), cash and cash equivalents. The daily holdings of BNO are available on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com).

BNO invests in Crude Oil Interests to the fullest extent possible without being leveraged or unable to satisfy its current or potential margin or collateral obligations with respect to its investments in Crude Oil Interests. In pursuing this objective, the primary focus of USCF, is the investment in Oil Futures Contracts and the management of BNO's investments in short-term Treasuries, cash and/or cash equivalents for margining purposes and as collateral.

BNO seeks to invest in a combination of Crude Oil Interests such that the daily changes in its NAV, measured in percentage terms, will closely track the daily changes in the price of the Benchmark Futures Contract, also measured in percentage terms. As a specific benchmark, USCF endeavors to place BNO's trades in Crude Oil Interests and otherwise manage BNO's investments so that  $A$  will be within plus/minus 10 percent of  $B$ , where:

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

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

USCF believes that market arbitrage opportunities cause daily changes in BNO's share price on the NYSE Arca to closely track daily changes in BNO's NAV per share. USCF further believes that the daily changes in BNO's NAV in percentage terms closely track the daily changes in percentage terms in the Benchmark Futures Contract, less BNO's expenses. The following two graphs demonstrate the correlation between the changes in the NAV of BNO and the changes in the Benchmark Futures Contract. The first graph exhibits the daily changes for the last 30 valuation days ended December 31, 2013; the second graph measures monthly changes from December 2010 through December 2013.

**Table of Contents**

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

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

USCF employs a neutral investment strategy in order to track changes in the price of the Benchmark Futures Contract regardless of whether the price goes up or goes down. BNO's neutral investment strategy is designed to permit investors generally to purchase and sell BNO's shares for the purpose of investing indirectly in Brent crude oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their Brent crude oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in Brent crude oil and/or the risks involved in hedging may exist. In addition, an investment in BNO involves the risk that the changes in the

**Table of Contents**

price of BNO's shares will not accurately track the changes in the Benchmark Futures Contract, and that changes in the Benchmark Futures Contract will not closely correlate with changes in the spot prices of Brent crude oil.

As an example, for the year ended December 31, 2013, the actual total return of BNO as measured by changes in its per share NAV was 6.91%. This is based on an initial per share NAV of \$40.98\* on December 31, 2012 and an ending per share NAV as of December 31, 2013 of \$43.81. During this time period, BNO made no distributions to its shareholders. However, if BNO's daily changes in its per share NAV had instead exactly tracked the changes in the daily total return of the Benchmark Futures Contract, BNO would have had an estimated per share NAV of \$44.23 as of December 31, 2013, for a total return over the relevant time period of 7.93%. The difference between the actual per share NAV total return of BNO of 6.91% and the expected total return based on the Benchmark Futures Contract of 7.93% was an error over the time period of (1.02)%, which is to say that BNO's actual total return underperformed the benchmark result by that percentage. USCF believes that a portion of the difference between the actual total return and the expected benchmark total return can be attributed to the net impact of the expenses that BNO pays, offset in part by the income that BNO collects on its cash and cash equivalent holdings. During the year ended December 31, 2013, BNO earned dividend and interest income of \$11,929, which is equivalent to a weighted average income rate of approximately 0.03% for such period. In addition, during the year ended December 31, 2013, BNO also collected \$18,900 from its Authorized Purchasers for creating or redeeming baskets of shares. This income contributed to BNO's actual total return. During the year ended December 31, 2013, BNO incurred net expenses of \$397,915. Income from dividends and interest and Authorized Purchaser collections net of expenses was \$(367,086), which is equivalent to a weighted average net income rate of approximately (0.92)% for the year ended December 31, 2013.

\* Adjusted to give effect to the forward share split of 2-for-1 paid after close of markets on August 28, 2013.

**Impact of Contango and Backwardation on Total Returns**

Contango and backwardation are natural market forces that have impacted the total return on an investment in BNO's shares during the past year relative to a hypothetical direct investment in crude oil and, in the future, it is likely that the relationship between the market price of BNO's shares and the changes in the spot price of Brent crude oil will continue to be so impacted by contango and backwardation. (It is important to note that this comparison ignores the potential costs associated with physically owning and storing crude oil, which could be substantial.)

Several factors determine the total return from investing in a futures contract position. One factor that impacts the total return that will result from investing in near month futures contracts and rolling those contracts forward each month is the price relationship between the current near month contract and the next month contract. For example, if the price of the near month contract is higher than the next month contract (a situation referred to as backwardation in the futures market), then absent any other change there is a tendency for the price of a next month contract to rise in value as it becomes the near month contract and approaches expiration. Conversely, if the price of a near month contract is lower than the next month contract (a situation referred to as contango in the futures market), then absent any other change there is a tendency for the price of a next month contract to decline in value as it becomes the near month contract and approaches expiration.

As an example, assume that the price of crude oil for immediate delivery (the spot price), was \$50 per barrel, and the value of a position in the near month futures contract was also \$50. Over time, the price of the barrel of crude oil will fluctuate based on a number of market factors, including demand for oil relative to its supply. The value of the near month contract will likewise fluctuate in reaction to a number of market factors. If investors seek to maintain their position in a near month contract and not take delivery of the oil, every month they must sell their current near month contract as it approaches expiration and invest in the next month contract.

If the futures market is in backwardation, *e.g.*, when the expected price of crude oil in the future would be less, the investor would be buying a next month contract for a lower price than the current near month contract.

## **Table of Contents**

Using the \$50 per barrel price above to represent the front month price, the price of the next month contract could be \$49 per barrel, that is, 2% cheaper than the front month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the income earned on cash and/or cash equivalents), the value of the \$49 next month contract would rise as it approaches expiration and becomes the new near month contract with a price of \$50. In this example, the value of an investment in the second month contract would tend to rise faster than the spot price of crude oil, or fall slower. As a result, it would be possible in this hypothetical example for the spot price of crude oil to have risen 10% after some period of time, while the value of the investment in the second month futures contract would have risen 12%, assuming backwardation is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen 10% while the value of an investment in the futures contract could have fallen only 8%. Over time, if backwardation remained constant, the difference would continue to increase.

If the futures market is in contango, the investor would be buying a next month contract for a higher price than the current near month contract. Using again the \$50 per barrel price above to represent the front month price, the price of the next month contract could be \$51 per barrel, that is, 2% more expensive than the front month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the income earned on cash and/or cash equivalents), the value of the next month contract would fall as it approaches expiration and becomes the new near month contract with a price of \$50. In this example, it would mean that the value of an investment in the second month would tend to rise slower than the spot price of crude oil, or fall faster. As a result, it would be possible in this hypothetical example for the spot price of crude oil to have risen 10% after some period of time, while the value of the investment in the second month futures contract will have risen only 8%, assuming contango is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen 10% while the value of an investment in the second month futures contract could have fallen 12%. Over time, if contango remained constant, the difference would continue to increase.

The chart below compares the price of the near month contract to the average price of the near 12-month contracts over the last 10 years. When the price of the near month contract is higher than the average price of the near 12 month contracts, the market would be described as being in backwardation. When the price of the near month contract is lower than the average price of the near 12 month contracts, the market would be described as being in contango. Although the prices of the near month contract and the average price of the near 12 month contracts do tend to move up or down together, it can be seen that at times the near month prices are clearly higher than the average price of the near 12 month contracts (backwardation), and other times they are below the average price of the near 12 month contracts (contango).



**Table of Contents**

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

An alternative way to view the same data is to subtract from the dollar price of the near month contract the average dollar price of the near 12-months contracts for Brent crude oil. If the resulting number is a positive number, then the near month price is higher than the average price of the near 12-months contracts and the market could be described as being in backwardation. If the resulting number is a negative number, then the near month price is lower than the average price of the near 12-months contracts and the market could be described as being in contango. The chart below shows the results from subtracting the average dollar price of the near 12-month contracts from the near month price for the 10 year period between December 31, 2003 and December 31, 2013.

**Table of Contents**

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

Historically, the Brent crude oil futures markets have experienced periods of contango and backwardation, with backwardation being in place roughly as often as contango since oil futures trading started in 1982. In recent years, U.S. crude oil markets experienced long periods of contango, while Brent crude oil moved into a state of backwardation in 2011. Following the global financial crisis in the fourth quarter of 2008, the crude oil market moved into contango and remained in contango for a period of several years. During parts of 2009, the level of contango was unusually steep as a combination of slack U.S. and global demand for crude oil and issues involving the physical transportation and storage of crude oil at Cushing, Oklahoma, the primary pricing point for oil traded in the U.S., led to unusually high inventories of crude oil. Since then, a combination of improved transportation and storage capacity, along with growing demand for crude oil globally, has moderated the inventory build-up and lead to reduced levels of contango by 2011. The Brent crude oil futures market remained in various stages of backwardation during the year ended December 31, 2013.

Periods of contango or backwardation do not materially impact BNO's investment objective of having the percentage changes in its per share NAV track the daily percentage changes in the price of the Benchmark Futures Contract since the impact of backwardation and contango tend to equally impact the daily percentage changes in price of both BNO's shares and the Benchmark Futures Contract. It is impossible to predict with any

## **Table of Contents**

degree of certainty whether backwardation or contango will occur in the future. It is likely that both conditions will occur during different periods.

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

The specific Futures Contracts purchased depend on various factors, including a judgment by USCF as to the appropriate diversification of BNO's investments in futures contracts with respect to the month of expiration, and the prevailing price volatility of particular contracts. While USCF has made significant investments in ICE Futures Contracts, for various reasons, including the ability to enter into the precise amount of exposure to the crude oil market, position limits or other regulatory requirements limiting BNO's holdings, and market conditions, it may invest in Futures Contracts traded on other exchanges or invest in Other Crude Oil-Related Investments. To the extent that BNO invests in Crude Oil Interests, it would prioritize investments in contracts and instruments that are economically equivalent to the Benchmark Futures Contract, including cleared swaps that satisfy such criteria, and then, to a lesser extent, it would invest in other types of cleared swaps and other contracts, instruments and non-cleared swaps, such as swaps in the OTC market. If BNO is required by law or regulation, or by one of its regulators, including a futures exchange, to reduce its position in the Benchmark Futures Contracts to the applicable position limit or to a specified accountability level or if market conditions dictate it would be more appropriate to invest in Other Crude Oil-Related Investments, a substantial portion of BNO's assets could be invested in accordance with such priority in Other Crude Oil-Related Investments that are intended to replicate the return on the Benchmark Futures Contract. As BNO's assets reach higher levels, it is more likely to exceed position limits, accountability levels or other regulatory limits and, as a result, it is more likely that it will invest in accordance with such priority in Other Crude Oil-Related Investments at such higher levels. In addition, market conditions that USCF currently anticipates could cause BNO to invest in Other Crude Oil-Related Investments include those allowing BNO to obtain greater liquidity or to execute transactions with more favorable pricing. See Risk Factors Involved with an Investment in BNO for a discussion of the potential impact of regulation on BNO's ability to invest in OTC transactions and cleared swaps.

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

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

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

The Benchmark Futures Contract is changed from the near month contract to the next month contract over a four-day period. Each month the Benchmark Futures Contract changes starting at the end of the day on the date two weeks prior to expiration of the near month contract for that month. During the first three days of the period,

## **Table of Contents**

the applicable value of the Benchmark Futures Contract is based on a combination of the near month contract and the next month contract as follows: (1) day 1 consists of 75% of the then near month contract's price plus 25% of the price of the next month contract, divided by 75% of the near month contract's prior day's price plus 25% of the price of the next month contract, (2) day 2 consists of 50% of the then near month contract's price plus 50% of the price of the next month contract, divided by 50% of the near month contract's prior day's price plus 50% of the price of the next month contract and (3) day 3 consists of 25% of the then near month contract's price plus 75% of the price of the next month contract, divided by 25% of the near month contract's prior day's price plus 75% of the price of the next month contract. On day 4, the Benchmark Futures Contract is the next month contract to expire at that time and that contract remains the Benchmark Futures Contract until the beginning of the following month's change in the Benchmark Futures Contract over a four-day period.

On each day during the four-day period, USCF anticipates it will roll BNO's positions in Crude Oil Interests by closing, or selling, a percentage of BNO's positions in Crude Oil Interests and reinvesting the proceeds from closing those positions in new Crude Oil Interests that reflect the change in the Benchmark Futures Contract.

The anticipated dates that the monthly four-day roll period will commence are posted on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com), and are subject to change without notice.

By remaining invested as fully as possible in Futures Contracts or Other Crude Oil-Related Investments, USCF believes that the daily changes in percentage terms in BNO's per share NAV will continue to closely track the daily changes in percentage terms in the price of the Benchmark Futures Contract. USCF believes that certain arbitrage opportunities result in the price of the shares traded on the NYSE Arca closely tracking the per share NAV of BNO. Additionally, Futures Contracts traded on the ICE Futures have closely tracked the spot price of Brent crude oil. Based on these expected interrelationships, USCF believes that the daily changes in the price of BNO's shares traded on the NYSE Arca have closely tracked and will continue to closely track on a daily basis, the changes in the spot price of Brent crude oil.

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

### ***Liquidity***

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

### ***Spot Commodities***

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

### ***Leverage***

USCF endeavors to have the value of BNO's Treasuries, cash and cash equivalents, whether held by BNO or posted as margin or other collateral, at all times approximate the aggregate market value of its obligations under its Futures Contracts and Other Crude Oil-Related Investments. Commodity pools' trading positions in futures contracts or other related investments are typically required to be secured by the deposit of margin funds that represent only a small percentage of a futures contract's (or other commodity interest's) entire market value. While USCF has not and does not intend to leverage BNO's assets, it is not prohibited from doing so under the LP Agreement.

**Table of Contents****Borrowings**

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

**OTC Derivatives**

In addition to Futures Contracts, there are also a number of listed options on the Futures Contracts on the principal futures exchanges. These contracts offer investors and hedgers another set of financial vehicles to use in managing exposure to the crude oil market. Consequently, BNO may purchase options on crude oil Futures Contracts on these exchanges in pursuing its investment objective.

In addition to the Futures Contracts and options on the Futures Contracts, there also exists an active non-exchange-traded market in derivatives tied to crude oil. These derivatives transactions (also known as OTC contracts) are usually entered into between two parties in private contracts. Unlike most of the exchange-traded Futures Contracts or exchange-traded options on the Futures Contracts, each party to such contract bears the credit risk of the other party, *i.e.*, the risk that the other party may not be able to perform its obligations under its contract.

To reduce the credit risk that arises in connection with such contracts, BNO will generally enter into an agreement with each counterparty based on the Master Agreement published by the International Swaps and Derivatives Association, Inc. ( ISDA ) that provides for the netting of its overall exposure to its counterparty.

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

BNO may enter into certain transactions where an OTC component is exchanged for a corresponding futures contract ( Exchange for Risk or EFR transactions). These EFR transactions may expose BNO to counterparty risk during the interim period between the execution of the OTC component and the exchange for a corresponding futures contract. Generally, the counterparty risk from the EFR transaction will exist only on the day of execution.

During the period ended December 31, 2013, BNO has limited its derivatives activities to Futures Contracts and EFR Transactions. During the year 2013, BNO engaged 100% in trading in futures contracts listed on a foreign exchange, the ICE Futures. However, BNO did not engage in trading in forward contracts, including options on such contracts. BNO anticipates continuing to engage in trading in futures contracts listed on the ICE Futures exchange, however BNO does not anticipate trading in forward contracts or options on such contracts, but it may do so as outlined in BNO's listing exemptive order or as permitted under current regulations.

**Prior Performance of BNO****PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

USCF manages BNO which is a commodity pool that issues shares traded on the NYSE Arca. The chart below shows, as of January 31, 2014, the number of Authorized Purchasers, the total number of baskets created and redeemed since inception and the number of outstanding shares for BNO.

<b># of Authorized Purchasers</b>	<b>Baskets Purchased</b>	<b>Baskets Redeemed</b>	<b>Outstanding Shares</b>
<b>9</b>	<b>91</b>	<b>97</b>	<b>600,000</b>

Since the commencement of the offering of BNO shares to the public on June 2, 2010 to January 31, 2014, the simple average daily changes in its benchmark futures contract was 0.071%, while the simple average daily change in the NAV of BNO over the same time period was 0.067%. The average daily difference was (0.004)% (or (0.4) basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark futures contract, the average error in daily tracking by the NAV was (1.099)%, meaning that over this time period BNO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.



**Table of Contents**

The table below shows the relationship between the trading prices of the shares and the daily NAV of BNO, since inception through January 31, 2014. The first row shows the average amount of the variation between BNO's closing market price and NAV, computed on a daily basis since inception, while the second and third rows depict the maximum daily amount of the end of day premiums and discounts to NAV since inception, on a percentage basis. USCF believes that maximum and minimum end of day premiums and discounts typically occur because trading in the shares continues on the NYSE Arca until 4:00 p.m. New York time while regular trading in the benchmark futures contract on the NYMEX ceases at 2:30 p.m. New York time and the value of the relevant benchmark futures contract, for purposes of determining its end of day NAV, can be determined at that time.

