

United States Natural Gas Fund, LP  
Form 424B3  
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PROSPECTUS

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Registration No. 333-158157

## United States Natural Gas Fund, LP

### 300,000,000 Units

United States Natural Gas Fund, LP, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca. United States Natural Gas Fund, LP is referred to as USNG throughout this document. The investment objective of USNG is to have the changes in percentage terms of the units' net asset value reflect the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana, as measured by the changes in the price of the futures contract on natural gas traded on the New York Mercantile Exchange that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire, less USNG's expenses. This is a best efforts offering. USNG will continuously offer creation baskets consisting of 100,000 units to authorized purchasers through ALPS Distributors, Inc., which is the marketing agent. A list of USNG's current authorized purchasers is available from the marketing agent. Authorized purchasers will pay a transaction fee of \$1,000 for each order to create one or more baskets. This is a continuous offering and will not terminate until all of the registered units have been sold. Our units are listed on the NYSE Arca under the symbol UNG.

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

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

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

Some of the risks of investing in USNG include:

Investing in natural gas interests subjects USNG to the risks of the natural gas industry which could result in large fluctuations in the price of USNG's units.

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

USNG does not expect to make cash distributions.

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

**Investing in USNG involves other significant risks. See What Are the Risk Factors Involved with an Investment in USNG? beginning on page 12.**

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

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

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

	Per Unit	Per Basket
Price of the units*	\$ 14.05	\$ 1,405,000

\*Based on closing net asset value on May 5, 2009. The price may vary based on net asset value in effect on a particular day.

**The date of this prospectus is May 6, 2009.**

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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 FUTURES AND OPTIONS TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL.**

**FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 58 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, ON PAGE 6.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, BEGINNING ON PAGE 12.**

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

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TABLE OF CONTENTS

**UNITED STATES NATURAL GAS FUND, LP**  
**TABLE OF CONTENTS**

	Page
<u>Statement Regarding Forward-Looking Statements</u>	iii
<u>Prospectus Summary</u>	1
<u>Overview of USNG</u>	1
<u>The Units</u>	3
<u>USNG's Investments in Natural Gas Interests</u>	4
<u>Principal Investment Risks of an Investment in USNG</u>	4
<u>Principal Offices of USNG and the General Partner</u>	6
<u>Financial Condition of USNG</u>	6
<u>Defined Terms</u>	6
<u>Breakeven Analysis</u>	6
<u>The Offering</u>	8
<u>What Are the Risk Factors Involved with an Investment in USNG?</u>	12
<u>Risks Associated with Investing Directly or Indirectly in Natural Gas</u>	12
<u>USNG's Operating Risks</u>	17
<u>Risk of Leverage and Volatility</u>	24
<u>Over-the-Counter Contract Risk</u>	25
<u>Risk of Trading in International Markets</u>	26
<u>Tax Risk</u>	27
<u>The Offering</u>	28
<u>What Is USNG?</u>	28
<u>Who Is the General Partner?</u>	28
<u>Prior Performance of the General Partner and Affiliates</u>	32
<u>How Does USNG Operate?</u>	42
<u>What Is USNG's Investment Strategy?</u>	45
<u>What Are Futures Contracts?</u>	46
<u>What Is the Natural Gas Market and the Petroleum-Based Fuel Market?</u>	52
<u>Why Does USNG Purchase and Sell Futures Contracts?</u>	54
<u>What Is the Flow of Units?</u>	54
<u>What Are the Trading Policies of USNG?</u>	55
<u>Who Are the Service Providers?</u>	56
<u>Fees of USNG</u>	58
<u>Form of Units</u>	59
<u>Transfer of Units</u>	60
<u>Withdrawal of Limited Partners</u>	61
<u>What Is the Plan of Distribution?</u>	62
<u>Calculating NAV</u>	63
<u>Creation and Redemption of Units</u>	64
<u>Use of Proceeds</u>	68
<u>Limited Partnership Agreement</u>	68
<u>The General Partner Has Conflicts of Interest</u>	70

<u>The General Partner's Responsibility and Remedies</u>	<u>71</u>
<u>Liability and Indemnification</u>	<u>72</u>
<u>Provisions of Law</u>	<u>73</u>
<u>Books and Records</u>	<u>73</u>
<u>Analysis of Critical Accounting Policies</u>	<u>73</u>

i

---

TABLE OF CONTENTS

	Page
<u>Statements, Filings, and Reports</u>	<u>74</u>
<u>Reports to Limited Partners</u>	<u>74</u>
<u>Fiscal Year</u>	<u>75</u>
<u>Governing Law; Consent to Delaware Jurisdiction</u>	<u>75</u>
<u>Legal Matters</u>	<u>75</u>
<u>Privacy Policy</u>	<u>75</u>
<u>U.S. Federal Income Tax Considerations</u>	<u>75</u>
<u>Other Tax Considerations</u>	<u>84</u>
<u>Investment By ERISA Accounts</u>	<u>84</u>
<u>Information You Should Know</u>	<u>86</u>
<u>Summary of Promotional and Sales Material</u>	<u>87</u>
<u>Patent Application Pending</u>	<u>87</u>
<u>Where You Can Find More Information</u>	<u>87</u>
<u>Incorporation by Reference of Certain Information</u>	<u>87</u>
<u>Appendix A</u>	<u>A-1</u>
<u>Glossary of Defined Terms</u>	<u>A-1</u>
<u>Statement of Additional Information</u>	<u>SAI-1</u>
<u>The Commodity Interest Markets</u>	<u>SAI-3</u>
<u>Potential Advantages of Investment</u>	<u>SAI-11</u>

Until May 31, 2009 (25 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

TABLE OF CONTENTS

## 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, potential or the negative of these terms or other comparable terminology. Statements (other than statements of historical fact) included in this prospectus and movements in the commodities markets and indexes that track such movements, USNG's operations, the General Partner's plans and references to USNG'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 the General Partner 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 the General Partner'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 "What Are the Risk Factors Involved with an Investment in USNG?" Consequently, all the forward-looking statements made in this prospectus are qualified by these cautionary statements, and there can be no assurance that the 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 the U.S. and foreign currencies, actual results or developments the General Partner anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, USNG's operations or the value of the units.

TABLE OF CONTENTS

## PROSPECTUS SUMMARY

*This is only a summary of the prospectus and, while it contains material information about USNG and its units, it does not contain or summarize all of the information about USNG and the units contained in this prospectus that is material and/or which may be important to you. You should read this entire prospectus, including "What Are the Risk Factors Involved with an Investment in USNG?" beginning on page 12, before making an investment decision about the units.*

### Overview of USNG

United States Natural Gas Fund, LP, a Delaware limited partnership ( "USNG" or "Us" or "We" ), is a commodity pool that issues units that may be purchased and sold on the NYSE Arca. Prior to November 25, 2008, USNG's units were traded on the American Stock Exchange. USNG was organized as a limited partnership under Delaware law on September 11, 2006. USNG is operated pursuant to the Second Amended and Restated Agreement of Limited Partnership dated December 4, 2007 ( "LP Agreement" ). It is managed and controlled by its general partner, United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) ( "General Partner" ). The General Partner is a single member limited liability company formed in Delaware on May 10, 2005 that is registered as a commodity pool operator ( "CPO" ) with the Commodity Futures Trading Commission ( "CFTC" ) and is a member of the National Futures Association ( "NFA" ).

The net assets of USNG consist primarily of investments in futures contracts for natural gas, crude oil, heating oil, gasoline, and other petroleum-based fuels that are traded on the New York Mercantile Exchange (the "NYMEX" ), ICE Futures (formerly, the International Petroleum Exchange) or other U.S. and foreign exchanges (collectively, "Futures Contracts" ) and other natural gas-related investments such as cash-settled options on Futures Contracts, forward contracts for natural gas, and over-the-counter transactions that are based on the price of natural gas, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, "Other Natural Gas-Related Investments" ). For convenience and unless otherwise specified, Futures Contracts and Other Natural Gas-Related Investments collectively are referred to as "Natural Gas Interests" in this prospectus. The General Partner is authorized by USNG in its sole judgment to employ, establish the terms of employment for, and terminate commodity trading advisors or futures commission merchants.

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

The investment objective of USNG is to have the changes in percentage terms of its units' Net Asset Value ( "NAV" ) reflect the changes in percentage terms of the spot price of natural gas delivered at the Henry Hub, Louisiana, as measured by the changes in the price of the futures contract on natural gas traded on the NYMEX (the "Benchmark Futures Contract" ) that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire, less USNG's expenses. It is not the intent of USNG to be operated in a fashion such that its NAV will equal, in dollar terms, the spot price of natural gas or any particular futures contract based on natural gas. USNG may invest in interests other than the Benchmark Futures Contract to comply with accountability levels and position limits. For a detailed discussion of accountability levels and position limits, see "What are Futures Contracts?"



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

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

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

1

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TABLE OF CONTENTS

The General Partner believes that market arbitrage opportunities will cause USNG's unit price on the NYSE Arca to closely track daily changes in USNG's NAV per unit. The General Partner further believes that the prices of the Benchmark Futures Contract have historically closely tracked the spot prices of natural gas. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between USNG's NAV and the Benchmark Futures Contract, will be that changes in the price of USNG's units on the NYSE Arca will closely track, in percentage terms, the changes in the price of the spot price of natural gas, less USNG's expenses.

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

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

On each day during the four-day period, the General Partner anticipates it will roll USNG's positions in natural gas investments by closing, or selling, a percentage of USNG's positions in natural gas interests and reinvesting the proceeds from closing those positions in new natural gas interests that reflect the change in the Benchmark Futures Contract.

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

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All proceeds from the sale of Creation Baskets are invested as quickly as possible in the investments described in this prospectus. Investments are held through USNG's custodian, Brown Brothers Harriman & Co. ( Custodian ) or through accounts with USNG's commodity futures brokers. There is no stated maximum

2

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## TABLE OF CONTENTS

time period for USNG's operations and the fund will continue until all units are redeemed or the fund is liquidated pursuant to the terms of the LP Agreement.

There is no specified limit on the maximum amount of Creation Baskets that can be sold. At some point, accountability levels and position limits on certain of the Futures Contracts in which USNG intends to invest may practically limit the maximum amount of Creation Baskets that will be sold if the General Partner determines that the other investment alternatives available to USNG at that time will not enable it to meet its stated investment objective.

In this regard, the General Partner is in the process of registering the units of another exchange traded commodity pool, the United States 12 Month Natural Gas Fund, LP ( US12NG ). US12NG will invest in the near month contract to expire and the contracts for the following eleven months, for a total of 12 consecutive months' contracts for natural gas primarily traded on the New York Mercantile Exchange. Any Benchmark Futures Contracts held by US12NG will be aggregated with the ones held by USNG in determining NYMEX accountability levels and position limits.

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

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

**Note to Secondary Market Investors:** The units can be directly purchased from or redeemed by USNG only in Creation Baskets or Redemption Baskets, respectively, and only by Authorized Purchasers. Each Creation Basket and Redemption Basket consists of 100,000 units and is expected to be worth millions of dollars. Individual investors, therefore, are not able to directly purchase units from or redeem units with USNG. Some of the information contained in this prospectus, including information about buying and redeeming units directly from and to USNG is only relevant to Authorized Purchasers. Units are listed and traded on the NYSE Arca under the ticker symbol UNG and may be purchased and sold as individual units. Individuals interested in purchasing units in the secondary market should contact their broker. Units purchased or sold through a broker may be subject to commissions.

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

## The Units

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

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

3

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TABLE OF CONTENTS

## USNG's Investments in Natural Gas Interests

A brief description of the principal types of Natural Gas Interests in which USNG may invest is set forth below.

A futures contract is a standardized contract traded on a futures exchange that calls for the future delivery of a specified quantity of a commodity at a specified time and place.

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

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

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

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

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

**As noted, USNG invests primarily in Futures Contracts, including those traded on the New York Mercantile Exchange. USNG expressly disclaims any association with such Exchange or endorsement of USNG by such Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.**

## Principal Investment Risks of an Investment in USNG

An investment in USNG 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 12.

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, USNG generally does not distribute cash to limited partners or other unitholders. You should not invest in USNG if you will need cash distributions from USNG to pay taxes on your share of income and gains of USNG, if any, or for any other reason.

There is the risk that the changes in the price of USNG's units on the NYSE Arca will not closely track the changes in the price of natural gas. This could happen if the price of units traded on the NYSE Arca does not correlate closely with USNG's NAV; the changes in USNG's NAV do not closely correlate 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 natural gas. This is a risk because if these correlations do not exist, then investors may not be able to use USNG as a cost-effective way to invest indirectly in natural gas or as a hedge against the risk of loss in natural gas-related transactions.

USNG seeks to have the changes in its units' NAV in percentage terms track changes in the price of natural gas in percentage terms rather than profit from speculative trading of Natural Gas Interests. The General Partner therefore endeavors to manage USNG's positions in Natural Gas Interests so that USNG's assets are, unlike those of other commodity pools, not leveraged (*i.e.*, so that the aggregate value of USNG's unrealized losses from its investments in

such Natural Gas Interests at any time will not exceed the value of USNG's assets). There is no assurance that the General Partner will successfully implement this investment strategy. If the General Partner permits USNG to

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TABLE OF CONTENTS

become leveraged, you could lose all or substantially all of your investment if USNG's trading positions suddenly turn unprofitable. These movements in price may be the result of factors outside of the General Partner's control and may not be anticipated by the General Partner.

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 USNG's NAV, as well as the degree to which its total return tracks other natural gas 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 natural gas 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 natural gas prices the value of the benchmark contract would tend to rise as it approaches expiration. Investors may choose to use USNG as a means of investing indirectly in natural gas and there are risks involved in such investments. The risks and hazards that are inherent in the natural gas industry may cause the price of natural gas to widely fluctuate. The exploration for, and production of, natural gas is an uncertain process with many risks. The cost of drilling, completing and operating wells for natural gas is often uncertain, and a number of factors can delay or prevent drilling operations or production.

Investors, including those who directly participate in the natural gas industry, may choose to use USNG as a vehicle to hedge against the risk of loss and there are risks involved in hedging activities. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedger's opportunity to benefit from a favorable market movement.

USNG invests primarily in Futures Contracts, and particularly in Futures Contracts traded on the New York Mercantile Exchange.

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

USNG may also invest in Other Natural Gas-Related Investments, many of which are negotiated contracts that are not as liquid as Futures Contracts and expose USNG to credit risk that its counterparty may not be able to satisfy its obligations to USNG.

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

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

The structure and operation of USNG may involve conflicts of interest. For example, a conflict may arise because the General Partner and its principals and affiliates may trade for themselves. In addition, the General Partner has sole current authority to manage the investments and operations, which may create a conflict with the unitholders' best interests. The General Partner may also have a conflict to the extent that its trading decisions may be influenced by the effect they would have on the United States Oil Fund, LP (USOF), the United States 12 Month Oil Fund, LP (US12OF), the United States Gasoline Fund, LP (UGA), or the United States Heating Oil Fund, LP (USHO), the other commodity pools that it manages, or any other commodity pool the General Partner may form and manage in the future. USOF, US12OF, UGA and USHO are referred to herein as the Related Public Funds.

For additional risks, see "What Are the Risk Factors Involved with an Investment in USNG?"



TABLE OF CONTENTS

## Principal Offices of USNG and the General Partner

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

## Financial Condition of USNG

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

## Defined Terms

For a glossary of defined terms, see Appendix A.

## Breakeven Analysis

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

Assumed initial selling price per unit	\$ 50.00	
Management Fee (0.60%) <sup>(1)</sup>	\$ 0.30	
Creation Basket Fee <sup>(2)</sup>	\$ (0.01	)
Estimated Brokerage Fee (0.14%) <sup>(3)</sup>	\$ 0.07	
Interest Income (0.24%) <sup>(4)</sup>	\$ (0.12	)
Registration Fees <sup>(5)</sup>	\$ 0.03	
Legal, Printing, and Accounting Expenses <sup>(6)</sup>	\$ 0.01	
New York Mercantile Exchange Licensing Fee <sup>(7)</sup>	\$ 0.02	
Independent Directors and Officers' Fees <sup>(8)</sup>	\$ 0.01	
Fees and expenses associated with tax accounting and reporting <sup>(9)</sup>	\$ 0.07	
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	\$ 0.38	
Percentage of initial selling price per unit	0.76	%

USNG is contractually obligated to pay the General Partner a management fee based on daily net assets and paid monthly of 0.60% per annum on average net assets of \$1,000,000,000 or less. For purposes of this example we (1) assumed that the average net assets are \$1,000,000,000 or less. If the average net assets were greater than \$1,000,000,000 then the management fee would be 0.50% on the incremental net assets and the breakeven amount would be lower.

Authorized Purchasers are required to pay a Creation Basket fee of \$1,000 for each order they place to create one (2) or more baskets. An order must be at least one basket, which is 100,000 units. This breakeven analysis assumes a hypothetical investment in a single unit so the Creation Basket fee is \$0.01 (1,000/100,000).

(3) The number in the break-even table represents USNG's historical portfolio brokerage commissions presented as an annualized percentage of average net assets, annualized through March 31, 2009.

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

The fee to register 300,000,000 units with the SEC and the Financial Industry Regulatory Authority ( FINRA ) is (5) \$330,451 (the SEC s fee is \$254,951 and FINRA s fee is \$75,500). An order must be at least one basket which is 100,000 units. The number in the breakeven table assumes USNG has \$500 million in assets.

(6) USNG estimates that the legal, printing, and accounting costs will be approximately \$65,000. The number in the breakeven table assumes USNG has \$500 million in assets.

6

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TABLE OF CONTENTS

- (7) Assuming the aggregate assets of USNG and the Related Public Funds are \$1,000,000,000 or less, the New York Mercantile Exchange licensing fee is 0.04%. For more information see Fees of USNG.
- (8) For 2008, USNG accrued \$27,880. The number in the breakeven table assumes USNG has \$500 million in assets.
- (9) For 2008, USNG incurred \$680,773 in expenses attributable to tax accounting and reporting. The number in the break-even table assumes USNG has \$500 million in assets.

7

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TABLE OF CONTENTS

## The Offering

**Offering:**

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

**Use of Proceeds:**

The General Partner applies substantially all of USNG s assets toward trading in Futures Contracts and investing in Treasuries, cash and/or cash equivalents. The General Partner will deposit a portion of USNG s net assets with the futures commission merchant, UBS Securities LLC, or other custodian to be used to meet its current or potential margin or collateral requirements in connection with its investment in Futures Contracts and Other Natural Gas-Related Investments. USNG uses only Treasuries, cash and/or cash equivalents to satisfy these requirements. The General Partner expects that all entities that will hold or trade USNG assets will be based in the United States and will be subject to United States regulations. Approximately 5% to 10% of USNG s assets are normally committed as margin for commodity futures contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The remaining portion, of which we expect to be the vast majority, are held in Treasuries, cash and/or cash equivalents by its custodian, Brown Brothers Harriman & Co. ( Custodian ) or posted as collateral to support USNG s investments in Natural Gas Interests. All interest income earned on these investments is retained for USNG s benefit.

**NYSE Arca Symbol:**

UNG

**Creation and Redemption:**

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

**Withdrawal:**

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

8

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TABLE OF CONTENTS

(i)

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

(ii)

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

Registration Clearance and Settlement:

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

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

Net Asset Value:

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

Fund Expenses:

USNG pays the General Partner a management fee of 0.60% of NAV on the first \$1,000,000,000 of assets and 0.50% of NAV after the first \$1,000,000,000 of assets. Brokerage fees for Treasuries, Futures Contracts, and Other Natural Gas-Related Investments were 0.12% of average net assets on an annualized basis through

9

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TABLE OF CONTENTS

November 30, 2008 and will be paid to unaffiliated brokers. USNG also pays any licensing fees for the use of intellectual property, registration fees with the SEC, FINRA, or other regulatory agency in connection with this and subsequent offers and sales of the units and the legal, printing, accounting and other expenses associated with such registrations. The license fee paid to the NYMEX is 0.04% of NAV for the first \$1,000,000,000 of assets and 0.02% of NAV after the first \$1,000,000,000 of assets. The assets of USNG are aggregated with those of the other funds managed by the General Partner for the purpose of calculating the NYMEX license fee. USNG also is responsible for the fees and expenses, which may include directors and officers liability insurance, of the independent directors of the General Partner in connection with their activities with respect to USNG. These director fees and expenses may be shared with other funds managed by the General Partner. These fees and expenses in total amounted to \$282,000 for 2008, and USNG's portion amounted to \$130,371, though this amount may change in future years. The General Partner, and not USNG, is responsible for payment of the fees of USNG's Marketing Agent, Administrator and Custodian. USNG and/or the General Partner may be required to indemnify the Marketing Agent, Administrator or Custodian under certain circumstances. USNG also pays the fees and expenses associated with its tax accounting and reporting requirements with the exception of certain initial implementation services fees and base services fees which were paid by the General Partner. These fees and expenses amounted to approximately \$680,773 in 2008, though this amount may change in future years.