	<b>BNO</b>
Average Difference	\$ (0.042)
Max Premium %	4.12%
Max Discount %	(3.13)%

For more information on the performance of BNO, see the Performance Tables below.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS****COMPOSITE PERFORMANCE DATA FOR BNO**

Name of Commodity Pool: United States Brent Oil Fund, LP

Type of Commodity Pool: Exchange traded security

Inception of Trading: June 2, 2010

Aggregate Subscriptions (from inception through January 31, 2014): \$424,879,728

Total Net Assets as of January 31, 2014: \$25,298,646

NAV per Share as of January 31, 2014: \$42.16

Worst Monthly Percentage Draw-down: May 2012 (14.59)%

Worst Peak-to-Valley Draw-down: Mar 12 – Jun 12 (19.62)%

Number of Shareholders (as of December 31, 2013): 1,574

Month	Rates of Return*				
	2010	2011	2012	2013	2014
January		6.61%	3.64%	5.02%	(3.77)%
February		10.42%	10.78%	(2.86)%	
March		4.92%	0.84%	(0.41)%	
April		7.44%	(2.36)%	(6.87)%	
May		(7.17)%	(14.59)%	(1.60)%	
June	1.94%**	(3.40)%	(3.61)%	1.93%	
July	3.83	3.94%	7.50%	5.94%	
August	(4.84)%	(1.55)%	10.61%	6.69%	
September	9.79%	(9.85)%	(1.55)%	(3.55)%	
October	0.61%	8.51%	(2.67)%	1.18%	
November	3.00%	1.90%	3.02%	0.79%	
December	10.09%	(2.65)%	0.65%	1.34%	
Annual Rate of Return	26.16%	18.17%	9.94%	6.92%	(3.77)%***

- \* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.
- \*\* Partial from June 2, 2010
- \*\*\* Through January 31, 2014



---

## **Table of Contents**

Draw-down: Losses experienced over a specified period. Draw-down is measured on the basis of monthly returns only and does not reflect intra-month figures.

Worst Monthly Percentage Draw-down: The largest single month loss sustained since inception of trading.

Worst Peak-to-Valley Draw-down: The largest percentage decline in the NAV per share over the history of the fund. This need not be a continuous decline, but can be a series of positive and negative returns where the negative returns are larger than the positive returns. Worst Peak-to-Valley Draw-down represents the greatest percentage decline from any month-end NAV per share that occurs without such month-end NAV per share being equaled or exceeded as of a subsequent month-end. For example, if the NAV per share declined by \$1 in each of January and February, increased by \$1 in March and declined again by \$2 in April, a peak-to-valley drawdown analysis conducted as of the end of April would consider that drawdown to be still continuing and to be \$3 in amount, whereas if the NAV per share had increased by \$2 in March, the January-February drawdown would have ended as of the end of February at the \$2 level.

## **BNO's Operations**

### **USCF and its Management and Traders**

USCF is a single member limited liability company that was formed in the state of Delaware on May 10, 2005. It maintains its main business office at 1999 Harrison Street, Suite 1530, Oakland, California, 94612. USCF is a wholly-owned subsidiary of Wainwright Holdings, Inc., a Delaware corporation ( "Wainwright" ). The past performance for BNO is located starting on page 24. Mr. Nicholas Gerber (discussed below) controls Wainwright by virtue of his ownership of Wainwright's shares. Wainwright is a holding company that previously owned an insurance company organized under Bermuda law, which has been liquidated, and a registered investment adviser firm named Ameristock Corporation, which has been distributed to the Wainwright shareholders. USCF is a member of the NFA and is registered with the CFTC as a commodity pool operator ( "CPO" ) on December 1, 2005 and as a Swaps Firm on August 8, 2013. USCF also manages the Related Public Funds. USCF does not own any shares of BNO.

USCF is required to evaluate the credit risk of BNO to the FCM, oversee the purchase and sale of BNO's shares by certain Authorized Purchasers, review daily positions and margin requirements of BNO, and manage BNO's investments. USCF also pays the fees of the Marketing Agent, the Administrator, and the Custodian. Brown Brothers Harriman and Co. ( "BBH&CO." ) serves as BNO's Custodian, Registrar, Transfer Agent, and Administrator. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution-related services in connection with the offering of shares exceed ten percent (10%) of the gross proceeds of the offering.

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

The business and affairs of USCF are managed by a board of directors (the "Board" ), which is comprised of three management directors (the "Management Directors" ) some of whom are also its executive officers, and three independent directors who meet the independent director requirements established by the NYSE Arca Equities Rules and the Sarbanes-Oxley Act of 2002. The Management Directors have the authority to manage the general partner pursuant to its Limited Liability Company Agreement, as amended from time to time. Through its Management Directors, the general partner manages the day-to-day operations of BNO. The Board has an audit committee which is made up of the three independent directors (Peter M. Robinson, Gordon L. Ellis, and Malcolm R. Fobes III). The audit committee is governed by an audit committee charter that is posted on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com). The Board has determined that each member of the Audit

---

**Table of Contents**

Committee meets the financial literacy requirements of the NYSE Arca and the Audit Committee Charter. The Board has further determined that each of Messrs. Ellis and Fobes have accounting or related financial management expertise, as required by the NYSE Arca, such that each of them is considered an Audit Committee Finance Expert as such term is defined in Item 407(d)(5) of Regulation S-K.

BNO has no executive officers. Pursuant to the terms of the LP Agreement, BNO's affairs are managed by USCF.

The following are individual Principals, as that term is defined in CFTC Rule 3.1, for USCF: Nicholas Gerber, Melinda Gerber, the Nicholas and Melinda Gerber Living Trust, Howard Mah, Andrew Ngim, Peter Robinson, Gordon Ellis, Malcolm Fobes, John Love, John Hyland, Ray Allen, Carolyn Yu, Wainwright Holdings Inc. and Margaret Johnson. These individuals are Principals due to their positions, however, Nicholas Gerber and Melinda Gerber are also Principals due to their controlling stake in Wainwright. None of the Principals owns or has any other beneficial interest in BNO. Ray Allen and John Hyland make trading and investment decisions for BNO. John Love and Ray Allen execute trades on behalf of BNO. In addition, Nicholas Gerber and John Hyland are registered with the CFTC as Associated Persons of USCF and are NFA Associate Members.

**Nicholas D. Gerber**, 51, President and Chief Executive Officer since June 2005. Mr. Gerber co-founded USCF in 2005 and prior to that, he co-founded Ameristock Corporation in March 1995, a California-based investment adviser registered under the Investment Advisers Act of 1940 from March 1995 until January 2013. From August 1995 to January 2013, Mr. Gerber served as Portfolio Manager of Ameristock Mutual Fund, Inc. Mr. Gerber also served as Vice President and Chief Investment Officer of Lyons Gate Reinsurance Company, Ltd., from June 2003 to December 2009, which was a company that reinsured workmen's compensation insurance. On January 11, 2013, the Ameristock Mutual Fund, Inc. merged with and into the Drexel Hamilton Centre American Equity Fund, a series of Drexel Hamilton Mutual Funds. Drexel Hamilton Mutual Funds is not affiliated with Ameristock Corporation, the Ameristock Mutual Fund, Inc. or USCF. In these roles, Mr. Gerber has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. He has served as a Management Director of USCF since May 2005 and has been a principal of USCF listed with the CFTC and NFA since November 2005, an NFA associate member and associated person of USCF since December 2005 and a Branch Manager of USCF since May 2009. Mr. Gerber earned an MBA degree in finance from the University of San Francisco, a BA from Skidmore College and holds an NFA Series 3 registration.

**Howard Mah**, 49, Secretary, Chief Financial Officer and Treasurer of USCF since June 2005, May 2006 and February 2012, respectively. Mr. Mah co-founded USCF and has served as a Management Director since May 2005. He has been a principal of USCF listed with the CFTC and NFA since November 2005 and its Chief Compliance Officer from May 2006 to February 2013. Since January 2001, Mr. Mah has served as Chief Compliance Officer for Ameristock Corporation which he co-founded in March 1995; Secretary of Ameristock Mutual Fund, Inc. from June 1995 to January 2013 and its Chief Compliance Officer from August 2004 to January 2013. Mr. Mah also served as a tax and finance consultant in private practice from January 1995 to December 2013. Mr. Mah earned his MBA degree in finance from the University of San Francisco and a BEd from the University of Alberta.

**Andrew F Ngim**, 53, co-founded USCF in 2005 and has served as a Management Director since May 2005. Mr. Ngim has served as the portfolio manager for USCI, CPER, USAG and USMI since January 2013. Mr. Ngim also served as USCF's Treasurer from June 2005 to February 2012. Prior to and concurrent with his services to USCF, from January 1999 to January 2013 Mr. Ngim served as a Managing Director for Ameristock Corporation which he co-founded in March 1995 and was Co-Portfolio Manager of Ameristock Mutual Fund, Inc. from January 2000 to January 2013. Mr. Ngim has been a principal of USCF listed with the CFTC and NFA since November 2005. Mr. Ngim earned his BA from the University of California at Berkeley.

**John P. Love**, 42, Senior Portfolio Manager of USCF since March 2010. Mr. Love is currently the portfolio manager of UNG, UGA, UHN and UNL. Prior to that, he was a portfolio manager for the other Related Public

---

**Table of Contents**

Funds beginning with the launch of USO in April 2006. Mr. Love has been a principal of USCF listed with the CFTC and NFA since January 2006. Mr. Love earned a BA from the University of Southern California, holds NFA Series 3 and FINRA Series 7 registrations and is a CFA Charterholder.

**John T. Hyland**, 54, Chief Investment Officer since January 2008. Mr. Hyland has also served as a portfolio manager for USCF from April 2006 until June 2012. In July 2001, Mr. Hyland founded Towerhouse Capital Management, LLC, a firm that provided portfolio management and new fund development expertise to non-U.S. institutional investors through December 2009. Since January 2010, Towerhouse Capital Management, LLC has been inactive. He has been listed with the CFTC and NFA as an associate member and associated person of USCF since December 2005, principal and swap associated person since January 2006 and August 2013, respectively. Mr. Hyland graduated from the University of California at Berkeley, holds an NFA Series 3 registration and is a CFA Charterholder.

**Ray W. Allen**, 57, Portfolio Manager of USCF since January 2008. Mr. Allen was the portfolio manager of UGA, UHN and UNL from January 2008 until March 2010 and has been the portfolio manager of USO, USL, DNO and BNO since March 2010. He has been a principal of USCF listed with the CFTC and NFA since March 2009 and was an associated person of USCF from March 2008 to November 2012. Mr. Allen earned a BA in economics from the University of California at Berkeley and holds an NFA Series 3 registration.

**Carolyn M. Yu**, 55, Chief Compliance Officer and Associate Counsel since February 2013 and August 2011, respectively. Previously, Ms. Yu served as Branch Chief with the Securities Enforcement Branch for the State of Hawaii, Department of Commerce and Consumer Affairs from February 2008 to August 2011. She has been a principal of USCF listed with the CFTC and NFA since August 2013. Ms. Yu earned her JD from Golden Gate University School of Law and a BS in business administration from San Francisco State University.

**BNO s Service Providers**

**Custodian, Registrar, Transfer Agent, and Administrator**

In its capacity as Custodian for BNO, BBH&Co. holds BNO s Treasuries, cash and/or cash equivalents pursuant to a custodial agreement. In addition, in its capacity as Administrator for BNO, performs certain administrative and accounting services for BNO and prepares certain SEC, NFA and CFTC reports on behalf of BNO.

Currently, USCF pays BBH&Co. for its services, in the foregoing capacities, a minimum amount of \$75,000 annually for its custody, fund accounting and fund administration services rendered to BNO and each of the Related Public Funds, as well as a \$20,000 annual fee for its transfer agency services. In addition, USCF pays BBH&Co. an asset-based charge of (a) 0.06% for the first \$500 million of the Related Public Funds , combined net assets, (b) 0.0465% for the Related Public Funds combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once the Related Public Funds combined net assets exceed \$1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \$75,000. USCF also pays transaction fees ranging from \$7 to \$15 per transaction.

BBH&Co. s principal business address is 50 Post Office Square, Boston, MA 02110. BBH&Co., a private bank founded in 1818, is neither a publicly held company nor insured by the Federal Deposit Insurance Corporation. BBH&Co. is authorized to conduct a commercial banking business in accordance with the provisions of Article IV of the New York State Banking Law, New York Banking Law §§160 - 181, and is subject to regulation, supervision, and examination by the New York State Department of Financial Services. BBH&Co. is also licensed to conduct a commercial banking business by the Commonwealths of Massachusetts and Pennsylvania and is subject to supervision and examination by the banking supervisors of those states.

## **Table of Contents**

### **Marketing Agent**

BNO also employs ALPS Distributors, Inc. as the Marketing Agent, which is further discussed under "What is the Plan of Distribution?" USCF pays the Marketing Agent an annual fee. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution-related services in connection with the offering of shares exceed ten percent (10%) of the gross proceeds of the offering.

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

### **Futures Commission Merchant**

On October 8, 2013, USCF entered into a Futures and Cleared Derivatives Transactions Customer Account Agreement with RBC Capital Markets LLC (RBC Capital) to serve as BNO's FCM. This agreement requires RBC Capital to provide services to BNO, as of October 10, 2013, in connection with the purchase and sale of Crude Oil Interests that may be purchased or sold by or through RBC Capital for BNO's account. BNO pays RBC Capital commissions for executing and clearing trades on behalf of BNO.

RBC Capital's primary address is 3 World Financial Center, 200 Vesey Street, New York, NY 10281. From BNO's commencement of trading to October 10, 2013, UBS Securities was a futures clearing broker for BNO. Effective October 10, 2013, RBC Capital became the futures clearing broker for BNO. RBC Capital is registered in the U.S. with FINRA a broker-dealer and with the CFTC as a FCM. RBC Capital is a member of various U.S. futures and securities exchanges.

RBC Capital is a large broker-dealer subject to many different complex legal and regulatory requirements. As a result, certain of RBC Capital's regulators may from time to time conduct investigations, initiate enforcement proceedings and/or enter into settlements with RBC Capital with respect to issues raised in various investigations. RBC Capital complies fully with its regulators in all investigations being conducted and in all settlements it reaches. In addition, RBC Capital is and has been subject to a variety of civil legal claims in various jurisdictions, a variety of settlement agreements and a variety of orders, awards and judgments made against it by courts and tribunals, both in regard to such claims and investigations. RBC Capital complies fully with all settlements it reaches and all orders, awards and judgments made against it.

RBC Capital has been named as a defendant in various legal actions, including arbitrations, class actions and other litigation including those described below, arising in connection with its activities as a broker-dealer. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. RBC Capital is also involved, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding RBC Capital's business, including among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

RBC Capital contests liability and/or the amount of damages, as appropriate, in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, RBC Capital cannot predict the loss or range of loss, if any, related to such matters; how or if such matters will be resolved; when they will ultimately be resolved; or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, RBC Capital believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material adverse effect on the consolidated financial condition of RBC Capital.

On March 11, 2013, the New Jersey Bureau of Securities entered a consent order settling an administrative complaint against RBC Capital, which alleged that RBC Capital failed to follow its own procedures with respect

**Table of Contents**

to monthly account reviews and failed to maintain copies of the monthly account reviews with respect to certain accounts that James Hankins Jr. maintained at the firm in violation of N.J.S.A. 49:3-58(a)(2)(xi) and 49:3-59(b). Without admitting or denying the findings of fact and conclusions of law, RBC Capital consented to a civil monetary penalty of \$150,000 (of which \$100,000 was suspended as a result of the firm's cooperation) and to pay disgorgement of \$300,000.

On May 2, 2012, the Massachusetts Securities Division entered a consent order settling an administrative complaint against RBC Capital, which alleged that RBC Capital recommended unsuitable products to its brokerage and advisory clients and failed to supervise its registered representatives' sales of inverse and leveraged ETFs in violation of Section 204(a)(2) of the Massachusetts Uniform Securities Act (MUSA). Without admitting or denying the allegations of fact, RBC Capital consented to permanently cease and desist from violations of MUSA, pay restitution of \$2.9 million to the investors who purchased the inverse and leveraged ETFs and pay a civil monetary penalty of \$250,000.

On September 27, 2011, the SEC commenced and settled an administrative proceeding against RBC Capital for willful violations of Sections 17(a)(2) and 17(a)(3) of the 1933 Act for negligently selling the collateralized debt obligations to five Wisconsin school districts despite concerns about the suitability of the product. The firm agreed to pay disgorgement of \$6.6 million, prejudgment interest of \$1.8 million, and a civil monetary penalty of \$22 million.