Termination Events:

USNG shall continue in effect from the date of its formation in perpetuity, unless sooner terminated upon the occurrence of any one or more of the following events: the death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of a General Partner who is the sole remaining General Partner, unless a majority in interest of limited partners within ninety (90) days after such event elects to continue the partnership and appoints a successor general partner or the affirmative vote of a majority in interest of the limited partners subject to certain conditions. Upon termination of the partnership, the affairs of the partnership shall be wound up and all of its debts and liabilities discharged or otherwise provided for in the order of priority as provided by law. The fair market value of the remaining assets of the partnership shall then be determined by the General Partner. Thereupon, the assets of the partnership shall be distributed pro rata to the partners in accordance with their units.

Authorized Purchasers:

USNG has entered into agreements with several Authorized Purchasers. A current list of Authorized

TABLE OF CONTENTS

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

11

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TABLE OF CONTENTS

## **WHAT ARE THE RISK FACTORS INVOLVED WITH AN INVESTMENT IN USNG?**

*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 USNG's financial statements and related notes, that are incorporated by reference. See Incorporation By Reference of Certain Information.*

### **Risks Associated with Investing Directly or Indirectly in Natural Gas**

**Investing in Natural Gas Interests subjects USNG to the risks of the natural gas industry and this could result in large fluctuations in the price of USNG's units.**

USNG is subject to the risks and hazards of the natural gas industry because it invests in Natural Gas Interests. The risks and hazards that are inherent in the natural gas industry may cause the price of natural gas to widely fluctuate. If the changes in percentage terms of USNG's units accurately track the percentage changes in the Benchmark Futures

Contract or the spot price of natural gas, then the price of its units may also fluctuate. The exploration for, and production of, natural gas is an uncertain process with many risks. The cost of drilling, completing and operating wells for natural gas is often uncertain, and a number of factors can delay or prevent drilling operations or production, including:

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or repairs;
- fires or other accidents;
- adverse weather conditions;
- pipeline ruptures or spills; and

shortages or delays in the availability of drilling rigs and the delivery of equipment.

**Natural gas transmission, distribution, gathering, and processing activities involve numerous risks that may affect the price of natural gas.**

There are a variety of hazards inherent in natural gas transmission, distribution, gathering, and processing, such as leaks, explosions, pollution, release of toxic substances, adverse weather conditions (such as hurricanes and flooding), pipeline failure, abnormal pressures, uncontrollable flows of natural gas, scheduled and unscheduled maintenance, physical damage to the gathering or transportation system, and other hazards which could affect the price of natural gas. To the extent these hazards limit the supply or delivery of natural gas, natural gas prices will increase.

**The price of natural gas may fluctuate on a seasonal and quarterly basis and this would result in fluctuations in the price of USNG's units.**



Natural gas prices fluctuate seasonally. For example, in some parts of the United States and other markets, the natural gas demand for power peaks during the cold winter months, with market prices peaking at that time. As a result, in the future, the overall price of natural gas may fluctuate substantially on a seasonal and quarterly basis and thus make consecutive period to period comparisons less relevant.

**Natural gas transmission and storage operations are subject to government regulations and rate proceedings which could have an impact on the price of natural gas.**

Natural gas transmission and storage operations in North America are subject to regulation and oversight by the Federal Energy Regulatory Commission, various state regulatory agencies, and Canadian regulatory authorities. These regulatory bodies have the authority to effect rate settlements on natural gas storage, transmission and distribution services. As a consequence, the price of natural gas may be affected by a change in the rate settlements effected by one or more of these regulatory bodies.

TABLE OF CONTENTS

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

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

**Changes in USNG's NAV may not correlate with changes in the price of the Benchmark Futures Contract. If this were to occur, you may not be able to effectively use USNG as a way to hedge against natural gas-related losses or as a way to indirectly invest in natural gas.**

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

USNG (i) may not be able to buy/sell the exact amount of Futures Contracts and Other Natural Gas-Related Investments to have a perfect correlation with NAV; (ii) may not always be able to buy and sell Futures Contracts or Other Natural Gas-Related Investments at the market price; (iii) may not experience a perfect correlation between the spot price of natural gas and the underlying investments in Futures Contracts, Other Natural Gas-Related Investments and Treasuries, cash and cash equivalents; and (iv) is required to pay fees, including the brokerage fees and the management fee, which will have an effect on the correlation.

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

USNG plans to buy only as many Futures Contracts and Other Natural Gas-Related Investments that it can to get the changes in percentage terms of the NAV as close as possible to the changes in percentage terms in the price of the Benchmark Futures Contract. The remainder of its assets will be invested in Treasuries, cash and/or cash equivalents and will be used to satisfy initial margin and additional margin requirements, if any, and to otherwise support its investments in Natural Gas Interests. Investments in Treasuries, cash and/or cash equivalents, both directly and as

margin, will provide rates of return that will vary from changes in the value of the spot price of natural gas and the price of the Benchmark Futures Contract.

In addition, because USNG will incur certain expenses in connection with its investment activities, and will hold most of its assets in cash and/or more liquid short-term securities for margin and other liquidity purposes and for redemptions that may be necessary on an ongoing basis, the General Partner will not be able to fully invest USNG's assets in Futures Contracts or Other Natural Gas-Related Investments and there cannot be perfect correlation between changes in USNG's NAV and changes in the price of the Benchmark Futures Contract.

13

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TABLE OF CONTENTS

As USNG grows, there may be more or less correlation. For example, if USNG only has enough money to buy three Benchmark Futures Contracts and it needs to buy four contracts to track the price of natural gas then the correlation will be lower, but if it buys 20,000 Benchmark Futures Contracts and it needs to buy 20,001 contracts then the correlation will be higher. At certain asset levels, USNG may be limited in its ability to purchase the Benchmark Futures Contract or other Futures Contracts due to accountability levels imposed by the relevant exchanges. To the extent that USNG invests in these other Futures Contracts or Other Natural Gas-Related Investments, the correlation with the Benchmark Futures Contract may be lower. If USNG is required to invest in other Futures Contracts and Other Natural Gas-Related Investments that are less correlated with the Benchmark Futures Contract, USNG would likely invest in over-the-counter contracts to increase the level of correlation of USNG's assets. Over-the-counter contracts entail certain risks described below under Over-the-Counter Contract Risk.

USNG may not be able to buy the exact number of Futures Contracts and Other Natural Gas-Related Investments to have a perfect correlation with the Benchmark Futures Contract if the purchase price of Futures Contracts required to be fully invested in such contracts is higher than the proceeds received for the sale of a Creation Basket on the day the basket was sold. In such case, USNG could not invest the entire proceeds from the purchase of the Creation Basket in such Futures Contracts (for example, assume USNG receives \$4,000,000 for the sale of a Creation Basket and assume that the price of a Futures Contract for natural gas is \$59,950, then USNG could only invest in only 66 Futures Contracts with an aggregate value of \$3,956,700), USNG would be required to invest a percentage of the proceeds in cash, Treasuries or other liquid securities to be deposited as margin with the futures commission merchant through which the contract was purchased. The remainder of the purchase price for the Creation Basket would remain invested in Treasuries, cash and/or cash equivalents or other liquid securities as determined by the General Partner from time to time based on factors such as potential calls for margin or anticipated redemptions. If the trading market for Futures Contracts is suspended or closed, USNG may not be able to purchase these investments at the last reported price for such investments.

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

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

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

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

The value of Treasuries generally moves inversely with movements in interest rates. If USNG is required to sell Treasuries at a price lower than the price at which they were acquired, USNG will experience a loss. This loss may

adversely impact the price of the units and may decrease the correlation between the price of the units, the price of USNG's Futures Contracts and Other Natural Gas-Related Investments, and the spot price of natural gas.

TABLE OF CONTENTS

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

USNG may not always be able to liquidate its positions in its investments at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its natural gas production or exports, or in another major export, can also make it difficult to liquidate a position. Alternatively, limits imposed by futures exchanges or other regulatory organizations, such as accountability levels, position limits and price fluctuation limits, may contribute to a lack of liquidity with respect to some commodity interests.

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

Because both Futures Contracts and Other Natural Gas-Related Investments may be illiquid, USNG's Natural Gas Interests may be more difficult to liquidate at favorable prices in periods of illiquid markets and losses may be incurred during the period in which positions are being liquidated.

**If the nature of hedgers and speculators in futures markets has shifted such that natural gas purchasers are the predominant hedgers in the market, USNG might have to reinvest at higher futures prices or choose Other Natural Gas-Related Investments.**

The changing nature of the hedgers and speculators in the natural gas market will influence whether futures prices are above or below the expected future spot price. In order to induce speculators to take the corresponding long side of the same futures contract, natural gas producers must generally be willing to sell futures contracts at prices that are below expected future spot prices. Conversely, if the predominant hedgers in the futures market are the purchasers of the natural gas who purchase futures contracts to hedge against a rise in prices, then speculators will only take the short side of the futures contract if the futures price is greater than the expected future spot price of natural gas. This can have significant implications for USNG when it is time to reinvest the proceeds from a maturing Futures Contract into a new Futures Contract.

**While USNG does not intend to take physical delivery of natural gas under its Futures Contracts, physical delivery under such contracts impacts the value of the contracts.**

While it is not the current intention of USNG to take physical delivery of natural gas under its Futures Contracts, futures contracts are not required to be cash-settled and it is possible to take delivery under some of these contracts. Storage costs associated with purchasing natural gas could result in costs and other liabilities that could impact the value of Futures Contracts or Other Natural Gas-Related Investments. Storage costs include the time value of money

invested in natural gas as a physical commodity plus the actual costs of storing the natural gas less any benefits from ownership of natural gas that are not obtained by the holder of a futures contract. In general, Futures Contracts have a one-month delay for contract delivery and the back month (the back month is any future delivery month other than the spot month) includes storage costs. To the extent that these storage costs change for natural gas while USNG holds Futures Contracts or Other Natural Gas-Related Investments, the value of the Futures Contracts or Other Natural Gas-Related Investments, and therefore USNG's NAV, may change as well.

TABLE OF CONTENTS

**The price relationship between the near month contract and the next month contract that compose the Benchmark Futures Contract will vary and may impact both the total return over time of USNG's NAV, as well as the degree to which its total return tracks other natural gas price indices' total returns.**

The design of USNG'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 next month contract and close to expiration. In the event of a natural gas 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 natural gas prices the value of the benchmark contract would tend to rise as it approaches expiration. As a result the total return of the Benchmark Futures Contract would tend to track higher. Conversely, in the event of a natural gas futures market where near month contracts trade at a lower price than next to near month contracts, a situation described as contango in the futures market, then absent the impact of the overall movement in natural gas prices the value of the benchmark contract would tend to decline as it approaches expiration. As a result the total return of the Benchmark Futures Contract would tend to track lower. When compared to total return of other price indices, such as the spot price of natural gas, the impact of backwardation and contango may lead the total return of USNG's NAV to vary significantly. In the event of a prolonged period of contango, and absent the impact of rising or falling natural gas prices, this could have a significant negative impact on USNG's NAV and total return.

**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 USNG.**

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

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

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



Participants in the natural gas or in other industries may use USNG as a vehicle to hedge the risk of losses in their natural gas-related transactions. There are several risks in connection with using USNG as a hedging device. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedger's opportunity to benefit from a favorable market movement. In a hedging transaction, the hedger may be concerned that the hedged item will increase in price, but must recognize the risk that the price may instead decline and if this happens he will have lost his opportunity to profit from the change in price because the hedging transaction will result in a loss rather than a gain. Thus, the hedger foregoes the opportunity to profit from favorable price movements.

In addition, if the hedge is not a perfect one, the hedger can lose on the hedging transaction and not realize an offsetting gain in the value of the underlying item being hedged.

When using futures contracts as a hedging technique, at best, the correlation between changes in prices of futures contracts and of the items being hedged can be only approximate. The degree of imperfection of correlation depends upon circumstances such as: variations in speculative markets, demand for futures and for

## TABLE OF CONTENTS

natural gas products, technical influences in futures trading, and differences between anticipated energy costs being hedged and the instruments underlying the standard futures contracts available for trading. Even a well-conceived hedge may be unsuccessful to some degree because of unexpected market behavior as well as the expenses associated with creating the hedge.

In addition, using an investment in USNG as a hedge for changes in energy costs (*e.g.*, for crude oil, gasoline, or other fuels, or electricity) may not correlate because changes in the price of natural gas futures contracts may vary from changes in energy costs because changes in the price of natural gas may not be at the same rate as changes in the price of other energy products and, in any case, the spot price of natural gas may not reflect the same refining, transportation, and other costs that may impact the hedger's energy costs.

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

Historically, Futures Contracts and Other Natural Gas-Related Investments 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, USNG's performance were to move in the same general direction as the financial markets, you will obtain little or no diversification benefits from an investment in the units. In such a case, USNG may have no gains to offset your losses from other investments, and you may suffer losses on your investment in USNG at the same time you incur losses with respect to other investments.

Variables such as drought, floods, weather, embargoes, tariffs and other political events may have a larger impact on natural gas prices and natural gas-linked instruments, including Futures Contracts and Other Natural Gas-Related Investments, than on traditional securities. These additional variables may create additional investment risks that subject USNG's investments to greater volatility than investments in traditional securities.

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

## **USNG's Operating Risks**

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

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

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

In managing and directing the day-to-day activities and affairs of USNG, the General Partner relies heavily on Mr. Nicholas Gerber, Mr. John Love and Mr. John Hyland. If Mr. Gerber, Mr. Love, or Mr. Hyland were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of USNG. Furthermore, Mr. Gerber, Mr. Love and Mr. Hyland are currently involved in the management of the Related Public Funds, and the General Partner has filed a registration statement for two other exchange traded security funds, United States 12 Month Natural Gas Fund, LP ( US12NG ) and United States Short Oil Fund, LP ( USSO ). Mr. Gerber is also employed by Ameristock Corporation, a registered investment adviser that manages a public mutual fund. It is estimated that Mr. Gerber will spend approximately 50% of his time on USNG and Related Public Fund matters. Mr. Love will spend approximately 100%

TABLE OF CONTENTS

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

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

U.S. designated contract markets such as the NYMEX have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by USNG is not) may hold, own or control. For example, the current accountability level for investments at any one time in natural gas futures contracts (including investments in the Benchmark Futures Contract) is 12,000. While this is not a fixed ceiling, it is a threshold above which the NYMEX may exercise greater scrutiny and control over an investor, including limiting an investor to holding no more than 12,000 natural gas futures contracts. With regard to position limits, the NYMEX limits an investor from holding more than 1,000 net futures in the last 3 days of trading in the near month contract to expire.

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

For example, the NYMEX imposes a \$3.00 per mmBtu (\$30,000 per contract) price fluctuation limit for natural gas futures contracts. This limit is initially based off of the previous trading day's settlement price. If any natural gas futures contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes it begins at the point where the limit was imposed and the limit is reset to be \$3.00 per mmBtu in either direction of that point. If another halt were triggered, the market would continue to be expanded by \$3.00 per mmBtu in either direction after each successive five-minute trading halt. There is no maximum price fluctuation limit during any one trading session.

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

USNG is not limiting the size of the offering and is committed to utilizing substantially all of its proceeds to purchase Futures Contracts and Other Natural Gas-Related Investments. If USNG encounters accountability levels, position limits, or price fluctuation limits for natural gas contracts on the NYMEX, it may then, if permitted under applicable regulatory requirements, purchase Futures Contracts on the ICE Futures or other exchanges that trade listed natural gas futures. The Futures Contracts available on the ICE Futures are comparable to the contracts on the New York Mercantile Exchange, but they may have different underlying commodities, sizes, deliveries, and prices. In addition, the natural gas contracts available on the ICE Futures may be subject to accountability levels and position limits.

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

The General Partner's trading system is quantitative in nature and it is possible that the General Partner might make a mathematical error. In addition, it is also possible that a computer or software program may malfunction and cause an error in computation.

TABLE OF CONTENTS

**To the extent that the General Partner uses spreads and straddles as part of its trading strategy, there is the risk that the NAV may not closely track the changes in the Benchmark Futures Contract.**

Spreads combine simultaneous long and short positions in related futures contracts that differ by commodity (*e.g.*, long crude oil and short gasoline), by market (long WTI crude futures, short Brent crude futures), or by delivery month (long December, short November). Spreads gain or lose value as a result of relative changes in price between the long and short positions. Spreads often reduce risk to investors, because the contracts tend to move up or down together. However, both legs of the spread could move against an investor simultaneously, in which case the spread would lose value. Certain types of spreads may face unlimited risk, *e.g.*, because the price of a futures contract underlying a short position can increase by an unlimited amount and the investor would have to take delivery or offset at that price.

A commodity straddle takes both long and short option positions in the same commodity in the same market and delivery month simultaneously. The buyer of a straddle profits if either the long or the short leg of the straddle moves further than the combined cost of both options. The seller of a straddle profits if both the long and short positions do not trade beyond a range equal to the combined premium for selling both options.

If the General Partner were to utilize a spread or straddle position and the spread performed differently than expected, the results could impact USNG's tracking error. This could affect USNG's investment objective of having its NAV closely track the changes in the Benchmark Futures Contract. Additionally, a loss on a spread position would negatively impact USNG's absolute return.

**USNG and the General Partner may have conflicts of interest, which may permit them to favor their own interests to your detriment.**

USNG and the General Partner may have inherent conflicts to the extent the General Partner attempts to maintain USNG's asset size in order to preserve its fee income and this may not always be consistent with USNG's objective of having the value of its unit's NAV track changes in the Benchmark Futures Contract. The General Partner's officers, directors and employees do not devote their time exclusively to USNG. These persons are directors, officers or employees of other entities that may compete with USNG for their services. They could have a conflict between their responsibilities to USNG and to those other entities.

In addition, the General Partner'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 USNG trades using the clearing broker to be used by USNG. A potential conflict also may occur if the General Partner'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 USNG.

The General Partner has sole current authority to manage the investments and operations of USNG, 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 the ability to influence matters such as amendment of the LP Agreement, change in USNG's basic investment policy, dissolution of this fund, or the sale or distribution of USNG's assets.

The General Partner serves as the general partner to each of USNG and the Related Public Funds and will serve as the

To the extent that the General Partner uses spreads and straddles as part of its trading strategy, there is ~~the~~ risk that

general partner for USSO and US12NG, if such other funds offer their securities to the public or begin operations. The General Partner may have a conflict to the extent that its trading decisions for USNG may be influenced by the effect they would have on the other funds it manages. These trading decisions may be influenced since the General Partner also serves as the general partner for all of the funds and is required to meet all of the funds' investment objectives as well as USNG's. If the General Partner believes that a trading decision it made on behalf of USNG might (i) impede its other funds from reaching their investment objectives, or (ii) improve the likelihood of meeting its other funds' objectives, then the General Partner may choose to change its trading decision for USNG, which could either impede or improve the opportunity for USNG to meet its investment objective. In addition, the General Partner is required to indemnify the officers and directors of its other funds if the need for indemnification arises. This potential indemnification will cause the General Partner's assets to decrease. If the General Partner's other sources of income are not sufficient to compensate for the indemnification, then the General Partner may terminate and you could lose your investment.