On February 24, 2009, the SEC commenced and settled an administrative proceeding against RBC Capital for willful violations of Section 15B(c)(1) of the 1934 Act and Municipal Securities Rulemaking Board Rules G-17, G-20 and G-27, related to municipal expenses in connection with ratings agency trips. The firm was censured and paid a civil monetary penalty of \$125,000.

On June 9, 2009, the SEC commenced and settled a civil action against RBC Capital for willful violations of Section 15(c) of the 1934 Act, in connection with auction rate securities (ARS). The firm agreed to repurchase ARS owned by certain retail customers and to use best efforts to provide ineligible customers opportunities to liquidate ARS, and other ancillary relief.

Please see RBC Capital's Form BD for more details.

RBC Capital will only act as a clearing broker for BNO and as such will be paid commissions for executing and clearing trades on behalf of BNO. Prior to October 10, 2013, UBS Securities, LLC acted only as clearing broker for BNO and as such was paid commissions for executing and clearing trades on behalf of BNO. RBC Capital will not act in any supervisory capacity with respect to USCF or participate in the management of USCF or BNO.

RBC Capital is not affiliated with BNO or USCF. Therefore, neither USCF nor BNO believe that there are any conflicts of interest with RBC Capital or their trading principals arising from them acting as BNO's FCM.

**BNO's Fees and Expenses**

**This table describes the fees and expenses that you may pay if you buy and hold shares of BNO. You should note that you may pay brokerage commissions on purchases and sales of BNO's shares, which are not reflected in the table. Authorized Purchasers will pay applicable creation and redemption fees. See *Creation and Redemption of Shares-Creation and Redemption Transaction Fee*, page 58.**

**Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)**

Management Fees <sup>(1)</sup>	0.75%
Other Fund Expenses <sup>(1)</sup>	0.45%
Expense Waiver <sup>(2)</sup>	(0.30)%
Net Other Fund Expenses	0.15%
Total Annual Fund Operating Expenses After Expense Waiver	0.90%

**Table of Contents**

- (1) Based on amounts for the year ended December 31, 2013, extracted from the Financial Highlights footnote to BNO's audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013 filed March 26, 2014, which is incorporated by reference into this prospectus. See Incorporation By Reference of Certain Information, page 62. The individual expense amounts in dollar terms are shown in the table below.

Management fees	\$ 299,440
Professional fees	\$ 140,442
Brokerage commissions	\$ 29,674
Other expenses	\$ 9,012

- (2) USCF has voluntarily agreed to pay certain expenses typically borne by BNO, to the extent that such expenses exceed 0.15% of BNO's NAV, on an annualized basis. USCF has no obligation to continue such payments. If this agreement were terminated, the Annual Fund Operating Expenses could increase, which would negatively impact your total return from an investment in BNO.

**Breakeven Analysis**

The breakeven analysis below indicates the approximate dollar returns and percentage required for the redemption value of a hypothetical initial investment in a single share to equal the amount invested twelve months after the investment was made. For purposes of this breakeven analysis, an initial selling price of \$42.16 per share, which equals the NAV per share at the close of trading on January 31, 2014, is assumed. In order for a hypothetical investment in shares to break even over the next 12 months, assuming a selling price of \$42.16 per share, the investment would have to generate a 1.16% or \$0.49 return.

This breakeven analysis refers to the redemption of baskets by Authorized Purchasers and is not related to any gains an individual investor would have to achieve in order to break even. The breakeven analysis is an approximation only.

Assumed initial selling price per unit	\$ 42.16
Management Fee (0.75%) <sup>(1)</sup>	\$ 0.32
Creation Basket Fee <sup>(2)</sup>	\$ (0.01)
Estimated Brokerage Fee (0.02%) <sup>(3)</sup>	\$ 0.01
Interest Income (0.05%) <sup>(4)</sup>	\$ (0.03)
Independent Directors' and Officers' Fees (0.034%)	\$ 0.02
Fees and expenses associated with tax accounting and reporting (0.418%) <sup>(6)</sup>	\$ 0.18
Amount of trading income (loss) required for the redemption value at the end of one year to equal the initial selling price of the unit	\$ 0.49
Percentage of initial selling price per unit	1.16%

- (1) BNO is contractually obligated to pay USCF a management fee based on daily net assets and paid monthly of 0.75% per annum on average daily net assets.
- (2) Authorized Purchasers are required to pay a Creation Basket fee of \$350 (through May 1, 2015) for each order they place to create one or more baskets. An order must be at least one basket, which is 50,000 units. This breakeven analysis assumes a hypothetical investment in a single unit so the Creation Basket fee is \$.01 (350/50,000).
- (3) This amount is based on the actual brokerage fees for BNO calculated on an annualized basis.
- (4) BNO earns interest on funds it deposits with the FCM and the custodian and it estimates that the interest rate will be 0.05% based on the current interest rate on three-month Treasuries as of January 31, 2014. The actual rate may vary.

---

**Table of Contents**

- (5) The foregoing assumes that the assets of BNO are aggregated with those of the Related Public Funds, that the aggregate fees paid to the independent directors in 2013 was \$555,465, that the allocable portion of the fees borne by BNO equals \$9,011, and that BNO has \$25,298,646 in assets, which is the amount of assets as of January 31, 2014.
- (6) BNO assumed the aggregate costs attributable to tax accounting and reporting for 2013 was \$110,000. The number in the break-even table assumes BNO has \$25,298,646 in assets which is the amount of assets as of January 31, 2014.

**Conflicts of Interest**

There are present and potential future conflicts of interest in BNO's structure and operation you should consider before you purchase shares. USCF will use this notice of conflicts as a defense against any claim or other proceeding made. If USCF is not able to resolve these conflicts of interest adequately, it may impact BNO's and the Related Public Funds' ability to achieve their investment objectives.

BNO and USCF may have inherent conflicts to the extent USCF attempts to maintain BNO's asset size in order to preserve its fee income and this may not always be consistent with BNO's objective of having the value of its share's NAV track changes in the price of the Benchmark Futures Contract.

USCF's officers, directors and employees, do not devote their time exclusively to BNO. These persons are directors, officers or employees of other entities which may compete with BNO for their services. They could have a conflict between their responsibilities to BNO and to those other entities. USCF believes that it has sufficient personnel, time, and working capital to discharge its responsibilities in a fair manner and that these persons' conflicts should not impair their ability to provide services to BNO.

USCF and USCF's principals, officers, directors and employees may trade futures and related contracts for their own account. Limited partners and other shareholders are not permitted to inspect the trading records or any written policies related to such trading of USCF and its principals, officers, directors, and employees. A conflict of interest may exist if their trades are in the same markets and at the same time as BNO trades using the clearing broker to be used by BNO. A potential conflict also may occur when USCF's principals trade their accounts more aggressively or take positions in their accounts which are opposite, or ahead of, the positions taken by BNO. USCF has adopted a Code of Business Conduct and Ethics to ensure that the officers, directors, and employees of USCF and its affiliates do not engage in trades that will harm the fund or the shareholders. USCF has also adopted Corporate Governance Guidelines. If these provisions are not successful, shareholders may be harmed in that such trades could affect the prices of the futures contracts purchased by BNO which could affect BNO's ability to track the Benchmark Futures Contract. The Code of Business Conduct and Ethics, and the Corporate Governance Guidelines may be found on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com).

USCF has sole current authority to manage the investments and operations of BNO, and this may allow it to act in a way that furthers its own interests which may create a conflict with your best interests. Limited partners have limited voting control, which will limit their ability to influence matters such as amendment of the LP Agreement, change in BNO's basic investment policy, dissolution of BNO, or the sale or distribution of BNO's assets.

USCF serves as the general partner to BNO and the Related Public Funds. USCF may have a conflict to the extent that its trading decisions for BNO may be influenced by the effect they would have on the other funds it manages. By way of example, if, as a result of reaching position limits imposed by the ICE Futures Exchange on Futures Contracts (or otherwise), USCF might determine that there would be potential benefits in purchasing instead another type of petroleum-based futures contract, such as gasoline futures contracts. However, USCF might be disinclined to purchase gasoline futures contracts, this decision could impact its ability to purchase additional gasoline futures contracts for BNO if adversely doing so would be due to applicability position limits for other Related Public Funds (such as the United States Gasoline Fund, LP).

## **Table of Contents**

In addition, USCF is required to indemnify the officers and directors of the other funds, if the need for indemnification arises. This potential indemnification will cause USCF's assets to decrease. If USCF's other sources of income are not sufficient to compensate for the indemnification, then USCF may terminate and you could lose your investment.

Whenever a conflict of interest exists or arises between USCF on the one hand, and the partnership or any limited partner, on the other hand, any resolution or course of action by USCF in respect of such conflict of interest shall be permitted and deemed approved by all partners and shall not constitute a breach of the LP Agreement or of any agreement contemplated hereby or of a duty stated or implied by law or equity, if the resolution or course of action is, or by operation of the LP Agreement is deemed to be, fair and reasonable to the partnership. If a dispute arises, under the LP Agreement it will be resolved either through negotiations with USCF or by courts located in the State of Delaware.

Under the LP Agreement, any resolution is deemed to be fair and reasonable to the partnership if the resolution is:

approved by the audit committee, although no party is obligated to seek approval and USCF may adopt a resolution or course of action that has not received approval;

on terms no less favorable to the limited partners than those generally being provided to or available from unrelated third parties; or

fair to the limited partners, taking into account the totality of the relationships of the parties involved including other transactions that may be particularly favorable or advantageous to the limited partners.

The previous risk factors and conflicts of interest are complete as of the date of this prospectus; however, additional risks and conflicts may occur which are not presently foreseen by USCF. You may not construe this prospectus as legal or tax advice. Before making an investment in this fund, you should read this entire prospectus, including the LP Agreement which can be found on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com). You should also consult with your personal legal, tax, and other professional advisors.

### ***Interests of Named Experts and Counsel***

USCF has employed Reed Smith LLP to prepare this prospectus. Neither the law firm nor any other expert hired by BNO to give advice on the preparation of this offering document has been hired on a contingent fee basis. Nor does any of them have any present or future expectation of interest in USCF, Marketing Agent, Authorized Purchasers, Custodian, Administrator or other service providers to BNO.

### **USCF's Responsibilities and Remedies**

Pursuant to the DRULPA, parties may contractually modify or even eliminate fiduciary duties in a limited partnership agreement to the limited partnership itself, or to another partner or person otherwise bound by the limited partnership agreement. Parties may not, however, eliminate the implied covenant of good faith and fair dealing. Where parties unambiguously provide for fiduciary duties in a limited partnership agreement, those expressed duties become the standard that courts will use to determine whether such duties were breached. For this reason, BNO's limited partnership agreement does not explicitly provide for any fiduciary duties so that common law fiduciary duty principles will apply to measure USCF's conduct.

A prospective investor should be aware that USCF has a responsibility to limited partners of BNO to exercise good faith and fairness in all dealings. The fiduciary responsibility of a general partner to limited partners is a developing and changing area of the law and limited partners who have questions concerning the duties of USCF should consult with their counsel. In the event that a limited partner of BNO believes that USCF



## **Table of Contents**

has violated its fiduciary duty to the limited partners, he may seek legal relief individually or on behalf of BNO under applicable laws, including under DRULPA and under commodities laws, to recover damages from or require an accounting by USCF. Limited partners may also have the right, subject to applicable procedural and jurisdictional requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Limited partners who have suffered losses in connection with the purchase or sale of the shares may be able to recover such losses from USCF where the losses result from a violation by USCF of the federal securities laws. State securities laws may also provide certain remedies to limited partners. Limited partners should be aware that performance by USCF of its fiduciary duty is measured by the terms of the LP Agreement as well as applicable law. Limited partners are afforded certain rights to institute reparations proceedings under the CEA for violations of the CEA or of any rule, regulation or order of the CFTC by USCF.

## **Liability and Indemnification**

Under the LP Agreement, neither a general partner nor any employee or other agent of BNO nor any officer, director, stockholder, partner, employee or agent of a general partner (a Protected Person ) shall be liable to any partner or BNO for any mistake of judgment or for any action or inaction taken, nor for any losses due to any mistake of judgment or to any action or inaction or to the negligence, dishonesty or bad faith of any officer, director, stockholder, partner, employee, agent of BNO or any officer, director, stockholder, partner, employee or agent of such general partner, provided that such officer, director, stockholder, partner, employee, or agent of the partner or officer, director, stockholder, partner, employee or agent of such general partner was selected, engaged or retained by such general partner with reasonable care, except with respect to any matter as to which such general partner shall have been finally adjudicated in any action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Protected Person's action was in the best interests of BNO and except that no Protected Person shall be relieved of any liability to which such Protected Person would otherwise be subject by reason of willful misfeasance, gross negligence or reckless disregard of the duties involved in the conduct of the Protected Person's office.

BNO shall, to the fullest extent permitted by law, but only out of BNO assets, indemnify and hold harmless a general partner and each officer, director, stockholder, partner, employee or agent thereof (including persons who serve at BNO's request as directors, officers or trustees of another organization in which BNO has an interest as a shareholder, creditor or otherwise) and their respective Legal Representatives and successors (hereinafter referred to as a Covered Person ) against all liabilities and expenses, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by any Covered Person in connection with the defense or disposition of any action, suit or other proceedings, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such person may be or may have been threatened, while in office or thereafter, by reason of an alleged act or omission as a general partner or director or officer thereof, or by reason of its being or having been such a general partner, director or officer, except with respect to any matter as to which such Covered Person shall have been finally adjudicated in any such action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Covered Person's action was in the best interest of BNO, and except that no Covered Person shall be indemnified against any liability to BNO or limited partners to which such Covered Person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person's office. Expenses, including counsel fees so incurred by any such Covered Person, may be paid from time to time by BNO in advance of the final disposition of any such action, suit or proceeding on the condition that the amounts so paid shall be repaid to BNO if it is ultimately determined that the indemnification of such expenses is not authorized hereunder.

## **Table of Contents**

### **Provisions of Law**

According to applicable law, indemnification of USCF is payable only if USCF determined, in good faith, that the act, omission or conduct that gave rise to the claim for indemnification was in the best interest of BNO and the act, omission or activity that was the basis for such loss, liability, damage, cost or expense was not the result of negligence or misconduct and such liability or loss was not the result of negligence or misconduct by USCF, and such indemnification or agreement to hold harmless is recoverable only out of the assets of BNO and not from the members, individually.

#### ***Provisions of Federal and State Securities Laws***

This offering is made pursuant to federal and state securities laws. The SEC and state securities agencies take the position that indemnification of USCF that arises out of an alleged violation of such laws is prohibited unless certain conditions are met.

Those conditions require that no indemnification of USCF or any underwriter for BNO may be made in respect of any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless: (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the party seeking indemnification and the court approves the indemnification; (ii) such claim has been dismissed with prejudice on the merits by a court of competent jurisdiction as to the party seeking indemnification; or (iii) a court of competent jurisdiction approves a settlement of the claims against the party seeking indemnification and finds that indemnification of the settlement and related costs should be made, provided that, before seeking such approval, USCF or other indemnitee must apprise the court of the position held by regulatory agencies against such indemnification. These agencies are the SEC and the securities administrator of the State or States in which the plaintiffs claim they were offered or sold membership interests.

#### ***Provisions of the 1933 Act and NASAA Guidelines***

Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to USCF or its directors, officers, or persons controlling BNO, BNO has been informed that SEC and the various State administrators believe that such indemnification is against public policy as expressed in the 1933 Act and the North American Securities Administrators Association, Inc. ( NASAA ) commodity pool guidelines and is therefore unenforceable.

### **Books and Records**

BNO keeps its books of record and account at its office located at 1999 Harrison Street, Suite 1530, Oakland, California 94612 or at the offices of the Administrator at its office located at 50 Post Office Square, Boston, Massachusetts, 02110, or such office, including of an administrative agent, as it may subsequently designate upon notice. These books and records are open to inspection by any person who establishes to BNO's satisfaction that such person is a limited partner upon reasonable advance notice at all reasonable times during the usual business hours of BNO.

BNO keeps a copy of BNO's LP Agreement on file in its office which is available for inspection on reasonable advance notice at all reasonable times during its usual business hours by any limited partner.

### **Statements, Filings, and Reports**

At the end of each fiscal year, BNO will furnish to DTC Participants for distribution to each person who is a shareholder at the end of the fiscal year an annual report containing BNO's audited financial statements and other information about BNO. USCF is responsible for the registration and qualification of the shares under the federal

---

## **Table of Contents**

securities laws and federal commodities laws and any other securities and blue sky laws of the United States or any other jurisdiction as USCF may select. USCF is responsible for preparing all reports required by the SEC, CFTC, and the NYSE Arca but has entered into an agreement with the Administrator to prepare these reports as required by the SEC, CFTC and the NYSE Arca on BNO's behalf.