TABLE OF CONTENTS

**Unitholders may only vote on the removal of the General Partner and limited partners have only limited voting rights. Unitholders and limited partners will not participate in the management of USNG and do not control the General Partner so they will not have influence over basic matters that affect USNG.**

Unitholders that have not applied to become limited partners have no voting rights, other than to remove the General Partner. Limited partners will have limited voting rights with respect to USNG's affairs. Unitholders may remove the General Partner only if 66 2/3% of the unitholders elect to do so. Unitholders and limited partners will not be permitted to participate in the management or control of USNG or the conduct of its business. Unitholders and limited partners must therefore rely upon the duties and judgment of the General Partner to manage USNG's affairs.

**The General Partner may manage a large amount of assets and this could affect USNG's ability to trade profitably.**

Increases in assets under management may affect trading decisions. In general, the General Partner does not intend to limit the amount of assets of USNG that it may manage. The more assets the General Partner manages, the more difficult it may be for it to trade profitably because of the difficulty of trading larger positions without adversely affecting prices and performance and of managing risk associated with larger positions.

**USNG could terminate at any time and cause the liquidation and potential loss of your investment and could upset the overall maturity and timing of your investment portfolio.**

USNG may terminate at any time, regardless of whether USNG has incurred losses, subject to the terms of the LP Agreement. In particular, unforeseen circumstances, including the death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of the General Partner could cause USNG to terminate unless a majority in 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 interest of the limited partners subject to certain conditions. However, no level of losses will require the General Partner to terminate USNG. USNG's termination would cause the liquidation and potential loss of your investment. Termination could also negatively affect the overall maturity and timing of your investment portfolio.

**Limited partners may not 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 our 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 our capital securities representing limited partnership interests. However, a limited partner may be required to repay to us any amounts wrongfully returned or distributed to it under some circumstances. Under Delaware law, we may not make a distribution to limited partners if the distribution causes our liabilities (other than liabilities to partners on account of their partnership interests and nonrecourse liabilities) to exceed the fair value of our assets. Delaware law provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution

Unitholders may only vote on the removal of the General Partner and limited partners have only limited voting rights



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.

**With adequate notice, a limited partner may be required to withdraw from the partnership for any reason.**

If the General Partner gives at least fifteen (15) days written notice to a limited partner, then the General Partner may for any reason, in its sole discretion, require any such limited partner to withdraw entirely from the partnership or to withdraw a portion of its partner capital account. The General Partner may require withdrawal even in situations where the limited partner has complied completely with the provisions of the LP Agreement.

TABLE OF CONTENTS

**USNG's existing units are, and any units USNG issues in the future will be, subject to restrictions on transfer. Failure to satisfy these requirements will preclude you from being able to have all the rights of a limited partner.**

No transfer of any unit or interest therein may be made if such transfer would (a) violate the then applicable federal or state securities laws or rules and regulations of the SEC, any state securities commission, the CFTC or any other governmental authority with jurisdiction over such transfer, or (b) cause USNG to be taxable as a corporation or affect USNG's existence or qualification as a limited partnership. In addition, investors may only become limited partners if they transfer their units to purchasers that meet certain conditions outlined in the LP Agreement, which provides that each record holder or limited partner or unitholder applying to become a limited partner (each a record holder) may be required by the General Partner to furnish certain information, including that holder's nationality, citizenship or other related status. A transferee who is not a U.S. resident may not be eligible to become a record holder or a limited partner if its ownership would subject USNG to the risk of cancellation or forfeiture of any of its assets under any federal, state or local law or regulation. All purchasers of USNG's units, who wish to become limited partners or 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 USNG's LP Agreement and is eligible to purchase USNG's securities. Any transfer of units will not be recorded by the transfer agent or recognized by us unless a completed transfer application is delivered to the General Partner or the Administrator. A person purchasing USNG's existing units, 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 the General Partner obtained, our units will be securities and will be transferable according to the laws governing transfers of securities. See Transfer of Units.

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

The General Partner has not previously made any cash distributions and intends to re-invest any realized gains in Natural Gas 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, USNG generally does not expect to distribute cash to limited partners. You should not invest in USNG if you will need cash distributions from USNG to pay taxes on your share of income and gains of USNG, if any, or for any other reason. Although USNG 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 necessary to support its underlying investments in Natural Gas 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.

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

USNG pays brokerage charges of approximately 0.14% (based on futures commission merchant fees of \$3.50 per buy or sell), management fees of 0.60% of NAV on the first \$1,000,000,000 of assets and 0.50% of NAV after the first \$1,000,000,000 of assets, and over-the-counter spreads and extraordinary expenses (*e.g.*, subsequent offering expenses, other expenses not in the ordinary course of business, including the indemnification of any person against liabilities and obligations to the extent permitted by law and required under the LP Agreement and under agreements

With adequate notice, a limited partner may be required to withdraw from the partnership for any reason. 42

entered into by the General Partner on USNG's behalf and the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expenses and the settlement of claims and litigation) that can not be quantified. These fees and expenses must be paid in all cases regardless of whether USNG's activities are profitable. Accordingly, USNG must earn trading gains sufficient to compensate for these fees and expenses before it can earn any profit.

TABLE OF CONTENTS

**USNG, historically, has depended upon its affiliates to pay all its expenses. If this offering of units does not raise sufficient funds to pay USNG's future expenses and no other source of funding of expenses is found, USNG may be forced to terminate and investors may lose all or part of their investment.**

Prior to the offering of units that commenced on April 17, 2007, all of USNG's expenses were funded by the General Partner and its affiliates. These payments by the General Partner and its affiliates were designed to allow USNG the ability to commence the public offering of its units. USNG now directly pays certain of these fees and expenses. The General Partner will continue to pay other fees and expenses, as set forth in the LP Agreement. If the General Partner and USNG are unable to raise sufficient funds to cover their expenses or locate any other source of funding, USNG may be forced to terminate and investors may lose all or part of their investment.

**USNG may incur higher fees and expenses upon renewing existing or entering into new contractual relationships.**

The clearing arrangements between the clearing brokers and USNG generally are terminable by the clearing brokers once the clearing broker has given USNG notice. Upon termination, the General Partner may be required to renegotiate or make other arrangements for obtaining similar services if USNG intends to continue trading in Futures Contracts or Other Natural Gas-Related Investments at its present level of capacity. The services of any clearing broker may not be available, or even if available, these services may not be available on the terms as favorable as those of the expired or terminated clearing arrangements.

**USNG may miss certain trading opportunities because it will not receive the benefit of the expertise of independent trading advisors.**

The General Partner does not employ trading advisors for USNG; however, it reserves the right to employ them in the future. The only advisor to USNG is the General Partner. A lack of independent trading advisors may be disadvantageous to USNG because it will not receive the benefit of a trading advisor's expertise.

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

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

**The financial markets are currently in a period of disruption and recession and USNG does not expect these conditions to improve in the near future.**

Currently and throughout 2008, the financial markets have experienced very difficult conditions and volatility as well as significant adverse trends. The deteriorating 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. A continued

USNG, historically, has depended upon its affiliates to pay all its expenses. If this offering of units does not raise su

recession or a depression could adversely affect the financial condition and results of operations of USNG's service providers and Authorized Purchasers which would impact the ability of the General Partner to achieve USNG's investment objective.

**The failure or bankruptcy of a clearing broker could result in a substantial loss of USNG's assets; the clearing broker could be subject to proceedings that impair its ability to execute USNG's trades.**

Under CFTC regulations, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its 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 USNG, 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

## TABLE OF CONTENTS

complete loss of USNG's assets posted with the clearing broker; though, the vast majority of USNG's assets are held in Treasuries, cash and/or cash equivalents with USNG's custodian and would not be impacted by the bankruptcy of a clearing broker. USNG also may 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.

From time to time, the 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 USNG's trades.

### **The failure or insolvency of USNG's custodian could result in a substantial loss of USNG's assets.**

As noted above, the vast majority of USNG's assets are held in Treasuries, cash and/or cash equivalents with USNG's custodian. The insolvency of the custodian could result in a complete loss of USNG's assets held by that custodian, which, at any given time, would likely comprise a substantial portion of USNG's total assets.

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

Third parties may utilize USNG's intellectual property or technology, including the use of its business methods, trademarks and trading program software, without permission. The General Partner has a patent pending for USNG's business method and it is registering its trademarks. USNG does not currently have any proprietary software. However, if it obtains proprietary software in the future, then any unauthorized use of USNG's proprietary software and other technology could also adversely affect its competitive advantage. USNG may have difficulty 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 the General Partner or claim that the General Partner has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, the General Partner 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 the General Partner is successful and regardless of the merits, may result in significant costs, divert its resources from USNG, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements.

### **The success of USNG depends on the ability of the General Partner to accurately implement trading systems, and any failure to do so could subject USNG to losses on such transactions.**

The General Partner uses mathematical formulas built into a generally available spreadsheet program to decide whether it should buy or sell Natural Gas Interests each day. Specifically, the General Partner uses the spreadsheet to make mathematical calculations and to monitor positions in Natural Gas Interests and Treasuries and correlations to the Benchmark Futures Contract. The General Partner must accurately process the spreadsheets' outputs and execute

The failure or bankruptcy of a clearing broker could result in a substantial loss of USNG's assets; the clearing broker

the transactions called for by the formulas. In addition, USNG relies on the General Partner to properly operate and maintain its computer and communications systems. Execution of the formulas and operation of the systems are subject to human error. Any failure, inaccuracy or delay in implementing any of the formulas or systems and executing USNG's transactions could impair its ability to achieve USNG's investment objective. It could also result in decisions to undertake transactions based on inaccurate or incomplete information. This could cause substantial losses on transactions.

**USNG may experience substantial losses on transactions if the computer or communications system fails.**

USNG's trading activities, including its risk management, depend on the integrity and performance of the computer and communications systems supporting them. Extraordinary transaction volume, hardware or software failure, power or telecommunications failure, a natural disaster or other catastrophe could cause the

TABLE OF CONTENTS

computer systems to operate at an unacceptably slow speed or even fail. Any significant degradation or failure of the systems that the General Partner uses to gather and analyze information, enter orders, process data, monitor risk levels and otherwise engage in trading activities may result in substantial losses on transactions, liability to other parties, lost profit opportunities, damages to the General Partner's and USNG's reputations, increased operational expenses and diversion of technical resources.