The financial statements of BNO will be audited, as required by law and as may be directed by USCF, by an independent registered public accounting firm designated from time to time by USCF. The accountants report will be furnished by BNO to shareholders upon request. BNO will make such elections, file such tax returns, and prepare, disseminate and file such tax reports, as it is advised by its counsel or accountants are from time to time required by any applicable statute, rule or regulation.

### **Reports to Limited Partners**

In addition to periodic reports filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, all of which can be accessed on the SEC's website at [www.sec.gov](http://www.sec.gov) or on BNO's website at [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com), BNO, pursuant to the LP Agreement, will provide the following reports to limited partners in the manner prescribed below.

*Annual Reports.* Within 90 days after the end of each fiscal year, USCF shall cause to be delivered to each limited partner who was a limited partner at any time during the fiscal year, an annual report containing the following:

- (i) financial statements of the partnership, including, without limitation, a balance sheet as of the end of the partnership's fiscal year and statements of income, partners' equity and changes in financial position, for such fiscal year, which shall be prepared in accordance with accounting principles generally accepted in the United States of America consistently applied and shall be audited by a firm of independent certified public accountants registered with the Public Company Accounting Oversight Board;
- (ii) a general description of the activities of the partnership during the period covered by the report; and
- (iii) a report of any material transactions between the partnership and USCF or any of its affiliates, including fees or compensation paid by the partnership and the services performed by USCF or any such affiliate for such fees or compensation.

*Quarterly Reports.* Within 45 days after the end of each quarter of each fiscal year, USCF shall cause to be delivered to each limited partner who was a limited partner at any time during the quarter then ended, a quarterly report containing a balance sheet and statement of income for the period covered by the report, each of which may be unaudited but shall be certified by USCF as fairly presenting the financial position and results of operations of the partnership during the period covered by the report. The report shall also contain a description of any material event regarding the business of the partnership during the period covered by the report.

*Monthly Reports.* Within 30 days after the end of each month, USCF shall cause to be posted on its website and upon request, to be delivered to each limited partner who was a limited partner at any time during the month then ended, a monthly report containing an account statement, which will include a statement of income (loss) and a statement of changes in NAV, for the prescribed period. In addition, the account statement will disclose any material business dealings between the partnership, USCF, commodity trading advisor (if any), FCM, or the principals thereof that previously have not been disclosed in this prospectus or any amendment thereto, other account statements or annual reports.

BNO will provide information to its shareholders to the extent required by applicable SEC, CFTC, and NYSE Arca requirements. An issuer, such as BNO, of exchange-traded securities may not always readily know the identities of the investors who own those securities. BNO will post the same information that would

## **Table of Contents**

otherwise be provided in BNO's reports to limited partners described above including its monthly account statements, which will include, without limitation, BNO's NAV, on BNO's website [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com).

### **Fiscal Year**

The fiscal year of BNO is the calendar year. USCF may select an alternate fiscal year.

### **Governing Law; Consent to Delaware Jurisdiction**

The rights of USCF, BNO, DTC (as registered owner of BNO's global certificate for shares) and the shareholders, are governed by the laws of the State of Delaware. USCF, BNO and DTC and, by accepting shares, each DTC Participant and each shareholder, consent to the jurisdiction of the courts of the State of Delaware and any federal courts located in Delaware. Such consent is not required for any person to assert a claim of Delaware jurisdiction over USCF or BNO.

### **Legal Matters**

#### ***Litigation and Claims***

Within the past 5 years of the date of this prospectus, there have been no material administrative, civil or criminal actions against USCF, underwriter, or any principal or affiliate of either of them. This includes any actions pending, on appeal, concluded, threatened, or otherwise known to them.

#### ***Legal Opinion***

Reed Smith LLP is counsel to advise BNO and USCF with respect to the preparation of shares being offered hereby and has passed upon the validity of the shares being issued hereunder. Reed Smith LLP has also provided USCF with its opinion with respect to federal income tax matters addressed herein.

#### ***Experts***

Spicer Jeffries LLP an independent registered public accounting firm, has audited the financial statements of BNO and USCF, at December 31, 2013, December 31, 2012 and December 31, 2011 that appear in the annual report on Form 10-K that is incorporated by reference. The financial statements in the Form 10-K were included in reliance upon the reports of Spicer Jeffries LLP dated March 26, 2014 given on its authority of such firm as experts in accounting and auditing.

### **U.S. Federal Income Tax Considerations**

The following discussion summarizes the material U.S. federal income tax consequences of the purchase, ownership and disposition of shares in BNO, and the U.S. federal income tax treatment of BNO, as of the date hereof. This discussion is applicable to a beneficial owner of shares who purchases shares in the offering to which this prospectus relates, including a beneficial owner who purchases shares from an Authorized Purchaser. Except where noted otherwise, it deals only with shares held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, persons holding shares as a part of a position in a straddle or as part of a hedging, conversion or other integrated transaction for U.S. federal income tax purposes, traders in securities or commodities that elect to use a mark-to-market method of accounting, or holders of shares whose functional currency is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Code, and regulations ( Treasury Regulations ), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below.

---

## **Table of Contents**

Persons considering the purchase, ownership or disposition of shares should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. As used herein, a U.S. shareholder of a share means a beneficial owner of a share that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. A

Non-U.S. shareholder is a holder that is not a U.S. shareholder. If a partnership holds our shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares, you should consult your own tax advisor regarding the tax consequences.

USCF on behalf of BNO, has received the opinion of Reed Smith LLP, counsel to BNO, that the material U.S. federal income tax consequences to BNO and to U.S. shareholders and Non-U.S. shareholders will be as described below. In rendering its opinion, Reed Smith LLP has relied on the facts described in this prospectus as well as certain factual representations made by BNO and USCF. The opinion of Reed Smith LLP is not binding on the IRS, and as a result, the IRS may not agree with the tax positions taken by BNO. If challenged by the IRS, BNO's tax positions might not be sustained by the courts. No ruling has been requested from the IRS with respect to any matter affecting BNO or prospective investors.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISOR AS TO HOW THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN BNO APPLY TO YOU AND AS TO HOW APPLICABLE STATE, LOCAL OR FOREIGN TAXES APPLY TO YOU.

### ***Tax Status of BNO***

BNO is organized and operated as a limited partnership in accordance with the provisions of the LP Agreement and applicable state law. Under the Code, an entity classified as a partnership that is deemed to be a publicly traded partnership is generally taxable as a corporation for U.S. federal income tax purposes. The Code provides an exception to this general rule for a publicly traded partnership whose gross income for each taxable year of its existence consists of at least 90% qualifying income ( qualifying income exception ). For this purpose, section 7704 defines qualifying income as including, in pertinent part, interest (other than from a financial business), dividends and gains from the sale or disposition of capital assets held for the production of interest or dividends. In addition, in the case of a partnership a principal activity of which is the buying and selling of commodities (other than as inventory) or of futures, forwards and options with respect to commodities, qualifying income includes income and gains from such commodities and futures, forwards and options with respect to commodities. BNO and USCF have represented the following to Reed Smith LLP:

At least 90% of BNO's gross income for each taxable year will constitute qualifying income within the meaning of Code section 7704 (as described above);

BNO is organized and operated in accordance with its governing agreements and applicable law;

BNO has not elected, and will not elect, to be classified as a corporation for U.S. federal income tax purposes.

Based in part on these representations, Reed Smith LLP is of the opinion that BNO classifies as a partnership for U.S. federal income tax purposes and that it is not taxable as a corporation for such purposes.

If BNO failed to satisfy the qualifying income exception in any year, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, BNO would be taxable as

**Table of Contents**

a corporation for U.S. federal income tax purposes and would pay U.S. federal income tax on its income at regular corporate rates. In that event, shareholders would not report their share of BNO's income or loss on their returns. In addition, distributions to shareholders would be treated as dividends to the extent of BNO's current and accumulated earnings and profits. To the extent a distribution exceeded BNO's earnings and profits, the distribution would be treated as a return of capital to the extent of a shareholder's basis in its shares, and thereafter as gain from the sale of shares. Accordingly, if BNO were to be taxable as a corporation, it would likely have a material adverse effect on the economic return from an investment in BNO and on the value of the shares.

The remainder of this summary assumes that BNO is classified as a partnership for U.S. federal income tax purposes and that it is not taxable as a corporation.

***U.S. Shareholders******Tax Consequences of Ownership of Shares***

***Taxation of BNO's Income.*** No U.S. federal income tax is paid by BNO on its income. Instead, BNO files annual information returns, and each U.S. shareholder is required to report on its U.S. federal income tax return its allocable share of the income, gain, loss and deduction of BNO. For example, shareholders must take into account their share of ordinary income realized by BNO from accruals of interest on Treasuries and other investments, and their share of gain from Crude Oil Interests. These items must be reported without regard to the amount (if any) of cash or property the shareholder receives as a distribution from BNO during the taxable year. Consequently, a shareholder may be allocated income or gain by BNO but receive no cash distribution with which to pay its tax liability resulting from the allocation, or may receive a distribution that is insufficient to pay such liability. Because USCF currently does not intend to make distributions, it is likely that in any year BNO realizes net income and/or gain that a U.S. shareholder will be required to pay taxes on its allocable share of such income or gain from sources other than BNO distributions. In addition, for taxable years beginning after December 31, 2012, individuals with income in excess of \$200,000 (\$250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their net investment income, which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Also included as income subject to the additional 3.8% tax is income from businesses involved in the trading of financial instruments or commodities.

***Allocations of BNO's Profit and Loss.*** Under Code section 704, the determination of a partner's distributive share of any item of income, gain, loss, deduction or credit is governed by the applicable organizational document unless the allocation provided by such document lacks substantial economic effect. An allocation that lacks substantial economic effect nonetheless will be respected if it is in accordance with the partners' interests in the partnership, determined by taking into account all facts and circumstances relating to the economic arrangements among the partners.

In general, BNO applies a monthly closing-of-the-books convention in determining allocations of economic profit or loss to shareholders. Income, gain, loss and deduction are determined on a monthly mark-to-market basis, taking into account our accrued income and deductions and realized and unrealized gains and losses for the month. These items are allocated among the holders of shares in proportion to the number of shares owned by them as of the close of business on the last business day of the month. Items of taxable income, deduction, gain, loss and credit recognized by BNO for U.S. federal income tax purposes for any taxable year are allocated among holders in a manner that equitably reflects the allocation of economic profit or loss. BNO has made the election permitted by section 754 of the Code, which election is irrevocable without the consent of the Service. The effect of this election is that when a secondary market sale of our shares occur, we adjust the purchaser's proportionate share of the tax basis of our assets to fair market value, as reflected in the price paid for the shares, as if the purchaser had directly acquired an interest in our assets. The section 754 election is intended to eliminate

---

**Table of Contents**

disparities between a partner's basis in its partnership interest and its share of the tax bases of the partnership's assets, so that the partner's allocable share of taxable gain or loss on a disposition of an asset will correspond to its share of the appreciation or depreciation in the value of the asset since it acquired its interest. Depending on the price paid for shares and the tax bases of BNO's assets at the time of the purchase, the effect of the section 754 election on a purchaser of shares may be favorable or unfavorable.

BNO applies certain conventions in determining and allocating items for tax purposes in order to reduce the complexity and costs of administration. USCF believes that application of these conventions is consistent with the intent of the partnership provisions of the Code, and that the resulting allocations will have substantial economic effect or otherwise are respected as being in accordance with shareholders' interests in BNO for U.S. federal income tax purposes.

The Code and existing Treasury Regulations do not expressly permit adoption of these conventions although the monthly allocation convention described above is consistent with a semi-monthly method permitted under recently proposed Treasury Regulations, as well as the legislative history for the provisions that requires allocations to appropriately reflect changes in ownership interest. It is possible that the IRS could successfully challenge this method and require a shareholder to report a greater or lesser share of items of income, gain, loss, deduction, or credit than if our method were respected. USCF is authorized to revise our allocation method to conform to any method permitted under future Treasury Regulations.

The assumptions and conventions used in making tax allocations may cause a shareholder to be allocated more or less income or loss for U.S. federal income tax purposes than its proportionate share of the economic income or loss realized by BNO during the period it held its shares. This mismatch between taxable and economic income or loss in some cases may be temporary, reversing itself in a later year when the shares are sold, but could be permanent. For example, a shareholder could be allocated income accruing before it purchased its shares, resulting in an increase in the basis of the shares (see *Tax Basis of Shares*, below). On a subsequent disposition of the shares, the additional basis might produce a capital loss the deduction of which may be limited (see *Limitations on Deductibility of Losses and Certain Expenses*, below).

*Mark to Market of Certain Exchange-Traded Contracts.* For U.S. federal income tax purposes, BNO generally is required to use a mark-to-market method of accounting under which unrealized gains and losses on instruments constituting section 1256 contracts are recognized currently. A section 1256 contract is defined as: (1) a futures contract that is traded on or subject to the rules of a national securities exchange which is registered with the SEC, a domestic board of trade designated as a contract market by the CFTC, or any other board of trade or exchange designated by the Secretary of the Treasury, and with respect to which the amount required to be deposited and the amount that may be withdrawn depends on a system of marking to market; (2) a forward contract on exchange-traded foreign currencies, where the contracts are traded in the interbank market; (3) a non-equity option traded on or subject to the rules of a qualified board or exchange; (4) a dealer equity option; or (5) a dealer securities futures contract.

Under these rules, section 1256 contracts held by BNO at the end of each taxable year, including for example Futures Contracts and options on Futures Contracts traded on a U.S. exchange or board of trade or certain foreign exchanges, are treated as if they were sold by BNO for their fair market value on the last business day of the taxable year. A shareholder's distributive share of BNO's net gain or loss with respect to each section 1256 contract generally is treated as long-term capital gain or loss to the extent of 60 percent thereof, and as short-term capital gain or loss to the extent of 40 percent thereof, without regard to the actual holding period.

Many of BNO's Futures Contracts and some of their other commodity interests will qualify as section 1256 contracts under the Code. Gain or loss recognized through disposition, termination or marking-to-market of BNO's section 1256 contracts will be subject to 60/40 treatment and allocated to shareholders in accordance with the monthly allocation convention. Under recently enacted legislation, cleared swaps and other commodity swaps will most likely not qualify as section 1256 contracts. If a commodity swap is not treated as a section 1256

**Table of Contents**

contract, any gain or loss on the swap recognized at the time of disposition or termination will be long-term or short-term capital gain or loss depending on the holding period of the swap.

*Limitations on Deductibility of Losses and Certain Expenses.* A number of different provisions of the Code may defer or disallow the deduction of losses or expenses allocated to you by BNO, including but not limited to those described below.

A shareholder's deduction of its allocable share of any loss of BNO will be limited to the lesser of (1) the tax basis in its shares or (2) in the case of a shareholder that is an individual or a closely held corporation, the amount which the shareholder is considered to have at risk with respect to our activities. In general, the amount at risk will be your invested capital plus your share of any recourse debt of BNO for which you are liable. Losses in excess of the lesser of tax basis or the amount at risk must be deferred until years in which BNO generates additional taxable income against which to offset such carryover losses or until additional capital is placed at risk.

Noncorporate taxpayers are permitted to deduct capital losses only to the extent of their capital gains for the taxable year plus \$3,000 of other income. Unused capital losses can be carried forward and used to offset capital gains in future years. In addition, a noncorporate taxpayer may elect to carry back net losses on section 1256 contracts to each of the three preceding years and use them to offset section 1256 contract gains in those years, subject to certain limitations. Corporate taxpayers generally may deduct capital losses only to the extent of capital gains, subject to special carryback and carryforward rules.

Otherwise deductible expenses incurred by noncorporate taxpayers constituting miscellaneous itemized deductions, generally including investment-related expenses (other than interest and certain other specified expenses), are deductible only to the extent they exceed 2 percent of the taxpayer's adjusted gross income for the year. Although the matter is not free from doubt, we believe management fees we pay to USCF and other expenses we incur will constitute investment-related expenses subject to the miscellaneous itemized deduction limitation, rather than expenses incurred in connection with a trade or business, and will report these expenses consistent with that interpretation. The Code imposes additional limitations on the amount of certain itemized deductions allowable to individuals with adjusted gross income in excess of certain amounts by reducing the otherwise allowable portion of such deductions by an amount equal to the lesser of:

3% of the individual's adjusted gross income in excess of certain threshold amounts; or

80% of the amount of certain itemized deductions otherwise allowable for the taxable year.

Noncorporate shareholders generally may deduct investment interest expense only to the extent of their net investment income. Investment interest expense of a shareholder will generally include any interest accrued by BNO and any interest paid or accrued on direct borrowings by a shareholder to purchase or carry its shares, such as interest with respect to a margin account. Net investment income generally includes gross income from property held for investment (including portfolio income under the passive loss rules but not, absent an election, long-term capital gains or certain qualifying dividend income) less deductible expenses other than interest directly connected with the production of investment income.

To the extent that we allocate losses or expenses to you that must be deferred or disallowed as a result of these or other limitations in the Code, you may be taxed on income in excess of your economic income or distributions (if any) on your shares. As one example, you could be allocated and required to pay tax on your share of interest income accrued by BNO for a particular taxable year, and in the same year be allocated a share of a capital loss that you cannot deduct currently because you have insufficient capital gains against which to offset the loss. As another example, you could be allocated and required to pay tax on your share of interest income and capital gain for a year, but be unable to deduct some or all of your share of management fees and/or margin account interest incurred by you with respect to your shares. Shareholders are urged to consult their own professional tax advisors regarding the effect of limitations under the Code on your ability to deduct your allocable share of BNO's losses and expenses.



---

## **Table of Contents**

### *Tax Basis of Shares*

A shareholder's tax basis in its shares is important in determining (1) the amount of taxable gain or loss it will realize on the sale or other disposition of its shares, (2) the amount of non-taxable distributions that it may receive from BNO and (3) its ability to utilize its distributive share of any losses of BNO on its tax return. A shareholder's initial tax basis in its shares will equal its cost for the shares plus its share of BNO's liabilities (if any) at the time of purchase. In general, a shareholder's share of those liabilities will equal the sum of (i) the entire amount of any otherwise nonrecourse liability of BNO as to which the shareholder or an affiliate is the creditor (a partner nonrecourse liability) and (ii) a pro rata share of any nonrecourse liabilities of BNO that are not partner nonrecourse liabilities as to any shareholder.

A shareholder's tax basis in its shares generally will be (1) increased by (a) its allocable share of BNO's taxable income and gain and (b) any additional contributions by the shareholder to BNO and (2) decreased (but not below zero) by (a) its allocable share of BNO's tax deductions and losses and (b) any distributions by BNO to the shareholder. For this purpose, an increase in a shareholder's share of BNO's liabilities will be treated as a contribution of cash by the shareholder to BNO and a decrease in that share will be treated as a distribution of cash by BNO to the shareholder. Pursuant to certain IRS rulings, a shareholder will be required to maintain a single, unified basis in all shares that it owns. As a result, when a shareholder that acquired its shares at different prices sells less than all of its shares, such shareholder will not be entitled to specify particular shares (e.g., those with a higher basis) as having been sold. Rather, it must determine its gain or loss on the sale by using an equitable apportionment method to allocate a portion of its unified basis in its shares to the shares sold.

*Treatment of BNO Distributions.* If BNO makes non-liquidating distributions to shareholders, such distributions generally will not be taxable to the shareholders for U.S. federal income tax purposes except to the extent that the sum of (i) the amount of cash and (ii) the fair market value of marketable securities distributed exceeds the shareholder's adjusted basis of its interest in BNO immediately before the distribution. Any cash distributions in excess of a shareholder's tax basis generally will be treated as gain from the sale or exchange of shares.

*Constructive Termination of the Partnership.* We will be considered to have been terminated for tax purposes if there is a sale or exchange of 50 percent or more of the total interests in our shares within a 12-month period. A termination would result in the closing of our taxable year for all shareholders. In the case of a shareholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in its taxable income for the year of termination. We would be required to make new tax elections after a termination. A termination could result in tax penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

### *Tax Consequences of Disposition of Shares*

If a shareholder sells its shares, it will recognize gain or loss equal to the difference between the amount realized and its adjusted tax basis for the shares sold. A shareholder's amount realized will be the sum of the cash or the fair market value of other property received plus its share of any BNO debt outstanding.

Gain or loss recognized by a shareholder on the sale or exchange of shares held for more than one year will generally be taxable as long-term capital gain or loss; otherwise, such gain or loss will generally be taxable as short-term capital gain or loss. A special election is available under the Treasury Regulations that will allow shareholders to identify and use the actual holding periods for the shares sold for purposes of determining whether the gain or loss recognized on a sale of shares will give rise to long-term or short-term capital gain or loss. It is expected that most shareholders will be eligible to elect, and generally will elect, to identify and use the actual holding period for shares sold. If a shareholder fails to make the election or is not able to identify the

---

**Table of Contents**

holding periods of the shares sold, the shareholder will have a split holding period in the shares sold. Under such circumstances, a shareholder will be required to determine its holding period in the shares sold by first determining the portion of its entire interest in BNO that would give rise to long-term capital gain or loss if its entire interest were sold and the portion that would give rise to short-term capital gain or loss if the entire interest were sold. The shareholder would then treat each share sold as giving rise to long-term capital gain or loss and short-term capital gain or loss in the same proportions as if it had sold its entire interest in BNO.

Under Section 751 of the Code, a portion of a shareholder's gain or loss from the sale of shares (regardless of the holding period for such shares), will be separately computed and taxed as ordinary income or loss to the extent attributable to unrealized receivables or inventory owned by BNO. The term "unrealized receivables" includes, among other things, market discount bonds and short-term debt instruments to the extent such items would give rise to ordinary income if sold by BNO.

If some or all of your shares are lent by your broker or other agent to a third party—for example, for use by the third party in covering a short sale—you may be considered as having made a taxable disposition of the loaned shares, in which case

you may recognize taxable gain or loss to the same extent as if you had sold the shares for cash;

any of BNO's income, gain, loss or deduction allocable to those shares during the period of the loan will not be reportable by you for tax purposes; and

any distributions you receive with respect to the shares will be fully taxable, most likely as ordinary income.

Shareholders desiring to avoid these and other possible consequences of a deemed disposition of their shares should consider modifying any applicable brokerage account agreements to prohibit the lending of their shares.

*Other Tax Matters*

*Information Reporting.* We report tax information to beneficial owners of shares. Shareholders who have become additional limited partners are treated as partners for U.S. federal income tax purposes. The IRS has ruled that assignees of partnership interests who have not been admitted to a partnership as partners but who have the capacity to exercise substantial dominion and control over the assigned partnership interests will be considered partners for U.S. federal income tax purposes. On the basis of such ruling, except as otherwise provided herein, we treat the following persons as partners for U.S. federal income tax purposes: (1) assignees of shares who are pending admission as limited partners, and (2) shareholders whose shares are held in street name or by another nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their shares. BNO will furnish shareholders each year with tax information on IRS Schedule K-1 (Form 1065), which will be used by the shareholders in completing their tax returns.

Persons who hold an interest in BNO as a nominee for another person are required to furnish to us the following information: (1) the name, address and taxpayer identification number of the beneficial owner and the nominee; (2) whether the beneficial owner is (a) a person that is not a U.S. person, (b) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (c) a tax-exempt entity; (3) the amount and description of shares acquired or transferred for the beneficial owner; and (4) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and certain information on shares they acquire, hold or transfer for their own account. A penalty of \$100 per failure, up to a maximum of \$1,500,000 per calendar year, is imposed by the Code, as amended for failure to report such information to us. The nominee is required to supply the beneficial owner of the shares with the information furnished to us.

**Table of Contents**

*Partnership Audit Procedures.* The IRS may audit the U.S. federal income tax returns filed by BNO. Adjustments resulting from any such audit may require each shareholder to adjust a prior year's tax liability and could result in an audit of the shareholder's own return. Any audit of a shareholder's return could result in adjustments of non-partnership items as well as BNO items. Partnerships are generally treated as separate entities for purposes of U.S. federal tax audits, judicial review of administrative adjustments by the IRS, and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the shareholders. The Code provides for one shareholder to be designated as the tax matters partner to represent the partnership purposes of these proceedings. The LP Agreement appoints USCF as the tax matters partner of BNO.

*Tax Shelter Disclosure Rules.* In certain circumstances the Code and Treasury Regulations require that the IRS be notified of taxable transactions through a disclosure statement attached to a taxpayer's U.S. federal income tax return. In addition, certain material advisers must maintain a list of persons participating in such transactions and furnish the list to the IRS upon written request. These disclosure rules may apply to transactions irrespective of whether they are structured to achieve particular tax benefits. They could require disclosure by BNO shareholders (1) if a shareholder incurs a loss in excess a specified threshold from a sale or redemption of its shares, (2) if BNO engages in transactions producing differences between its taxable income and its income for financial reporting purposes, or (3) possibly in other circumstances. While these rules generally do not require disclosure of a loss recognized on the disposition of an asset in which the taxpayer has a qualifying basis (generally a basis equal to the amount of cash paid by the taxpayer for such asset), they apply to a loss recognized with respect to interests in a pass-through entity, such as the shares, even if the taxpayer's basis in such interests is equal to the amount of cash it paid. In addition, under recently enacted legislation, significant penalties may be imposed in connection with a failure to comply with these reporting requirements. *Investors should consult their own tax advisors concerning the application of these reporting requirements to their specific situation.*

*Tax-Exempt Organizations.* Subject to numerous exceptions, qualified retirement plans and individual retirement accounts, charitable organizations and certain other organizations that otherwise are exempt from U.S. federal income tax (collectively exempt organizations) nonetheless are subject to the tax on unrelated business taxable income (UBTI). Generally, UBTI means the gross income derived by an exempt organization from a trade or business that it regularly carries on, the conduct of which is not substantially related to the exercise or performance of its exempt purpose or function, less allowable deductions directly connected with that trade or business. If BNO were to regularly carry on (directly or indirectly) a trade or business that is unrelated with respect to an exempt organization shareholder, then in computing its UBTI, the shareholder must include its share of (1) BNO's gross income from the unrelated trade or business, whether or not distributed, and (2) BNO's allowable deductions directly connected with that gross income.

UBTI generally does not include dividends, interest, or payments with respect to securities loans or gains from the sale of property (other than property held for sale to customers in the ordinary course of a trade or business). Nonetheless, income on, and gain from the disposition of, debt-financed property is UBTI. Debt-financed property generally is income-producing property (including securities), the use of which is not substantially related to the exempt organization's tax-exempt purposes, and with respect to which there is acquisition indebtedness at any time during the taxable year (or, if the property was disposed of during the taxable year, the 12-month period ending with the disposition). Acquisition indebtedness includes debt incurred to acquire property, debt incurred before the acquisition of property if the debt would not have been incurred but for the acquisition, and debt incurred subsequent to the acquisition of property if the debt would not have been incurred but for the acquisition and at the time of acquisition the incurrence of debt was foreseeable. The portion of the income from debt-financed property attributable to acquisition indebtedness is equal to the ratio of the average outstanding principal amount of acquisition indebtedness over the average adjusted basis of the property for the year. BNO currently does not anticipate that it will borrow money to acquire investments; however, BNO cannot be certain that it will not borrow for such purpose in the future. In addition, an exempt organization shareholder that incurs acquisition indebtedness to purchase its shares in BNO may have UBTI.

## **Table of Contents**

The U.S. federal tax rate applicable to an exempt organization shareholder on its UBTI generally will be either the corporate or trust tax rate, depending upon the shareholder's form of organization. BNO may report to each such shareholder information as to the portion, if any, of the shareholder's income and gains from BNO for any year that will be treated as UBTI; the calculation of that amount is complex, and there can be no assurance that BNO's calculation of UBTI will be accepted by the IRS. An exempt organization shareholder will be required to make payments of estimated U.S. federal income tax with respect to its UBTI.

*Regulated Investment Companies.* Under recently enacted legislation, interests in and income from qualified publicly traded partnerships satisfying certain gross income tests are treated as qualifying assets and income, respectively, for purposes of determining eligibility for regulated investment company ( RIC ) status. A RIC may invest up to 25% of its assets in interests in a qualified publicly traded partnership. The determination of whether a publicly traded partnership such as BNO is a qualified publicly traded partnership is made on an annual basis. BNO expects to be a qualified publicly traded partnership in each of its taxable years. However, such qualification is not assured.

### ***Non-U.S. Shareholders***

Generally, non-U.S. persons who derive U.S. source income or gain from investing or engaging in a U.S. business are taxable on two categories of income. The first category consists of amounts that are fixed, determinable, annual or periodic income, such as interest, dividends and rent that are not connected with the operation of a U.S. trade or business ( FDAP ). The second category is income that is effectively connected with the conduct of a U.S. trade or business ( ECI ). FDAP income (other than interest that is considered portfolio interest ) is generally subject to a 30 percent withholding tax, which may be reduced for certain categories of income by a treaty between the U.S. and the recipient's country of residence. In contrast, ECI is generally subject to U.S. tax on a net basis at graduated rates upon the filing of a U.S. tax return. Where a non-U.S. person has ECI as a result of an investment in a partnership, the ECI is subject to a withholding tax at a rate of 39.6 percent for individual shareholders and a rate of 35% for corporate shareholders.

*Withholding on Allocations and Distributions.* The Code provides that a non-U.S. person who is a partner in a partnership that is engaged in a U.S. trade or business during a taxable year will also be considered to be engaged in a U.S. trade or business during that year. Classifying an activity by a partnership as an investment or an operating business is a factual determination. Under certain safe harbors in the Code, an investment fund whose activities consist of trading in stocks, securities, or commodities for its own account generally will not be considered to be engaged in a U.S. trade or business unless it is a dealer in such stocks, securities, or commodities. This safe harbor applies to investments in commodities only if the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place. Although the matter is not free from doubt, BNO believes that the activities directly conducted by BNO do not result in BNO being engaged in a trade or business within the United States. However, there can be no assurance that the IRS would not successfully assert that BNO's activities constitute a U.S. trade or business.

In the event that BNO's activities were considered to constitute a U.S. trade or business, BNO would be required to withhold at the highest rate specified in Code section 1 (currently 39.6 percent) on allocations of our income to individual non-U.S. shareholders and the highest rate specified in Code section 11(b) on allocations of our income to corporate non-U.S. shareholders, when such income is allocated or distributed. A non-U.S. shareholder with ECI will generally be required to file a U.S. federal income tax return, and the return will provide the non-U.S. shareholder with the mechanism to seek a refund of any withholding in excess of such shareholder's actual U.S. federal income tax liability.

Any amount withheld by BNO on behalf of a non-U.S. shareholder will be treated as a distribution to the non-U.S. shareholder to the extent possible. In some cases, BNO may not be able to match the economic cost of satisfying its withholding obligations to a particular non-U.S. shareholder, which may result in such cost being

---

**Table of Contents**

borne by BNO generally and, accordingly, by all shareholders. If BNO is not treated as engaged in a U.S. trade or business, a non-U.S. shareholder may nevertheless be treated as having FDAP income, which would be subject to a 30 percent withholding tax (possibly subject to reduction by treaty), with respect to some or all of its distributions from BNO or its allocable share of BNO income. Amounts withheld on behalf of a non-U.S. shareholder will be treated as being distributed to such shareholder.

To the extent any interest income allocated to a non-U.S. shareholder that otherwise constitutes FDAP is considered portfolio interest, neither the allocation of such interest income to the non-U.S. shareholder nor a subsequent distribution of such interest income to the non-U.S. shareholder will be subject to withholding, provided that the non-U.S. shareholder is not otherwise engaged in a trade or business in the U.S. and provides BNO with a timely and properly completed and executed IRS Form W-8BEN or other applicable form. In general, portfolio interest is interest paid on debt obligations issued in registered form, unless the recipient owns 10 percent or more of the voting power of the issuer.

Most of BNO's interest income qualifies as portfolio interest. In order for BNO to avoid withholding on any interest income allocable to non-U.S. shareholders that would qualify as portfolio interest, it will be necessary for all non-U.S. shareholders to provide BNO with a timely and properly completed and executed Form W-8BEN (or other applicable form). If a non-U.S. shareholder fails to provide a properly completed Form W-8BEN, USCF may request that the non-U.S. shareholder provide, within 15 days after the request by USCF, a properly completed Form W-8BEN. If a non-U.S. shareholder fails to comply with this request, the shares owned by such non-U.S. shareholder will be subject to redemption.

*Gain from Sale of Shares.* Gain from the sale or exchange of the shares may be taxable to a non-U.S. shareholder if the non-U.S. shareholder is a nonresident alien individual who is present in the U.S. for 183 days or more during the taxable year. In such case, the nonresident alien individual will be subject to a 30 percent withholding tax on the amount of such individual's gain.

*Branch Profits Tax on Corporate Non-U.S. Shareholders.* In addition to the taxes noted above, any non-U.S. shareholders that are corporations may also be subject to an additional tax, the branch profits tax, at a rate of 30 percent. The branch profits tax is imposed on a non-U.S. corporation's dividend equivalent amount, which generally consists of the corporation's after-tax earnings and profits that are effectively connected with the corporation's U.S. trade or business but are not reinvested in a U.S. business. This tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the non-U.S. shareholder is a qualified resident.

*Certain information reporting and withholding requirement.* Recently enacted legislation that becomes effective after June 30, 2014 generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the shareholder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding tax on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater 10% U.S. owner. When these provisions become effective, depending on the status of a Non-U.S. shareholder and the status of the intermediaries through which it holds shares, a Non-U.S. shareholder could be subject to this 30% withholding tax with respect to distributions on its shares and proceeds from the sale of its shares. Under certain circumstances, a Non-U.S. shareholder might be eligible for refund or credit of such taxes.