**If the computer and communications systems are not upgraded, USNG's financial condition could be harmed.**

The development of complex computer and communications systems and new technologies may render the existing computer and communications systems supporting USNG's trading activities obsolete. In addition, these computer and communications systems must be compatible with those of third parties, such as the systems of exchanges, clearing brokers and the executing brokers. As a result, if these third parties upgrade their systems, the General Partner will need to make corresponding upgrades to continue effectively its trading activities. USNG's future success will depend on USNG's ability to respond to changing technologies on a timely and cost-effective basis.

**USNG depends on the reliable performance of the computer and communications systems of third parties, such as brokers and futures exchanges, and may experience substantial losses on transactions if they fail.**

USNG depends on the proper and timely function of complex computer and communications systems maintained and operated by the futures exchanges, brokers and other data providers that the General Partner uses to conduct trading activities. Failure or inadequate performance of any of these systems could adversely affect the General Partner's ability to complete transactions, including its ability to close out positions, and result in lost profit opportunities and significant losses on commodity interest transactions. This could have a material adverse effect on revenues and materially reduce USNG's available capital. For example, unavailability of price quotations from third parties may make it difficult or impossible for the General Partner to use its proprietary software that it relies upon to conduct its trading activities. Unavailability of records from brokerage firms may make it difficult or impossible for the General Partner to accurately determine which transactions have been executed or the details, including price and time, of any transaction executed. This unavailability of information also may make it difficult or impossible for the General Partner to reconcile its records of transactions with those of another party or to accomplish settlement of executed transactions.

**The occurrence of a terrorist attack, or the outbreak, continuation or expansion of war or other hostilities could disrupt USNG's trading activity and materially affect USNG's profitability.**

The operations of USNG, the exchanges, brokers and counterparties with which USNG does business, and the markets in which USNG does business could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities. The terrorist attacks of September 11, 2001 and the war in Iraq, global anti-terrorism initiatives and political unrest in the Middle East and Southeast Asia continue to fuel this concern.



## **Risk of Leverage and Volatility**

**If the General Partner permits USNG to become leveraged, you could lose all or substantially all of your investment if USNG's trading positions suddenly turn unprofitable.**

Commodity pools' trading positions in futures contracts or other commodity interests 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 interests') entire market value. This feature permits commodity pools to leverage their assets by purchasing or selling futures contracts (or other commodity interests) with an aggregate value in excess of the commodity pool's assets. While this leverage can increase the pool's profits, relatively small adverse movements in the price of the pool's futures contracts can cause significant losses to the pool. While the General Partner has not and does not intend to leverage USNG's assets, it is not prohibited from doing so under the LP Agreement or otherwise.

TABLE OF CONTENTS

**The price of natural gas is volatile which could cause large fluctuations in the price of units.**

Movements in the price of natural gas may be the result of factors outside of the General Partner's control and may not be anticipated by the General Partner. Among the factors that can cause volatility in the price of natural gas are:

- worldwide or regional demand for energy, which is affected by economic conditions;
- the domestic and foreign supply and inventories of oil and gas;
- weather conditions, including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather;
- availability and adequacy of pipeline and other transportation facilities;
- domestic and foreign governmental regulations and taxes;
- political conditions in gas or oil producing regions;
- the ability of members of the Organization of Petroleum Exporting Countries ( OPEC ) to agree upon and maintain oil prices and production levels;
- the price and availability of alternative fuels; and
- the impact of energy conservation efforts.

Since USNG's commencement of operations on April 18, 2007, there has been tremendous volatility in the price of the Benchmark Futures Contract. For example, the price of the NYMEX futures contract on natural gas rose to a high of \$13.694 on July 2, 2008 from a low of \$5.192 on August 27, 2007. The General Partner anticipates that there will be continued volatility in the price of the NYMEX futures contract for natural gas and futures contracts for other petroleum-based commodities. Consequently, investors should know that this volatility can lead to a loss of all or substantially all of their investment in USNG.

**The impact of environmental and other governmental laws and regulations may affect the price of natural gas.**

Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon natural gas and oil wells. Other laws have prevented exploration and drilling of natural gas in certain environmentally sensitive federal lands and waters. Several environmental laws that have a direct or an indirect impact on the price of natural gas include, but are not limited to, the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

**The limited method for transporting and storing natural gas may cause the price of natural gas to increase.**

Natural gas is primarily transported and stored throughout the United States by way of pipeline and underground storage facilities. These systems may not be adequate to meet demand, especially in times of peak demand or in areas of the United States where gas service is already limited due to minimal pipeline and storage infrastructure. As a result of the limited method for transporting and storing natural gas, the price of natural gas may increase.

**Over-the-Counter Contract Risk**

**Over-the-counter transactions are subject to little, if any, regulation.**

A portion of USNG's assets may be used to trade over-the-counter natural gas interest contracts, such as forward contracts or swap or spot contracts. Over-the-counter contracts are typically traded on a principal-to-principal basis through dealer markets that are dominated by major money center and investment banks and other institutions and are essentially unregulated by the CFTC. You therefore do not receive the protection of CFTC regulation or the statutory scheme of the Commodity Exchange Act in connection with this trading activity by USNG. The markets for over-the-counter contracts rely upon the integrity of market participants in lieu of the additional regulation imposed by the CFTC on participants in the futures markets. The lack of regulation in these markets could expose USNG in certain circumstances to significant losses in the event of trading abuses or financial failure by participants.

25

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## TABLE OF CONTENTS

### **USNG will be subject to credit risk with respect to counterparties to over-the-counter contracts entered into by USNG or held by special purpose or structured vehicles.**

USNG also faces the risk of non-performance by the counterparties to the over-the-counter 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 USNG, in which case USNG could suffer significant losses on these contracts.

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

### **USNG may be subject to liquidity risk with respect to its over-the-counter contracts.**

Over-the-counter contracts may have terms that make them less marketable than Futures Contracts. Over-the-counter contracts are less marketable 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 diminish the ability to realize the full value of such contracts.

## **Risk of Trading in International Markets**

### **Trading in international markets would expose USNG to credit and regulatory risk.**

The General Partner invests primarily in Futures Contracts, a significant portion of which will be on United States exchanges including the NYMEX. However, a portion of USNG'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 same degree of regulation as their U.S. counterparts. None of the CFTC, NFA, or any domestic exchange regulates activities of any foreign boards of trade or exchanges, including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws. Similarly, the rights of market participants, such as USNG, in the event of the insolvency or bankruptcy of a non-U.S. market or broker are also likely to be more limited than in the case of U.S. markets or brokers. As a result, in these markets, USNG has less legal and regulatory protection than it does when it trades domestically.

In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes USNG to credit risk. Trading in non-U.S. markets also leaves USNG 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.

**International trading activities subject USNG to foreign exchange risk.**

The price of any non-U.S. Futures Contract, option on any non-U.S. Futures Contract or other non- U.S. Natural Gas-Related Investment, and, therefore, the potential profit and loss on such contract, may be affected by any variance in the foreign exchange rate between the time the order is placed and the time it is liquidated, offset or exercised. As a result, changes in the value of the local currency relative to the U.S. dollar may cause losses to USNG even if the contract traded is profitable.

**USNG's international trading could expose it to losses resulting from non-U.S. exchanges that are less developed or less reliable than United States exchanges.**

Some non-U.S. exchanges also may be in a more developmental stage so that prior price histories may not be indicative of current price dynamics. In addition, USNG may not have the same access to certain positions on foreign trading exchanges as do local traders, and the historical market data on which the General Partner bases its strategies may not be as reliable or accessible as it is for U.S. exchanges.

TABLE OF CONTENTS

## **Tax Risk**

Please refer to U.S. Federal Income Tax Considerations for information regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of units.

### **Your tax liability may exceed the amount of distributions, if any, on your units.**

Cash or property will be distributed at the sole discretion of the General Partner. The General Partner has not and does not intend to make cash or other distributions with respect to units. You will be required to pay U.S. federal income tax and, in some cases, state, local, or foreign income tax, on your allocable share of USNG's taxable income, without regard to whether you receive distributions or the amount of any distributions. Therefore, your tax liability with respect to your units may exceed the amount of cash or value of property (if any) distributed.

### **Your allocable share of taxable income or loss may differ from your economic income or loss on your units.**

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

### **Items of income, gain, deduction, loss and credit with respect to units could be reallocated if the IRS does not accept the assumptions and conventions applied by USNG in allocating those items, with potential adverse consequences for you.**

The U.S. tax rules pertaining to partnerships are complex and their application to large, publicly traded partnerships such as USNG is in many respects uncertain. USNG will apply 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 unitholders' economic gains and losses. These assumptions and conventions may not fully comply with all aspects of the Internal Revenue Code ( Code ) and applicable Treasury Regulations, however, and it is possible that the U.S. Internal Revenue Service will successfully challenge our allocation methods and require us to reallocate items of income, gain, deduction, loss or credit in a manner that adversely affects you. If this occurs, you may be required to file an amended tax return and to pay additional taxes plus deficiency interest.

### **We could be treated as a corporation for federal income tax purposes, which may substantially reduce the value of your units.**

USNG has received an opinion of counsel that, under current U.S. federal income tax laws, USNG 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 USNG's annual gross income consists of qualifying income as defined in the Code, (ii) USNG is organized and operated in accordance with its governing agreements and applicable law and (iii) USNG does not elect to be taxed as a corporation for federal income tax purposes. Although the General Partner anticipates that USNG has satisfied and will continue to satisfy the qualifying income requirement for all of its taxable years, that result cannot

be assured. USNG 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 USNG 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 unitholders, USNG would be subject to tax on its net income for the year at corporate tax rates. In addition, although the General Partner does not currently intend to make distributions with respect to units, any distributions would be taxable to unitholders as dividend income. Taxation of USNG as a corporation could materially reduce the after-tax return on an investment in units and could substantially reduce the value of your units.

**PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE POSSIBLE TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN UNITS; SUCH TAX CONSEQUENCES MAY DIFFER IN RESPECT OF DIFFERENT INVESTORS.**

TABLE OF CONTENTS

## THE OFFERING

### What is USNG?

USNG is a Delaware limited partnership organized on September 11, 2006. USNG maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. USNG is a commodity pool. It operates pursuant to the terms of the LP Agreement, which grants full management control to the General Partner. USNG is a publicly traded limited partnership which seeks to have the changes in percentage terms of its units' NAV track the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana. USNG invests in a mixture of listed natural gas futures contracts, other non-listed natural gas related investments, Treasuries, cash and cash equivalents. USNG began trading on the American Stock Exchange on April 18, 2007. As of March 31, 2009, USNG had total net assets of \$819,361,217 and had outstanding units of 53.8 million.