*Prospective non-U.S. shareholders should consult their tax advisor with regard to these and other issues unique to non-U.S. shareholders.*

## **Table of Contents**

### **Backup Withholding**

BNO may be required to withhold U.S. federal income tax ( backup withholding ) at a rate of 28% from all taxable distributions payable to (1) any shareholder who fails to furnish to BNO with his, her or its correct taxpayer identification number or a certificate that the shareholder is exempt from backup withholding, and (2) any shareholder with respect to whom the IRS notifies BNO that the shareholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. Backup withholding is not an additional tax and may be returned or credited against a taxpayer's regular U.S. federal income tax liability if appropriate information is provided to the IRS.

### **Other Tax Considerations**

In addition to U.S. federal income taxes, shareholders may be subject to other taxes, such as state and local income taxes, unincorporated business taxes, business franchise taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which BNO does business or owns property or where the shareholders reside. Although an analysis of those various taxes is not presented here, each prospective shareholder should consider their potential impact on its investment in BNO. It is each shareholder's responsibility to file the appropriate U.S. federal, state, local, and foreign tax returns. Reed Smith LLP has not provided an opinion concerning any aspects of state, local or foreign tax or U.S. federal tax other than those U.S. federal income tax issues discussed herein.

### **Investment by ERISA Accounts**

#### ***General***

Most employee benefit plans and individual retirement accounts ( IRAs ) are subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ) or the Code, or both. This section discusses certain considerations that arise under ERISA and the Code that a fiduciary of an employee benefit plan as defined in ERISA or a plan as defined in Section 4975 of the Code who has investment discretion should take into account before deciding to invest the plan's assets in BNO. Employee benefit plans and plans are collectively referred to below as plans, and fiduciaries with investment discretion are referred to below as plan fiduciaries.

This summary is based on the provisions of ERISA and the Code as of the date hereof. This summary is not intended to be complete, but only to address certain questions under ERISA and the Code likely to be raised by your advisors. The summary does not include state or local law.

**Potential plan investors are urged to consult with their own professional advisors concerning the appropriateness of an investment in BNO and the manner in which shares should be purchased.**

#### ***Special Investment Considerations***

Each plan fiduciary must consider the facts and circumstances that are relevant to an investment in BNO, including the role that an investment in BNO would play in the plan's overall investment portfolio. Each plan fiduciary, before deciding to invest in BNO, must be satisfied that the investment is prudent for the plan, that the investments of the plan are diversified so as to minimize the risk of large losses and that an investment in BNO complies with the terms of the plan.

#### ***BNO and Plan Assets***

A regulation issued under ERISA contains rules for determining when an investment by a plan in an equity interest of a limited partnership will result in the underlying assets of the partnership being deemed plan assets for purposes of ERISA and Section 4975 of the Code. Those rules provide that assets of a limited partnership will

## **Table of Contents**

not be plan assets of a plan that purchases an equity interest in the partnership if the equity interest purchased is a publicly-offered security. If the underlying assets of a partnership are considered to be assets of any plan for purposes of ERISA or Section 4975 of the Code, the operations of that partnership would be subject to and, in some cases, limited by, the provisions of ERISA and Section 4975 of the Code.

The publicly-offered security exception described above applies if the equity interest is a security that is:

- (1) freely transferable (determined based on the relevant facts and circumstances);
- (2) part of a class of securities that is widely held (meaning that the class of securities is owned by 100 or more investors independent of the issuer and of each other); and
- (3) either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act or (b) sold to the plan as part of a public offering pursuant to an effective registration statement under the Securities Act of 1933 and the class of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer in which the offering of such security occurred.

The plan asset regulations under ERISA state that the determination of whether a security is freely transferable is to be made based on all the relevant facts and circumstances. In the case of a security that is part of an offering in which the minimum investment is \$10,000 or less, the following requirements, alone or in combination, ordinarily will not affect a finding that the security is freely transferable: (1) a requirement that no transfer or assignment of the security or rights relating to the security be made that would violate any federal or state law, (2) a requirement that no transfer or assignment be made without advance written notice given to the entity that issued the security, and (3) any restriction on the substitution of assignee as a limited partner of a partnership, including a general partner consent requirement, provided that the economic benefits of ownership of the assignor may be transferred or assigned without regard to such restriction or consent (other than compliance with any of the foregoing restrictions).

USCF believes that the conditions described above are satisfied with respect to the shares. USCF believes that the shares therefore constitute publicly-offered securities, and the underlying assets of BNO are not considered to constitute plan assets of any plan that purchases shares.

## ***Prohibited Transactions***

ERISA and the Code generally prohibit certain transactions involving the plan and persons who have certain specified relationships to the plan.

In general, shares may not be purchased with the assets of a plan if USCF, the clearing brokers, the trading advisors (if any), or any of their affiliates, agents or employees either:

exercise any discretionary authority or discretionary control with respect to management of the plan;

exercise any authority or control with respect to management or disposition of the assets of the plan;

render investment advice for a fee or other compensation, direct or indirect, with respect to any money or other property of the plan;

have any authority or responsibility to render investment advice with respect to any money or other property of the plan; or

have any discretionary authority or discretionary responsibility in the administration of the plan.

## Edgar Filing: United States Brent Oil Fund, LP - Form 424B3

Also, a prohibited transaction may occur under ERISA or the Code when circumstances indicate that (1) the investment in a share is made or retained for the purpose of avoiding application of the fiduciary standards of ERISA, (2) the investment in a share constitutes an arrangement under which BNO is expected to engage in



## **Table of Contents**

transactions that would otherwise be prohibited if entered into directly by the plan purchasing the share, (3) the investing plan, by itself, has the authority or influence to cause BNO to engage in such transactions, or (4) a person who is prohibited from transacting with the investing plan may, but only with the aid of certain of its affiliates and the investing plan, cause BNO to engage in such transactions with such person.

### ***Special IRA Rules***

IRAs are not subject to ERISA's fiduciary standards, but are subject to their own rules, including the prohibited transaction rules of Section 4975 of the Code, which generally mirror ERISA's prohibited transaction rules. For example, IRAs are subject to special custody rules and must maintain a qualifying IRA custodial arrangement separate and distinct from BNO and its custodial arrangement. Otherwise, if a separate qualifying custodial arrangement is not maintained, an investment in the shares will be treated as a distribution from the IRA. Second, IRAs are prohibited from investing in certain commingled investments, and USCF makes no representation regarding whether an investment in shares is an inappropriate commingled investment for an IRA. Third, in applying the prohibited transaction provisions of Section 4975 of the Code, in addition to the rules summarized above, the individual for whose benefit the IRA is maintained is also treated as the creator of the IRA. For example, if the owner or beneficiary of an IRA enters into any transaction, arrangement, or agreement involving the assets of his or her IRA to benefit the IRA owner or beneficiary (or his or her relatives or business affiliates) personally, or with the understanding that such benefit will occur, directly or indirectly, such transaction could give rise to a prohibited transaction that is not exempted by any available exemption. Moreover, in the case of an IRA, the consequences of a non-exempt prohibited transaction are that the IRA's assets will be treated as if they were distributed, causing immediate taxation of the assets (including any early distribution penalty tax applicable under Section 72 of the Code), in addition to any other fines or penalties that may apply.

### ***Exempt Plans***

Certain employee benefit plans may be governmental plans or church plans. Governmental plans and church plans are generally not subject to ERISA, nor do the above-described prohibited transaction provisions described above apply to them. These plans are, however, subject to prohibitions against certain related-party transactions under Section 503 of the Code, which operate similar to the prohibited transaction rules described above. In addition, the fiduciary of any governmental or church plan must consider any applicable state or local laws and any restrictions and duties of common law imposed upon the plan.

No view is expressed as to whether an investment in BNO (and any continued investment in BNO), or the operation and administration of BNO, is appropriate or permissible for any governmental plan or church plan under Code Section 503, or under any state, county, local or other law relating to that type of plan.

**Allowing an investment in BNO is not to be construed as a representation by BNO, its USCF, any trading advisor, any clearing broker, the Marketing Agent or legal counsel or other advisors to such parties or any other party that this investment meets some or all of the relevant legal requirements with respect to investments by any particular plan or that this investment is appropriate for any such particular plan. The person with investment discretion should consult with the plan's attorney and financial advisors as to the propriety of an investment in BNO in light of the circumstances of the particular plan, current tax law and ERISA.**

### **Form of Shares**

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

---

## **Table of Contents**

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

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

### **Transfer of Shares**

**Transfers of Shares Only Through DTC.** The shares are only transferable through the book-entry system of DTC. Limited partners who are not DTC Participants may transfer their shares through DTC by instructing the DTC Participant holding their shares (or by instructing the Indirect Participant or other entity through which their shares are held) to transfer the shares. Transfers are made in accordance with standard securities industry practice.

Transfers of interests in shares with DTC are made in accordance with the usual rules and operating procedures of DTC and the nature of the transfer. DTC has established procedures to facilitate transfers among the participants and/or accountholders of DTC. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants, the ability of a person or entity having an interest in a global certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a certificate or other definitive document representing such interest.

DTC has advised BNO that it will take any action permitted to be taken by a shareholder (including, without limitation, the presentation of a global certificate for exchange) only at the direction of one or more DTC Participants in whose account with DTC interests in global certificates are credited and only in respect of such portion of the aggregate principal amount of the global certificate as to which such DTC Participant or Participants has or have given such direction.

**Transfer/Application Requirements.** All purchasers of BNO's shares, and potentially any purchasers of shares in the future, who wish to become limited partners or other record holders and receive cash distributions, if any, or have certain other rights, must deliver an executed transfer application in which the purchaser or transferee must certify that, among other things, he, she or it agrees to be bound by BNO's LP Agreement and is eligible to purchase BNO's securities. Each purchaser of shares must execute a transfer application and certification. The obligation to provide the form of transfer application is imposed on the seller of shares or, if a purchase of shares is made through an exchange, the form may be obtained directly through BNO. Further, USCF may request each record holder to furnish certain information, including that record holder's nationality, citizenship or other related status. A record holder is a shareholder that is, or has applied to be, a limited partner. An investor who is not a U.S. resident may not be eligible to become a record holder or one of BNO's limited partners if that investor's ownership would subject BNO to the risk of cancellation or forfeiture of any of BNO's

## **Table of Contents**

assets under any federal, state or local law or regulation. If the record holder fails to furnish the information or if USCF determines, on the basis of the information furnished by the holder in response to the request, that such holder is not qualified to become one of BNO's limited partners, USCF may be substituted as a holder for the record holder, who will then be treated as a non-citizen assignee, and BNO will have the right to redeem those securities held by the record holder.

A transferee's broker, agent or nominee may complete, execute and deliver a transfer application and certification. BNO may, at its discretion, treat the nominee holder of a share as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

A person purchasing BNO's existing shares, who does not execute a transfer application and certify that the purchaser is eligible to purchase those securities acquires no rights in those securities other than the right to resell those securities. Whether or not a transfer application is received or the consent of USCF obtained, BNO's shares are securities and are transferable according to the laws governing transfers of securities.

Any transfer of shares will not be recorded by the transfer agent or recognized by USCF unless a completed transfer application is delivered to USCF or the Administrator. When acquiring shares, the transferee of such shares that completes a transfer application will:

be an assignee until admitted as a substituted limited partner upon the consent and sole discretion of USCF and the recording of the assignment on the books and records of the partnership;

automatically request admission as a substituted limited partner;

agree to be bound by the terms and conditions of, and execute, BNO's LP Agreement;

represent that such transferee has the capacity and authority to enter into BNO's LP Agreement;

grant powers of attorney to USCF as general partner of BNO and any liquidator of BNO; and

make the consents and waivers contained in BNO's LP Agreement.

An assignee will become a limited partner in respect of the transferred shares upon the consent of USCF as general partner of BNO and the recordation of the name of the assignee on BNO's books and records. Such consent may be withheld in the sole discretion of USCF.

If consent of USCF is withheld, such transferee shall be an assignee. An assignee shall have an interest in the partnership equivalent to that of a limited partner with respect to allocations and distributions, including, without limitation, liquidating distributions, of the partnership. With respect to voting rights attributable to shares that are held by assignees, USCF shall be deemed to be the limited partner with respect thereto and shall, in exercising the voting rights in respect of such shares on any matter, vote such shares at the written direction of the assignee who is the record holder of such shares. If no such written direction is received, such shares will not be voted. An assignee shall have no other rights of a limited partner.

Until a share has been transferred on BNO's books, BNO and the transfer agent may treat the record holder of the share as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

### **What is the Plan of Distribution?**

#### ***Buying and Selling Shares***

## Edgar Filing: United States Brent Oil Fund, LP - Form 424B3

Most investors buy and sell shares of BNO in secondary market transactions through brokers. Shares trade on the NYSE Arca under the ticker symbol BNO . Shares are bought and sold throughout the trading day like other publicly traded securities. When buying or selling shares through a broker, most investors incur customary

## **Table of Contents**

brokerage commissions and charges. Investors are encouraged to review the terms of their brokerage account for details on applicable charges.

### ***Marketing Agent and Authorized Purchasers***

The offering of BNO's shares is a best efforts offering. BNO continuously offers Creation Baskets consisting of 50,000 shares through the Marketing Agent, to Authorized Purchasers. Authorized Purchasers pay a \$350 fee for each order they place to create or redeem one or more Creation Baskets through May 1, 2015; on and after May 2, 2015, the fee increases to \$1,000. The Marketing Agent receives, for its services as marketing agent to BNO, a marketing fee of 0.06% on BNO's assets up to the first \$3 billion; and 0.04% on BNO's assets in excess of \$3 billion; provided, however, that in no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with this offering exceed ten percent (10%) of the gross proceeds of this offering.

The offering of baskets is being made in compliance with Conduct Rule 2310 of FINRA. Accordingly, Authorized Purchasers will not make any sales to any account over which they have discretionary authority without the prior written approval of a purchaser of shares.

The per share price of shares offered in Creation Baskets on any subsequent day will be the total NAV of BNO calculated shortly after the close of the core trading session on the NYSE Arca on that day divided by the number of issued and outstanding shares. An Authorized Purchaser is not required to sell any specific number or dollar amount of shares.

By executing an Authorized Purchaser Agreement, an Authorized Purchaser becomes part of the group of parties eligible to purchase baskets from, and put baskets for redemption to, BNO. 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 shares of any baskets it does create.

As of December 31, 2013, the following have entered into Authorized Purchaser Agreements: Citadel Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., JP Morgan Securities Inc., Merrill Lynch Professional Clearing Corporation, Morgan Stanley & Co. LLC, Nomura Securities International Inc., Virtu Financial Capital Markets and Virtu Financial DB LLC.

Because new shares can be created and issued on an ongoing basis, at any point during the life of BNO, a distribution, as such term is used in the 1933 Act, will be occurring. Authorized Purchasers, other broker-dealers and other persons are cautioned that some of their activities may result in their being deemed participants in a distribution in a manner that would render them statutory underwriters and subject them to the prospectus-delivery and liability provisions of the 1933 Act. In addition, any purchaser who purchases shares with a view towards distribution of such shares may be deemed to be a statutory underwriter.

Authorized Purchasers will comply with the prospectus-delivery requirements in connection with the sale of shares to customers. For example, an Authorized Purchaser, other broker-dealer firm or its client will be deemed a statutory underwriter if it purchases a basket from BNO, breaks the basket down into the constituent shares and sells the shares to its customers; or if it chooses to couple the creation of a supply of new shares with an active selling effort involving solicitation of secondary market demand for the shares. Authorized Purchasers may also engage in secondary market transactions in shares that would not be deemed underwriting. For example, an Authorized Purchaser may act in the capacity of a broker or dealer with respect to shares that were previously distributed by other Authorized Purchasers. A determination of whether a particular market participant is an underwriter must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that would lead to designation as an underwriter and subject them to the prospectus-delivery and liability provisions of the 1933 Act.

---

## **Table of Contents**

Dealers who are neither Authorized Purchasers nor underwriters but are nonetheless participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with shares that are part of an unsold allotment within the meaning of Section 4(3)(C) of the 1933 Act, would be unable to take advantage of the prospectus-delivery exemption provided by Section 4(3) of the 1933 Act.

USCF may qualify the shares in states selected by USCF and intends that sales be made through broker-dealers who are members of FINRA. Investors intending to create or redeem baskets through Authorized Purchasers in transactions not involving a broker-dealer registered in such investor's state of domicile or residence should consult their legal advisor regarding applicable broker-dealer or securities regulatory requirements under the state securities laws prior to such creation or redemption.

While the Authorized Purchasers may be indemnified by USCF, they will not be entitled to receive a discount or commission from BNO for their purchases of Creation Baskets.

### **Calculating Per Share NAV**

BNO's per share NAV is calculated by:

Taking the current market value of its total assets;

Subtracting any liabilities; and

Dividing that total by the total number of outstanding shares.

The Administrator calculates the per share NAV of BNO once each NYSE Arca trading day. The per share NAV for a particular trading day is released after 4:00 p.m. New York time. Trading during the core trading session on the NYSE Arca typically closes at 4:00 p.m. New York time. The Administrator uses the ICE Futures settlement price (a weighted average price of trades during a three minute settlement period from 2:27 p.m. to 2:30 p.m. New York time) for the Futures Contracts traded on the ICE Futures, but calculates or determines the value of all other BNO investments (including Futures Contracts not traded on the ICE Futures, Other Crude Oil-Related Investments and Treasuries), using market quotations, if available, or other information customarily used to determine the fair value of such investments as of the earlier of the close of the NYSE Arca or 4:00 p.m. New York time, in accordance with the current Administrative Agency Agreement among BBH&Co., BNO and USCF. Other information customarily used in determining fair value includes information consisting of market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other market data in the relevant market; or information of the types described above from internal sources if that information is of the same type used by BNO in the regular course of its business for the valuation of similar transactions. The information may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilized. Third parties supplying quotations or market data may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

In addition, in order to provide updated information relating to BNO for use by investors and market professionals, the NYSE Arca calculates and disseminates throughout the core trading session on each trading day an updated indicative fund value. The indicative fund value is calculated by using the prior day's closing per share NAV of BNO as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the active Brent crude oil Futures Contracts on the ICE Futures. The prices reported for those Futures Contract months are 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 is not adjusted. The indicative fund value share basis disseminated during NYSE Arca core trading session hours should not be viewed as an actual real time update of the per share NAV, because the per share NAV is calculated only once at the end of each trading day based upon the relevant end of day values of BNO's investments.

---

## **Table of Contents**

The NYSE Arca disseminates the indicative fund value through the facilities of CTA/CQ High Speed Lines. In addition, the indicative fund value is published on the NYSE Arca's website and is 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 BNO shares on the NYSE Arca. Investors and market professionals are able throughout the trading day to compare the market price of BNO and the indicative fund value. If the market price of BNO shares diverges significantly from the indicative fund value, market professionals will have an incentive to execute arbitrage trades. For example, if BNO appears to be trading at a discount compared to the indicative fund value, a market professional could buy BNO shares on the NYSE Arca and sell short Futures Contracts. Such arbitrage trades can tighten the tracking between the market price of BNO and the indicative fund value and thus can be beneficial to all market participants.

### ***Creation and Redemption of Shares***

BNO creates and redeems shares from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to BNO or the distribution by BNO of the amount of Treasuries and any cash represented by the baskets being created or redeemed, the amount of which is based on the combined NAV of the number of shares included in the baskets being created or redeemed determined after 4:00 p.m. New York time on the day the order to create or redeem baskets is properly received.

Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions as described below, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with USCF on behalf of BNO. The Authorized Purchaser Agreement provides the procedures for the creation and redemption of baskets and for the delivery of the Treasuries and any cash required for such creations and redemptions. The Authorized Purchaser Agreement and the related procedures attached thereto may be amended by USCF, without the consent of any limited partner or shareholder or Authorized Purchaser. The applicable transaction fee paid by Authorized Purchasers is \$350 through May 1, 2015 to BNO for each order they place to create or redeem one or more baskets; after May 1, 2015, this fee will increase to \$1,000. Authorized Purchasers who make deposits with BNO in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either BNO or USCF, and no such person will have any obligation or responsibility to USCF or BNO to effect any sale or resale of shares. As of December 31, 2013, 9 Authorized Purchasers had entered into agreements with USCF on behalf of BNO. During the year ended December 31, 2013, BNO issued 43 Creation Baskets and redeemed 51 Redemption Baskets.

Certain Authorized Purchasers are expected to be capable of participating directly in the physical crude oil market and the crude oil futures market. In some cases, Authorized Purchasers or their affiliates may from time to time buy crude oil or sell crude oil or Crude Oil Interests and may profit in these instances. USCF believes that the size and operation of the crude oil market make it unlikely that an Authorized Purchaser's direct activities in the crude oil or securities markets will significantly affect the price of crude oil, Crude-Oil Interests, or the price of the shares.

Each Authorized Purchaser is required to be registered as a broker-dealer under the Exchange Act and is a member in good standing with FINRA, or exempt from being or otherwise not required to be registered as a broker-dealer or a member of FINRA, and qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Purchasers may also be regulated under federal and state banking laws and regulations. Each Authorized Purchaser has its own set of rules and procedures, internal controls and information barriers as it determines is appropriate in light of its own regulatory regime.

## **Table of Contents**

Under the Authorized Purchaser Agreement, USCF has agreed to indemnify the Authorized Purchasers against certain liabilities, including liabilities under the 1933 Act, and to contribute to the payments the Authorized Purchasers may be required to make in respect of those liabilities.

The following description of the procedures for the creation and redemption of baskets is only a summary and an investor should refer to the relevant provisions of the LP Agreement and the form of Authorized Purchaser Agreement for more detail, each of which is incorporated by reference into this prospectus.

### ***Creation Procedures***

On any business day, an Authorized Purchaser may place an order with the Marketing Agent to create one or more baskets. For purposes of processing purchase and redemption orders, a business day means any day other than a day when any of the NYSE Arca, the ICE Futures or the NYSE is closed for regular trading. Purchase orders must be placed by 12:00 p.m. New York time or the close of regular trading on the NYSE Arca, whichever is earlier. The day on which the Marketing Agent receives a valid purchase order is referred to as the purchase order date.

By placing a purchase order, an Authorized Purchaser agrees to deposit Treasuries, cash, or a combination of Treasuries and cash, as described below. Prior to the delivery of baskets for a purchase order, the Authorized Purchaser must also have wired to the Custodian the non-refundable transaction fee due for the purchase order. Authorized Purchasers may not withdraw a creation request.

The manner by which creations are made is dictated by the terms of the Authorized Purchaser Agreement. By placing a purchase order, an Authorized Purchaser agrees to (1) deposit Treasuries, cash, or a combination of Treasuries and cash with the Custodian, and (2) if required by USCF in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other OTC energy transaction (through itself or a designated acceptable broker) with BNO for the purchase of a number and type of futures contracts at the closing settlement price for such contracts on the purchase order date. If an Authorized Purchaser fails to consummate (1) and (2), the order shall be cancelled. The number and type of contracts specified shall be determined by USCF, in its sole discretion, to meet BNO's investment objective and shall be purchased as a result of the Authorized Purchaser's purchase of shares.

### ***Determination of Required Deposits***

The total deposit required to create each basket ( Creation Basket Deposit ) is the amount of Treasuries and/or cash that is in the same proportion to the total assets of BNO (net of estimated accrued but unpaid fees, expenses and other liabilities) on the purchase order date as the number of shares to be created under the purchase order is in proportion to the total number of shares outstanding on the purchase order dates. USCF determines, directly in its sole discretion or in consultation with the Administrator, the requirements for Treasuries and the amount of cash, including the maximum permitted remaining maturity of a Treasury and proportions of Treasury and cash that may be included in deposits to create baskets. The Marketing Agent will publish such requirements at the beginning of each business day. The amount of cash deposit required is the difference between the aggregate market value of the Treasuries required to be included in a Creation Basket Deposit as of 4:00 p.m. New York time on the date the order to purchase is properly received and the total required deposit.

### ***Delivery of Required Deposits***

An Authorized Purchaser who places a purchase order is responsible for transferring to BNO's account with the Custodian the required amount of Treasuries and cash by the end of the third business day following the purchase order date. Upon receipt of the deposit amount, the Administrator directs DTC to credit the number of baskets ordered to the Authorized Purchaser's DTC account on the third business day following the purchase.



## **Table of Contents**

order date. The expense and risk of delivery and ownership of Treasuries until such Treasuries have been received by the Custodian on behalf of BNO shall be borne solely by the Authorized Purchaser.

Because orders to purchase baskets must be placed by 12:00 p.m., New York time, but the total payment required to create a basket during the continuous offering period will not be determined until after 4:00 p.m. New York time on the date the purchase order is received, Authorized Purchasers will not know the total amount of the payment required to create a basket at the time they submit an irrevocable purchase order for the basket. BNO's per share NAV and the total amount of the payment required to create a basket could rise or fall substantially between the time an irrevocable purchase order is submitted and the time the amount of the purchase price in respect thereof is determined.

### ***Rejection of Purchase Orders***

USCF acting by itself or through the Marketing Agent shall have the absolute right but no obligation to reject a purchase order or a Creation Basket Deposit if:

it determines that the investment alternative available to BNO at that time will not enable it to meet its investment objective;

it determines that the purchase order or the Creation Basket Deposit is not in proper form;

it believes that the purchase order or the Creation Basket Deposit would have adverse tax consequences to BNO, the limited partners or the shareholders;

the acceptance or receipt of the Creation Basket Deposit would, in the opinion of counsel to USCF, be unlawful; or

circumstances outside the control of USCF, Marketing Agent or Custodian make it, for all practical purposes, not feasible to process creations of baskets.

None of USCF, Marketing Agent or Custodian will be liable for the rejection of any purchase order or Creation Basket Deposit.

### ***Redemption Procedures***

The procedures by which an Authorized Purchaser can redeem one or more baskets mirror the procedures for the creation of baskets. On any business day, an Authorized Purchaser may place an order with the Marketing Agent to redeem one or more baskets. Redemption orders must be placed by 12:00 p.m. New York time or the close of regular trading on the NYSE Arca, whichever is earlier. A redemption order so received will be effective on the date it is received in satisfactory form by the Marketing Agent. The redemption procedures allow Authorized Purchasers to redeem baskets and do not entitle an individual shareholder to redeem any shares in an amount less than a Redemption Basket, or to redeem baskets other than through an Authorized Purchaser.

By placing a redemption order, an Authorized Purchaser agrees to deliver the baskets to be redeemed through DTC's book-entry system to BNO, as described below. Prior to the delivery of the redemption distribution for a redemption order, the Authorized Purchaser must also have wired to BNO's account at the Custodian the non-refundable transaction fee due for the redemption order. An Authorized Purchaser may not withdraw a redemption order.

The manner by which redemptions are made is dictated by the terms of the Authorized Purchaser Agreement. By placing a redemption order, an Authorized Purchaser agrees to (1) deliver the Redemption Basket to be redeemed through DTC's book-entry system to BNO's account with the Custodian not later than 3:00 p.m. New York time on the third business day following the effective date of the redemption order (Redemption Distribution Date), and (2) if required by USCF in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other OTC energy transaction (through itself or a designated



## **Table of Contents**

acceptable broker) with BNO for the sale of a number and type of futures contracts at the closing settlement price for such contracts on the Redemption Order Date. If an Authorized Purchaser fails to consummate (1) and (2) above, the order shall be cancelled. The number and type of contracts specified shall be determined by USCF, in its sole discretion, to meet BNO's investment objective and shall be sold as a result of the Authorized Purchaser's sale of shares.

### ***Determination of Redemption Distribution***

The redemption distribution from BNO consists of a transfer to the redeeming Authorized Purchaser of an amount of Treasuries and/or cash that is in the same proportion to the total assets of BNO (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to redeem is properly received as the number of shares to be redeemed under the redemption order is in proportion to the total number of shares outstanding on the date the order is received. USCF, directly or in consultation with the Administrator, determines the requirements for Treasuries and the amounts of cash, including the maximum permitted remaining maturity of a Treasury, and the proportions of Treasuries and cash that may be included in distributions to redeem baskets. The Marketing Agent will publish an estimate of the redemption distribution per basket as of the beginning of each business day.

### ***Delivery of Redemption Distribution***

The redemption distribution due from BNO will be delivered to the Authorized Purchaser by 3:00 p.m. New York time on the third business day following the redemption order date if, by 3:00 p.m. New York time on such third business day, BNO's DTC account has been credited with the baskets to be redeemed. If BNO's DTC account has not been credited with all of the baskets to be redeemed by such time, the redemption distribution will be delivered to the extent of whole baskets received. Any remainder of the redemption distribution will be delivered on the next business day to the extent of remaining whole baskets received if BNO receives the fee applicable to the extension of the redemption distribution date which USCF may, from time to time, determine and the remaining baskets to be redeemed are credited to BNO's DTC account by 3:00 p.m. New York time on such next business day. Any further outstanding amount of the redemption order shall be cancelled. Pursuant to information from USCF, the Custodian will also be authorized to deliver the redemption distribution notwithstanding that the baskets to be redeemed are not credited to BNO's DTC account by 3:00 p.m. New York time on the third business day following the redemption order date if the Authorized Purchaser has collateralized its obligation to deliver the baskets through DTC's book entry-system on such terms as USCF may from time to time determine.

### ***Suspension or Rejection of Redemption Orders***

USCF may, in its discretion, suspend the right of redemption, or postpone the redemption settlement date, (1) for any period during which the NYSE Arca or the ICE Futures is closed other than customary weekend or holiday closings, or trading on the NYSE Arca or the ICE Futures is suspended or restricted, (2) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of Treasuries is not reasonably practicable, or (3) for such other period as USCF determines to be necessary for the protection of the limited partners or shareholders. For example, USCF may determine that it is necessary to suspend redemptions to allow for the orderly liquidation of BNO's assets at an appropriate value to fund a redemption. If USCF has difficulty liquidating its positions, *e.g.*, because of a market disruption event in the futures markets, a suspension of trading by the exchange where the futures contracts are listed or an unanticipated delay in the liquidation of a position in an OTC contract, it may be appropriate to suspend redemptions until such time as such circumstances are rectified. None of USCF, the Marketing Agent, the Administrator, or the Custodian will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

Redemption orders must be made in whole baskets. USCF will reject a redemption order if the order is not in proper form as described in the Authorized Purchaser Agreement or if the fulfillment of the order, in the opinion

---

**Table of Contents**

of its counsel, might be unlawful. USCF may also reject a redemption order if the number of shares being redeemed would reduce the remaining outstanding shares to 100,000 shares (*i.e.*, two baskets) or less.

***Creation and Redemption Transaction Fee***

To compensate BNO for its expenses in connection with the creation and redemption of baskets, an Authorized Purchaser is required to pay a transaction fee per order to create or redeem baskets, regardless of the number of baskets in such order. The applicable transaction fee paid by Authorized Purchasers is \$350 (through May 1, 2015) to BNO for each order they place to create or redeem one or more baskets; after May 1, 2015, this fee will increase to \$1,000. The transaction fee may be reduced, increased or otherwise changed by USCF. USCF shall notify DTC of any change in the transaction fee and will not implement any increase in the fee for the redemption of baskets until 30 days after the date of the notice.

***Tax Responsibility***

Authorized Purchasers are responsible for any transfer tax, sales or use tax, stamp tax, recording tax, value added tax or similar tax or governmental charge applicable to the creation or redemption of baskets, regardless of whether or not such tax or charge is imposed directly on the Authorized Purchaser, and agree to indemnify USCF and BNO if they are required by law to pay any such tax, together with any applicable penalties, additions to tax and interest thereon.

***Secondary Market Transactions***

As noted, BNO creates and redeems shares from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to BNO or the distribution by BNO of the amount of Treasuries and cash represented by the baskets being created or redeemed, the amount of which will be based on the aggregate NAV of the number of shares included in the baskets being created or redeemed determined on the day the order to create or redeem baskets is properly received.

As discussed above, Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be registered broker-dealers or other securities market participants, such as banks and other financial institutions that are not required to register as broker-dealers to engage in securities transactions. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public shares of any baskets it does create. Authorized Purchasers that do offer to the public shares from the baskets they create will do so at per-share offering prices that are expected to reflect, among other factors, the trading price of the shares on the NYSE Arca, the per share NAV of BNO at the time the Authorized Purchaser purchased the Creation Baskets and the per share NAV of the shares at the time of the offer of the shares to the public, the supply of and demand for shares at the time of sale, and the liquidity of the Futures Contract market and the market for Other Crude Oil-Related Investments. The prices of shares offered by Authorized Purchasers are expected to fall between BNO's per share NAV and the trading price of the shares on the NYSE Arca at the time of sale. Shares initially comprising the same basket but offered by Authorized Purchasers to the public at different times may have different offering prices. An order for one or more baskets may be placed by an Authorized Purchaser on behalf of multiple clients. Authorized Purchasers who make deposits with BNO in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either BNO or USCF, and no such person has any obligation or responsibility to USCF or BNO to effect any sale or resale of shares. Shares trade in the secondary market on the NYSE Arca. Shares may trade in the secondary market at prices that are lower or higher relative to their per share NAV. The amount of the discount or premium in the trading price relative to the per share NAV may be influenced by various factors, including the number of investors who seek to purchase or sell shares in the secondary market and the liquidity of the Futures Contracts market and the market for Other Crude Oil-Related Investments. While the shares trade during the core trading session on the NYSE Arca until 4:00 p.m. New York time and trading in Futures Contracts on the ICE Futures Exchange continues throughout the entire NYSE Arca

---

## **Table of Contents**

trading day, liquidity in the market for Crude Oil Interests traded on the NYMEX may be reduced after the close of the NYMEX at 2:30 p.m. New York time. As a result, during this time, particularly if BNO has invested in Futures Contracts and Other Crude Oil-Related Investment traded on the NYMEX, trading spreads, and the resulting premium or discount, on the shares may widen.