### Who is the General Partner?

Our sole General Partner is United States Commodity Funds LLC, a single member limited liability company that was formed in the state of Delaware on May 10, 2005. Prior to June 13, 2008, the General Partner was known as Victoria Bay Asset Management, LLC. It maintains its main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The General Partner is a wholly-owned subsidiary of Wainwright Holdings, Inc., a Delaware corporation ( "Wainwright" ). Mr. Nicholas Gerber (discussed below) controls Wainwright by virtue of his ownership of Wainwright's shares. Wainwright is a holding company that also owns an insurance company organized under Bermuda law (currently being liquidated) and a registered investment adviser firm named Ameristock Corporation. The General Partner is a member of the NFA and is registered with the CFTC as of December 1, 2005. The General Partner's registration as a CPO with the NFA was approved on December 1, 2005.

The General Partner also manages the Related Public Funds. USOF is a commodity pool and issues units traded on the NYSE Arca. The investment objective of USOF is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms in the spot price of light, sweet crude oil as traded in the United States. USOF may invest in a mixture of listed crude oil futures contracts, other non-listed oil related investments, Treasuries, cash and cash equivalents. USOF began trading on April 10, 2006. As of March 31, 2009, USOF had total net assets of \$2,912,849,108 and had outstanding units of 99.2 million. USOF employs an investment strategy in its operations that is similar to the investment strategy of USNG, except that its benchmark is a single futures month's contract, the near month contract for light, sweet crude oil delivered to Cushing, Oklahoma.

US12OF is a commodity pool and issues units traded on the NYSE Arca. The investment objective of US12OF is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms of the price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 futures contracts on light, sweet crude oil traded on the NYMEX, consisting of the near month contract to expire and the contracts for the following eleven months, for a total of 12 consecutive months' contracts, less US12OF's expenses. US12OF began trading on December 6, 2007. As of March 31, 2009, US12OF had total net assets of \$148,545,204 and had outstanding units of 4.9 million. US12OF employs an investment strategy in its operations that is similar to the investment strategy of USNG, except that its benchmark is the average of the prices of the near month contract to expire and the following eleven months contracts for light, sweet crude oil delivered to Cushing, Oklahoma.

UGA is a commodity pool and issues units traded on the NYSE Arca. The investment objective of UGA is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms of the price of unleaded



gasoline delivered to the New York harbor, as measured by the changes in the price of the futures contract on gasoline traded on the NYMEX, less UGA's expenses. UGA invests in a mixture of listed gasoline futures contracts, other non-listed gasoline related investments, Treasuries, cash and cash equivalents. UGA began trading on February 26, 2008. As of March 31, 2009, UGA had total net assets of \$65,239,661 and had outstanding units of 2.7 million. UGA employs an investment strategy in its operations that is similar to the investment strategy of USNG, except that its benchmark is the near month contract for unleaded gasoline delivered at the New York harbor.

TABLE OF CONTENTS

USHO is a commodity pool and issues units traded on the NYSE Arca. The investment objective of UGA is for the changes in percentage terms of its units' NAV to reflect the changes in percentage terms of the price of heating oil (also known as No. 2 fuel oil) delivered to the New York harbor, as measured by the changes in the price of the futures contract on heating oil traded on the NYMEX, less USHO's expenses. USHO invests in a mixture of listed heating oil futures contracts, other non-listed heating oil-related investments, Treasuries, cash and cash equivalents.

USHO began trading on April 9, 2008. As of March 31, 2009, USHO had total net assets of \$6,231,425 and had outstanding units of 300,000. USHO employs an investment strategy in its operations that is similar to the investment strategy of USNG, except that its benchmark is the near month contract for heating oil delivered to the New York harbor.

The General Partner is currently in the process of registering the units of two other exchange traded commodity pools,

US12NG and USSO. USSO will be a publicly traded limited partnership which seeks to have the changes in percentage terms of its units' NAV inversely reflect the changes in percentage terms of the spot price of light, sweet, crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of futures contract on light, sweet crude oil as traded on the New York Mercantile Exchange that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire, less USSO's expenses. US12NG will be a publicly traded limited partnership which will seek to have the changes in percentage terms of its units' NAV track the changes in percentage terms of the price of natural gas as traded in the United States. US12NG will invest in a mixture of listed natural gas futures contracts, other non-listed natural gas-related investments, Treasuries, cash and cash equivalents. US12NG will employ an investment strategy in its operations that is similar to the investment strategy of USNG, except that its benchmark is average of the prices of the near month contract to expire and the following eleven months contracts for natural gas delivered at the Henry Hub, Louisiana. US12NG has not offered securities to the public or commenced operations.

The General Partner is required to evaluate the credit risk of USNG to the futures commission merchant, oversee the purchase and sale of USNG's units by certain Authorized Purchasers, review daily positions and margin requirements of USNG, and manage USNG's investments. The General Partner also pays the fees of the Marketing Agent, the Administrator, and the Custodian.

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

The business and affairs of our General Partner are managed by a board of directors, which is comprised of four management directors some of whom are also its executive officers (the Management Directors) and three independent directors who meet the independent director requirements established by the NYSE Arca and the Sarbanes-Oxley Act of 2002. Notwithstanding the foregoing, the Management Directors have the authority to manage the General Partner pursuant to its Limited Liability Company Agreement. Through its Management Directors, the General Partner manages the day-to-day operations of USNG. The board of directors 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 USNG's website. Gordon L. Ellis and Malcolm R. Fobes III meet the financial sophistication requirements of the NYSE Arca and the audit committee charter.

Mr. Nicholas Gerber and Mr. Howard Mah serve as executive officers of the General Partner. USNG has no executive officers. Its affairs are generally managed by the General Partner. The following individuals serve as Management

Directors of the General Partner.

*Nicholas Gerber* has been the President and CEO of the General Partner since June 9, 2005 and a Management Director of the General Partner since May 10, 2005. He maintains his main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. Mr. Gerber has acted as a portfolio manager for USNG and the Related Public Funds since April 2006. Mr. Gerber will act as a portfolio manager for

TABLE OF CONTENTS

USSO and US12NG. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005, and registered with the CFTC as an Associated Person of the General Partner on December 1, 2005. Currently, Mr. Gerber manages USNG and the Related Public Funds. He will also manage USSO and US12NG. Mr. Gerber has also served as Vice President/Chief Investment Officer of Lyons Gate Reinsurance Company, Ltd. since June of 2003. Mr. Gerber has an extensive background in securities portfolio management and in developing investment funds that make use of indexing and futures contracts. He is also the founder of Ameristock Corporation, a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since March 1995. Since August 1995, Mr. Gerber has been the portfolio manager of the Ameristock Mutual Fund, Inc. a mutual fund registered under the Investment Company Act of 1940, focused on large cap U.S. equities that as of December 31, 2008, approximately \$188 million in assets. He has also been a Trustee for the Ameristock ETF Trust since June 2006, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. In these roles, Mr. Gerber has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Gerber has passed the Series 3 examination for associated persons. He holds an MBA in finance from the University of San Francisco and a BA from Skidmore College. Mr. Gerber is 46 years old.

**Howard Mah** has been a Management Director of the General Partner since May 10, 2005, Secretary of the General Partner since June 9, 2005, and Chief Financial Officer of the General Partner since May 23, 2006. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005. In these roles, Mr. Mah is currently involved in the management of USNG and the Related Public Funds and will be involved in the management of USSO and US12NG. Mr. Mah also serves as the General Partner's Chief Compliance Officer. He received a Bachelor of Education from the University of Alberta, in 1986 and an MBA from the University of San Francisco in 1988. He has been Secretary and Chief Compliance Officer of the Ameristock ETF Trust since February 2007, Chief Compliance Officer of Ameristock Corporation since January 2001; a tax & finance consultant in private practice since January 1995, Secretary of Ameristock Mutual Fund since June 1995 and Ameristock Focused Value Fund from December 2000 to January 2005; Chief Compliance Officer of Ameristock Mutual Fund since August 2004 and the Co-Portfolio Manager of the Ameristock Focused Value Fund from December 2000 to January 2005. Mr. Mah is 44 years old.

**Andrew F. Ngim** has been a Management Director of the General Partner since May 10, 2005 and Treasurer of the General Partner since June 9, 2005. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005. As Treasurer of the General Partner, Mr. Ngim is currently involved in the management of USNG and the Related Public Funds and will be involved in the management of USSO and US12NG. He received a Bachelor of Arts from the University of California at Berkeley in 1983. Mr. Ngim has been Ameristock Corporation's Managing Director since January 1999 and co-portfolio manager of Ameristock Corporation since January 2000, Trustee of the Ameristock ETF Trust since February 2007, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. Mr. Ngim is 48 years old.

**Robert L. Nguyen** has been a Management Director of the General Partner since May 10, 2005. He has been listed with the CFTC as a Principal of the General Partner since November 29, 2005 and registered with the CFTC as an Associated Person since November 9, 2007. As a Management Director of the General Partner, Mr. Nguyen is currently involved in the management of USNG and the Related Public Funds and will be involved in the management of USSO and US12NG. He received a Bachelor of Science from California State University Sacramento in 1981. Mr. Nguyen has been the Managing Principal of Ameristock Corporation since January 2000. Mr. Nguyen is 49 years old.

The following individuals provide significant services to USNG but are employed by the entities noted below.

**John P. Love** has acted as the Portfolio Operations Manager for USNG and the Related Public Funds since January 2006. Mr. Love is also employed by the General Partner. He has been listed with the CFTC as a Principal of the General Partner since January 17, 2006. Mr. Love has served as the operations manager of

TABLE OF CONTENTS

Ameristock Corporation from October 2002 to January 2007, where he was responsible for back office and marketing activities for the Ameristock Mutual Fund and Ameristock Focused Value Fund and for the firm in general. Mr. Love holds a Series 3 license and was registered with the CFTC as an Associated Person of the General Partner from December 1, 2005 through April 16, 2009. He holds a BFA in cinema-television from the University of Southern California. Mr. Love is 37 years old.

**John T. Hyland, CFA** acts as a Portfolio Manager and as the Chief Investment Officer for the General Partner. Mr. Hyland is employed by the General Partner. He registered with the CFTC as an Associated Person of the General Partner on December 1, 2005, and has been listed as a Principal of the General Partner since January 17, 2006. Mr. Hyland became the Portfolio Manager for USOF, USNG, US12OF, UGA and USHO in April 2006, April 2007, December 2007, February 2008 and April 2008, respectively, and as Chief Investment Officer of the General Partner since January 2008, acts in such capacity on behalf of USNG and the Related Public Funds. He is also expected to become the Portfolio Manager for USSO and US12NG. As part of his responsibilities for USNG and the Related Public Funds, Mr. Hyland handles day-to-day trading, helps set investment policies, and oversees USNG and the Related Public Funds activities with their futures commission brokers, custodian-administrator, and marketing agent. Mr. Hyland has an extensive background in portfolio management and research with both equity and fixed income securities, as well as in the development of new types of complex investment funds. In July 2001, Mr. Hyland founded Towerhouse Capital Management, LLC, a firm that provides portfolio management and new fund development expertise to non-U.S. institutional investors. Mr. Hyland has been, and remains, a Principal and Portfolio Manager for Towerhouse. Mr. Hyland received his Chartered Financial Analyst ( CFA ) designation in 1994. Mr. Hyland is a member of the CFA Institute (formerly AIMR). He is also a member of the National Association of Petroleum Investment Analysts, a not-for-profit organization of investment professionals focused on the oil industry. He serves as an arbitrator for the Financial Industry Regulatory Authority ( FINRA ), as part of their dispute resolution program. He is a graduate of the University of California, Berkeley and received a BA in political science/international relations in 1982. Mr. Hyland is 49 years old.

**Ray W. Allen** acts as a Portfolio Operations Manager for UGA and USHO and is expected to be a Portfolio Operations Manager for USSO and was hired by the General Partner in October 2007 and has been employed by the General Partner since January 14, 2008. He holds a Series 3 license and is registered with the CFTC as an Associated Person of the General Partner on March 25, 2008, and has been listed with the CFTC as a Principal of the General Partner since March 18, 2009. Mr. Allen s responsibilities include daily trading and operations for UGA and USHO. In addition, from February 2002 October 2007, Mr. Allen was responsible for analyzing and evaluating the creditworthiness of client companies at Marble Bridge Funding Group Inc., in Walnut Creek, CA. Marble Bridge Funding Group Inc. is a commercial finance company providing capital to entrepreneurial companies. Mr. Allen received a BA in Economics from the University of California at Berkeley in 1980. Mr. Allen is 52 years old.

The following individuals serve as independent directors of the General Partner.

**Peter M. Robinson** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of USNG and the Related Public Funds and will serve on behalf of USSO and US12NG, if such funds commence operations. He has been listed with the CFTC as a Principal of the General Partner since December 2005. Mr. Robinson has been employed as a Research Fellow writing about business and politics with the Hoover Institution since April 1993. The Hoover Institution is a public policy think tank located on the campus of Stanford University. Mr. Robinson graduated from Dartmouth College in 1979 and Oxford University in 1982. Mr. Robinson has also written three books and has been published in the *New York Times*, *Red Herring*, and *Forbes ASAP* and he is the editor of *Can Congress Be Fixed?: Five Essays on Congressional Reform* (Hoover Institution Press, 1995). Mr. Robinson is 51 years old.

**Gordon L. Ellis** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of USNG and the Related Public Funds and will serve on behalf of USSO and US12NG, if such funds commence operations. He has been listed with the CFTC as a Principal of the General Partner since November 2005. Mr. Ellis has been Chairman of International Absorbents, Inc., a holding company of Absorption Corp., since July 1988,

## TABLE OF CONTENTS

President and Chief Executive Officer since November 1996 and a Class I Director of the company since July 1985.

Mr. Ellis is also a director of Absorption Corp., International Absorbents, Inc.'s wholly-owned subsidiary which is engaged in developing, manufacturing and marketing a wide range of animal care and industrial absorbent products.

Mr. Ellis is a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective as of February 3, 2004 and is currently winding down its operations and liquidating following such sale.

Polymer Solutions previously developed, manufactured and distributed paints, coatings and adhesives. Mr. Ellis is a Professional Engineer, a Certified Director and holds an MBA in international finance. Mr. Ellis is 62 years old.

**Malcolm R. Fobes III** has been an Independent Director of the General Partner since September 30, 2005 and, as such, serves on the board of directors of the General Partner, which acts on behalf of USNG and the Related Public Funds and will serve on behalf of USSO and US12NG, if such funds commence operations. He has been listed with the CFTC as a Principal of the General Partner since November 2005. Mr. Fobes is the founder, Chairman and Chief Executive Officer of Berkshire Capital Holdings, Inc., a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since June 1997. Since June 1997, Mr. Fobes has been the Chairman and President of The Berkshire Funds, a mutual fund investment company registered under the Investment Company Act of 1940. Mr. Fobes also serves as portfolio manager of the Berkshire Focus Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in the electronic technology industry. From April 2000 to July 2006, Mr. Fobes also served as co-portfolio manager of The Wireless Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in companies engaged in the development, production, or distribution of wireless-related products or services. In these roles, Mr. Fobes has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Fobes was also contributing editor of *Start a Successful Mutual Fund: The Step-by-Step Reference Guide to Make It Happen* (JV Books, 1995). Mr. Fobes holds a B.S. degree in Finance and Economics from San Jose State University in California. Mr. Fobes is 44 years old.

The following are individual Principals, as that term is defined in CFTC Rule 3.1, for the General Partner: Melinda Gerber, The Gerber Family Trust, Howard Mah, Andrew Ngim, Robert Nguyen, Peter Robinson, Gordon Ellis, Malcolm Fobes, John Love, Ray Allen, the Nicholas and Melinda Gerber Living Trust, John Hyland and Wainwright Holdings Inc ( Wainwright ). 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 USNG. Nicholas Gerber and John Hyland make trading and investment decisions for USNG. Nicholas Gerber, John Love, and John Hyland execute trades on behalf of USNG. In addition, Nicholas Gerber, John Hyland, Robert Nguyen, and Ray Allen are registered with the CFTC as Associated Persons of the General Partner and are NFA Associate Members.

## **Prior Performance of the General Partner and Affiliates**

The General Partner is currently the General Partner of USNG and the Related Public Funds.

USNG began trading on the American Stock Exchange on April 18, 2007 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USNG's units commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2009, the total amount of money raised by USNG from Authorized Purchasers was \$4,649,415,003; the total number of Authorized Purchasers was 7; the number of baskets purchased by Authorized Purchasers was 1,358; and the aggregate amount of units purchased was 135,800,000.



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Since the offering of USNG units to the public on April 18, 2007 to March 31, 2009, the simple average daily change in the Benchmark Futures Contract was -0.203%, while the simple average daily change in the NAV of USNG over the same time period was -0.198%. The average daily difference was 0.005% (or 0.5 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 0.823%, meaning that over this time period USNG's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

32

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TABLE OF CONTENTS

For more information on the performance of USNG and the Related Public Funds, see the Performance Tables below.

USOF began trading on the American Stock Exchange on April 10, 2006 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USOF's units commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2009, the total amount of money raised by USOF from Authorized Purchasers was \$21,769,574,799; the total number of Authorized Purchasers was 15; the number of baskets purchased by Authorized Purchasers was 4,042; and the aggregate amount of units purchased was 404,200,000.

Since the offering of USOF units to the public on April 10, 2006 to March 31, 2009, the simple average daily change in the benchmark oil futures contract was -0.080%, while the simple average daily change in the NAV of USOF over the same time period was -0.073%. The average daily difference was 0.007% (or 0.7 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark oil futures contract, the average error in daily tracking by the NAV was 2.148%, meaning that over this time period USOF's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

US12OF began trading on the American Stock Exchange on December 6, 2007 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, US12OF's units commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2009, the total amount of money raised by US12OF from Authorized Purchasers was \$165,142,986; the total number of Authorized Purchasers was 3; the number of baskets purchased by Authorized Purchasers was 58; and the aggregate amount of units purchased was 5,800,000.

Since the offering of US12OF units to the public on December 6, 2007 to March 31, 2009, the simple average daily change in the benchmark oil futures contracts was -0.106%, while the simple average daily change in the NAV of US12OF over the same time period was -0.102%. 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 oil futures contracts, the average error in daily tracking by the NAV was 0.158%, meaning that over this time period US12OF's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

UGA began trading on the American Stock Exchange on February 26, 2008 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, UGA's units commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2009, the total amount of money raised by UGA from Authorized Purchasers was \$116,076,878; the total number of Authorized Purchasers was 4; the number of baskets purchased by Authorized Purchasers was 25; and the aggregate amount of units purchased was 2,500,000.

Since the offering of UGA units to the public on February 26, 2008 to March 31, 2009, the simple average daily change in the benchmark gasoline futures contract was -0.188%, while the simple average daily change in the NAV of UGA over the same time period was -0.187%. The average daily difference was 0.001% (or 0.1 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 0.269%, meaning that over this time period UGA's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

USHO began trading on the American Stock Exchange on April 9, 2008 and is a continuous offering. As a result of the acquisition of the American Stock Exchange by NYSE Euronext, USHO's units commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2009, the total amount of money raised by USHO from Authorized Purchasers was \$19,744,061; the total number of Authorized Purchasers was 4; the number of baskets purchased by Authorized Purchasers was 5; and the aggregate amount of units purchased was 500,000.

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Since the offering of USHO units to the public on April 9, 2008 to March 31, 2009, the simple average daily change in the benchmark heating oil futures contract was -0.302% while the simple average daily change in the NAV of USHO over the same time period was -0.299%. The average daily difference was 0.002% (or 0.2 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the benchmark heating oil futures contract, the average error in daily tracking by the NAV was 0.161% meaning that over this time period USHO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

33

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TABLE OF CONTENTS

**PERFORMANCE OF USNG**

**Experience in Raising and Investing in Funds Through March  
31, 2009**

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