### **Use of Proceeds**

USCF causes BNO to transfer the proceeds from the sale of Creation Baskets to the Custodian or other custodian for trading activities. USCF will invest BNO's assets in Crude Oil Interests and investments in Treasuries, cash and/or cash equivalents. When BNO purchases a Futures Contract and certain exchange-traded Other Crude Oil-Related Investments, BNO is required to deposit 5% to 30% with the selling FCM on behalf of the exchange a portion of the value of the contract or other interest as security to ensure payment for the obligation under Crude Oil Interests at maturity. This deposit is known as initial margin. Counterparties in transactions in OTC Crude Oil Interests will generally impose similar collateral requirements on BNO. USCF will invest the assets that remain after margin and collateral are posted in Treasuries, cash and/or cash equivalents subject to these margin and collateral requirements.

USCF has sole authority to determine the percentage of assets that are:

held on deposit with the FCM or other custodian,

used for other investments, and

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

Ongoing margin and collateral payments will generally be required for both exchange-traded and OTC Crude Oil Interests based on changes in the value of the Crude Oil Interests. Furthermore, ongoing collateral requirements with respect to OTC Crude Oil Interests are negotiated by the parties, and may be affected by overall market volatility, volatility of the underlying commodity or index, the ability of the counterparty to hedge its exposure under a Crude Oil Interest, and each party's creditworthiness. In light of the differing requirements for initial payments under exchange-traded and OTC Crude Oil Interests and the fluctuating nature of ongoing margin and collateral payments, it is not possible to estimate what portion of BNO's assets will be posted as margin or collateral at any given time. The Treasuries, cash and cash equivalents held by BNO will constitute reserves that will be available to meet ongoing margin and collateral requirements. All interest income will be used for BNO's benefit.

A FCM, counterparty, government agency or commodity exchange could increase margin or collateral requirements applicable to BNO to hold trading positions at any time. Moreover, margin is merely a security deposit and has no bearing on the profit or loss potential for any positions held.

The assets of BNO posted as margin for Futures Contracts are held in segregated accounts pursuant to the CEA and CFTC regulations.

### **INFORMATION YOU SHOULD KNOW**

This prospectus contains information you should consider when making an investment decision about the shares. You may rely on the information contained in this prospectus. Neither BNO nor USCF has authorized any person to provide you with different information and, if anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell the shares in any jurisdiction where the offer or sale of the shares is not permitted.

The information contained in this prospectus was obtained from us and other sources believed by us to be reliable.

---

## **Table of Contents**

You should rely only on the information contained in this prospectus or any applicable prospectus supplement or any information incorporated by reference to this prospectus. We have not authorized anyone to provide you with any information that is different. If you receive any unauthorized information, you must not rely on it. You should disregard anything we said in an earlier document that is inconsistent with what is included in this prospectus or any applicable prospectus supplement or any information incorporated by reference to this prospectus. Where the context requires, when we refer to this prospectus, we are referring to this prospectus and (if applicable) the relevant prospectus supplement.

You should not assume that the information in this prospectus or any applicable prospectus supplement is current as of any date other than the date on the front page of this prospectus or the date on the front page of any applicable prospectus supplement.

We include cross references in this prospectus to captions in these materials where you can find further related discussions. The table of contents tells you where to find these captions.

### **SUMMARY OF PROMOTIONAL AND SALES MATERIAL**

BNO will use the following sales material it has prepared:

BNO's website, [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com); and

BNO fact sheet found on BNO's website.

The materials described above are not a part of this prospectus or the registration statement of which this prospectus is a part and have been submitted to the staff of the SEC for their review pursuant to Industry Guide 5.

### **INTELLECTUAL PROPERTY**

USCF owns trademark registrations for BNO UNITED STATES BRENT OIL FUND LP (and Design) (U.S. Reg. No. 3916765) for Financial investment services in the field of oil futures contracts, cash-settled options on oil futures contracts, forward contracts for oil, OTC transactions based on the price of oil, and indices based on the foregoing, in use since June 2, 2010, UNITED STATES BRENT OIL FUND (U.S. Reg. No. 4181111) for financial investment services in the field of oil futures contracts, cash-settled options on oil futures contracts, forward contracts for oil, OTC transactions based on the price of oil, and indices based on the foregoing, in use since June 2, 2010, and BNO UNITED STATES BRENT OIL FUND, LP (and Flame Design), S.N. 85592286, filed April 9, 2012. USCF relies upon these trademarks through which it markets its services and strives to build and maintain brand recognition in the market and among current and potential investors. So long as USCF continues to use these trademarks to identify its services, without challenge from any third party, and properly maintains and renews the trademark registrations under applicable laws, rules and regulations; it will continue to have indefinite protection for these trademarks under current laws, rules and regulations.

USCF owns trademark registrations for UNITED STATES COMMODITY FUNDS (U.S. Reg. No. 3600670) for Fund investment services, in use since June 24, 2008, USCF (U.S. Reg. No. 3638987) for Fund investment services, in use since June 24, 2008, and USCF UNITED STATES COMMODITY FUNDS LLC & Design (U.S. Reg. No. 4304004) for Fund investment services, in use since June 24, 2008. USCF relies upon these trademarks through which it markets its services and strives to build and maintain brand recognition in the market and among current and potential investors. So long as USCF continues to use these trademarks to identify its services, without challenge from any third party, and properly maintains and renews the trademark registrations under applicable laws, rules and regulations; it will continue to have indefinite protection for these trademarks under current laws, rules and regulations. USCF has been granted two patents Nos. 7,739,186 and 8,019,675, for systems and methods for an exchange traded fund (ETF) that tracks the price of one or more commodities.

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

USCF has filed on behalf of BNO a registration statement on Form S-1 with the SEC under the 1933 Act. This 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 BNO or the shares, please refer to the registration statement, which you may inspect, without charge, at the public reference facilities of the SEC at the below address or online at [www.sec.gov](http://www.sec.gov), or obtain at prescribed rates from the public reference facilities of the SEC at the below address. Information about BNO and the shares can also be obtained from BNO's website, which is [www.unitedstatescommodityfunds.com](http://www.unitedstatescommodityfunds.com). BNO's website address is only provided here as a convenience to you and the information contained on or connected to the website is not part of this prospectus or the registration statement of which this prospectus is part. BNO is subject to the informational requirements of the Exchange Act and USCF and BNO will each, on behalf of BNO, file certain reports and other information with the SEC under the Exchange Act. USCF will file an updated prospectus annually for BNO pursuant to the Securities Act. The reports and other information can be inspected at the public reference facilities of the SEC located at 100 F Street, NE, Washington, D.C. 20549 and online at [www.sec.gov](http://www.sec.gov). You may also obtain copies of such material from the public reference facilities of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates. You may obtain more information concerning the operation of the public reference facilities of the SEC by calling the SEC at 1-800-SEC-0330 or visiting online at [www.sec.gov](http://www.sec.gov).

**STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements which generally relate to future events or future performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, negative of these terms or other comparable terminology. All statements (other than statements of historical fact) included in this prospectus that address activities, events or developments that will or may occur in the future, including such matters as changes in inflation in the United States, movements in the stock market, movements in U.S. and foreign currencies, and movements in the commodities markets and indexes that track such movements, BNO's operations, USCF's plans and references to BNO's future success and other similar matters, are forward-looking statements. These statements are only predictions. Actual events or results may differ materially. These statements are based upon certain assumptions and analyses USCF has made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. Whether or not actual results and developments will conform to USCF's expectations and predictions, however, is subject to a number of risks and uncertainties, including the special considerations discussed in this prospectus, general economic, market and business conditions, changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies, and other world economic and political developments. See Risk Factors Involved with an Investment in BNO. Consequently, all the forward-looking statements made in this prospectus are qualified by these cautionary statements, and there can be no assurance that the actual results or developments USCF anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, BNO's operations or the value of the shares.

**Table of Contents**

**INCORPORATION BY REFERENCE OF CERTAIN INFORMATION**

We are a reporting company and file annual, quarterly and current reports and other information with the SEC. The rules of the SEC allow us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the SEC on March 26, 2014; and

our Current Reports on Form 8-K filed with the SEC on January 28, 2014, February 27, 2014 and March 25, 2014.

We will provide to each person to whom a prospectus is delivered, including any beneficial owner, a copy of these filings at no cost, upon written or oral request at the following address or telephone number:

United States Brent Oil Fund, LP

Attention: Nicholas D. Gerber

1999 Harrison Street

Suite 1530

Oakland, California 94612

(510) 522-9600

**Privacy Policy**

BNO and USCF may collect or have access to certain nonpublic personal information about current and former investors. Nonpublic personal information may include information received from investors, such as an investor's name, social security number and address, as well as information received from brokerage firms about investor holdings and transactions in shares of BNO.

BNO and USCF do not disclose nonpublic personal information except as required by law or as described in their Privacy Policy. In general, BNO and USCF restrict access to the nonpublic personal information they collect about investors to those of their and their affiliates' employees and service providers who need access to such information to provide products and services to investors.

BNO and USCF maintain safeguards that comply with federal law to protect investors' nonpublic personal information. These safeguards are reasonably designed to (1) ensure the security and confidentiality of investors' records and information, (2) protect against any anticipated threats or hazards to the security or integrity of investors' records and information, and (3) protect against unauthorized access to or use of investors' records or information that could result in substantial harm or inconvenience to any investor. Third-party service providers with whom BNO and USCF share nonpublic personal information about investors must agree to follow appropriate standards of security and confidentiality, which includes safeguarding such nonpublic personal information physically, electronically and procedurally.

A copy of BNO and USCF's current Privacy Policy is provided to investors annually and is also available upon request.



**Table of Contents**

**APPENDIX A**

**Glossary of Defined Terms**

In this prospectus, each of the following terms have the meanings set forth after such term:

**1933 Act:** The Securities Act of 1933.

**Administrator:** Brown Brothers Harriman & Co.

**Authorized Purchaser:** One that purchases or redeems Creation Baskets or Redemption Baskets, respectively, from or to BNO.

**Benchmark Futures Contract:** The near month contract to expire for Brent crude oil traded on the ICE Futures Exchange unless the near month contract is within two weeks of expiration, in which case the Benchmark Futures Contract is the next month contract to expire for Brent crude oil traded on the ICE Futures Exchange.

**BNO:** United States Brent Oil Fund, LP.

**Business Day:** Any day other than a day when any of the NYSE Arca, the NYMEX or the New York Stock Exchange is closed for regular trading.

**CFTC:** Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and options in the United States.

**Cleared Swap Contract:** A financial contract, whose value is designed to track the return on stocks, bonds, currencies, commodities, or some other benchmark, that is submitted to a central clearinghouse after it is either traded OTC or on an exchange or other trading platform.

**Code:** Internal Revenue Code.

**Commodity Pool:** An enterprise in which several individuals contribute funds in order to trade futures or future options collectively.

**Commodity Pool Operator or CPO:** Any person engaged in a business which is of the nature of an investment trust, syndicate, or similar enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery or commodity option on or subject to the rules of any contract market.

**CPER:** United States Copper Index Fund.

**Creation Basket:** A block of 50,000 shares used by BNO to issue shares.

**Crude Oil Interests:** Futures Contracts and Other Crude Oil-Related Investments.

**Custodian:** Brown Brothers Harriman & Co.

**DNO:** United States Short Oil Fund, LP.

**Dodd-Frank Act:** The Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law on July 21, 2010.

## **Table of Contents**

**DTC:** The Depository Trust Company. DTC will act as the securities depository for the shares.

**DTC Participant:** An entity that has an account with DTC.

**DTEF:** A derivatives transaction execution facility.

**Exchange Act:** The Securities Exchange Act of 1934.

**Exchange for Physical (EFP):** An off market transaction which involves the swapping (or exchanging) of an over-the-counter (OTC) position for a futures position. The OTC transaction must be for the same or similar quantity or amount of a specified commodity, or a substantially similar commodity or instrument. The OTC side of the EFP can include swaps, swap options, or other instruments traded in the OTC market. In order that an EFP transaction can take place, the OTC side and futures components must be substantially similar in terms of either value and or quantity. The net result is that the OTC position (and the inherent counterparty credit exposure) is transferred from the OTC market to the futures market. EFPs can also work in reverse, where a futures position can be reversed and transferred to the OTC market.

**Exchange for Swap:** A technique, analogous to an EFP transaction used by financial institutions to avoid taking physical delivery of commodities. A dealer takes the financial institution's futures positions into its own account and swaps the commodity return for a funding rate.

**FINRA:** Financial Industry Regulatory Authority.

**Futures Contracts:** Futures contracts for crude oil, natural gas, gasoline, heating oil and other petroleum-based fuels that are traded on the New York Mercantile Exchange, ICE Futures Exchange or other U.S. and foreign exchanges.

**ICE Futures Exchange:** The leading electronic regulated futures and options exchange for global energy markets.

**Indirect Participants:** Banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

**Limited Liability Company (LLC):** A type of business ownership combining several features of corporation and partnership structures.

**LP Agreement:** The Third Amended and Restated Agreement of Limited Partnership dated as of March 1, 2013.

**Margin:** The amount of equity required for an investment in futures contracts.

**Marketing Agent:** ALPS Distributors, Inc.

**NAV:** Net asset value of BNO.

**NFA:** National Futures Association.

**New York Mercantile Exchange (NYMEX):** The primary exchange on which futures contracts are traded in the U.S. BNO expressly disclaims any association with the Exchange or endorsement of BNO by the Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.

## **Table of Contents**

**Option:** The right, but not the obligation, to buy or sell a futures contract or forward contract at a specified price on or before a specified date.

**Other Crude Oil-Related Investments:** Crude oil-related investments other than Futures Contracts such as cash-settled options on Futures Contracts, forward contracts for crude oil, and OTC transactions that are based on the price of crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing.

**OTC (OTC) Derivative:** A financial contract, whose value is designed to track the return on stocks, bonds, currencies, commodities, or some other benchmark, that is traded OTC or off organized exchanges.

**Prudential Regulators:** the CFTC, the SEC and the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration and the Federal Housing Finance Agency, collectively.

**Redemption Basket:** A block of 50,000.00 shares used by BNO to redeem shares.

**Related Public Funds:** United States 12 Month Natural Gas Fund, LP ( UNL ); United States 12 Month Oil Fund, LP ( USL ); United States Diesel-Heating Oil Fund, LP ( UHN ); United States Gasoline Fund, LP ( UGA ); United States Natural Gas Fund, LP ( UNG ); United States Oil Fund, LP ( USO ); United States Short Oil Fund, LP ( DNO ); and all series of United States Commodity Index Funds Trust, United States Agriculture Index Fund ( USAG ); United States Copper Index Fund ( CPER ); United States Metals Index Fund ( USMI ); United States Commodity Index Fund ( USCI ).

**SEC:** Securities and Exchange Commission.

**Secondary Market:** The stock exchanges and the OTC market. Securities are first issued as a primary offering to the public. When the securities are traded from that first holder to another, the issues trade in these secondary markets.

**Shareholders:** Holders of Shares.

**Shares:** Common shares representing fractional undivided beneficial interests in BNO.

**Spot Contract:** A cash market transaction in which the buyer and seller agree to the immediate purchase and sale of a commodity, usually with a two-day settlement.

**Swap Contract:** Swap transactions generally involve contracts between two parties to exchange a stream of payments computed by reference to a notional amount and the price of the asset that is the subject of the swap. Swap transactions that are not cleared through central counterparties are called *uncleared* or *over-the-counter* OTC swaps.

**Tracking Error:** Possibility that the daily NAV of BNO will not track the price of Brent crude oil.

**Treasuries:** Obligations of the U.S. government with remaining maturities of 2 years or less.

**UGA:** United States Gasoline Fund, LP.

**UHN:** United States Diesel-Heating Oil Fund, LP.

**UNG:** United States Natural Gas Fund, LP.

**UNL:** United States 12 Month Natural Gas Fund, LP.

**Table of Contents**

**USAG:** United States Agriculture Index Fund

**USCF:** United States Commodity Funds LLC (the general partner), a Delaware limited liability company, which is registered as a CPO, who controls the investments and other decisions of BNO.

**USCI:** United States Commodity Index Fund.

**USL:** United States 12 Month Oil Fund, LP.

**USMI:** United States Metals Index Fund.

**USO:** United States Oil Fund, LP.

**Valuation Day:** Any day as of which BNO calculates its NAV.

**You:** The owner of shares.

A-4