

United States Heating Oil Fund, LP
Form S-1/A
April 12, 2010

As filed with the Securities and Exchange Commission on April 12, 2010

Registration No. 333-162718

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Amendment No. 2
to

**FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

UNITED STATES HEATING OIL FUND, LP

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

6770
(Primary Standard Industrial
Classification Code Number)

20-8837345
(I.R.S. Employer
Identification Number)

United States Commodity Funds LLC
1320 Harbor Bay Parkway, Suite 145
Alameda, California 94502
510.522.9600
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive
Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering	Proposed Maximum Aggregate	Amount of Registration Fee
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		Price Per Unit ⁽¹⁾	Offering Price ⁽¹⁾	
United States Heating Oil Fund, LP	50,000,000 Units	\$ 26.56	\$ 1,328,000,000	\$ 74,102.40 ⁽²⁾

⁽¹⁾ Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(d) under the Securities Act of 1933. The price per unit reflects the closing price on NYSE Arca on October 14, 2009.

⁽²⁾ Previously paid in connection with the filing of initial registration statement on October 28, 2009.

This prospectus contains a combined prospectus under Rule 429 of the Securities Act of 1933, which relates to File No. 333-142211. Accordingly, upon effectiveness, this registration statement shall act as a post-effective amendment to File No. 333-142211.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PRELIMINARY
PROSPECTUS**

SUBJECT TO COMPLETION

United States Heating Oil Fund, LP

59,200,000 Units

United States Heating Oil Fund, LP, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca. United States Heating Oil Fund, LP is referred to as USHO throughout this document. The investment objective of USHO is for the changes in percentage terms of its units' net asset value to reflect the changes in percentage terms of the spot price of heating oil (also known as No. 2 fuel) delivered at the New York harbor, as measured by the changes in the price of the futures contract on heating oil 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 USHO's expenses. This is a best efforts offering. USHO 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 USHO's current authorized purchasers is available from the marketing agent. Authorized purchasers will pay a transaction fee of \$1,000 for each order placed to create one or more baskets. This is a continuous offering and will not terminate until all of the registered units have been sold. Our units are listed on the NYSE Arca under the symbol UHN .

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 USHO 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 USHO 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 heating oil futures contract market and the market for other heating oil-related investments. The prices of units offered by authorized purchasers are expected to fall between USHO'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 heating oil futures contract market and the market for other heating oil-related investments. Authorized purchasers are not required to sell any specific number or dollar amount of units.

USHO 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 USHO include:

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

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

USHO does not expect to make cash distributions.

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

Investing in USHO involves other significant risks. See What Are the Risk Factors Involved with an Investment in USHO? 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*	\$ 28.47	\$ 2,847,000

*Based on closing net asset value on April 8, 2010. The price may vary based on net asset value on a particular day.

The date of this prospectus is [].

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COMMODITY FUTURES TRADING COMMISSION RISK DISCLOSURE STATEMENT

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

FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 86 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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Until [], 2010 (25 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.	

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PROSPECTUS SUMMARY

This is only a summary of the prospectus and, while it contains material information about USHO and its units, it does not contain or summarize all of the information about USHO 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 USHO?" beginning on page 12, before making an investment decision about the units.

Overview of USHO

United States Heating Oil Fund, LP, a Delaware limited partnership (USHO 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, USHO's units traded on the American Stock Exchange. USHO was organized as a limited partnership under Delaware law on April 12, 2007. USHO is operated pursuant to the Amended and Restated Agreement of Limited Partnership dated March 7, 2008 (LP Agreement), which is included as Appendix B. It is managed and controlled by its general partner, United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) (General Partner). The General Partner is a single member limited liability company formed in Delaware on May 10, 2005 that is registered as a commodity pool operator (CPO) with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA). USHO pays the General Partner a management fee of 0.60% of NAV on its average net assets.

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

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

The investment objective of USHO is for the changes in percentage terms of its units' net asset value (NAV) to reflect the changes in percentage terms of the spot price of heating oil (also known as No. 2 fuel) delivered at the New York harbor, as measured by the changes in the price of the futures contract on heating oil as 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 USHO's expenses. It is not the intent of USHO to be operated in a fashion such that its NAV will equal, in dollar terms, the spot price of heating oil or any particular futures contract based on heating oil. USHO 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?](#)

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

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

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

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The General Partner believes that market arbitrage opportunities will cause USHO's unit price on the NYSE Arca to closely track USHO'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 heating oil. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between USHO's NAV and the Benchmark Futures Contract, will be that the changes in the price of USHO's units on the NYSE Arca will closely track, in percentage terms, the changes in the spot price of heating oil, less USHO's expenses.

An investment in the units allows both retail and institutional investors to easily gain exposure to the heating oil 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 heating oil prices.

The Benchmark Futures Contract will be changed or rolled from the near month contract to expire to the next month contract to expire during one day.

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. USHO's neutral investment strategy is designed to permit investors generally to purchase and sell USHO's units for the purpose of investing indirectly in heating oil in a cost-effective manner, and/or to permit participants in the heating oil or other industries to hedge the risk of losses in their heating oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in heating oil and/or the risks involved in hedging may exist. In addition, an investment in USHO involves the risk that the changes in the price of USHO's units will not accurately track the changes in the price of the Benchmark Futures Contract. For example, USHO also invests in Treasuries and holds cash and/or cash equivalents to be used to meet its current or potential margin or collateral requirements with respect to its investments in Futures Contracts and Other Heating Oil-Related Investments. USHO does not expect there to be any meaningful correlation between the performance of USHO's investments in Treasuries/cash/cash equivalents and the changes in the price of heating oil. While the level of interest earned on or the market price of these investments may in some respect correlate to changes in the price of heating oil, this correlation is not anticipated as part of USHO'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 USHO's NAV and the changes in the price of heating oil.

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

All proceeds from the sale of Creation Baskets are invested as quickly as possible in the investments described in this prospectus. Investments are held through USHO's custodian, Brown Brothers Harriman & Co. (Custodian), or through

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accounts with USHO's commodity futures brokers. There is no stated maximum time period for USHO'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 USHO intends to invest

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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 USHO at that time will not enable it to meet its stated investment objective.

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 USHO can be purchased and sold at any time a secondary market is open.

In managing USHO'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 Heating Oil-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 USHO only in Creation Baskets or Redemption Baskets, respectively, and only by Authorized Purchasers. Each Creation Basket and Redemption Basket consists of 100,000 units and is expected to be worth millions of dollars. Individual investors, therefore, will not be able to directly purchase units from or redeem units with USHO. Some of the information contained in this prospectus, including information about buying and redeeming units directly from and to USHO is only relevant to Authorized Purchasers. Units are listed and traded on the NYSE Arca under the ticker symbol UHN 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 the Securities Exchange Act of 1934 ("Exchange 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 USHO, its assets will be distributed pro rata to limited partners based upon the number of units held. Each limited partner will receive its share of the assets in cash or in kind, and the proportion of such share that is received in cash may vary from partner to partner, as the General Partner in its sole discretion may decide.

This is a continuous offering under Rule 415 of the 1933 Act and will terminate when all of the registered units have been sold. It is anticipated that when all registered units have been sold pursuant to this registration statement, additional units will be registered in subsequent registration statements. As discussed above, the minimum purchase requirement for Authorized Purchasers is a Creation Basket, which consists of 100,000 units. Under the plan of distribution, USHO 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.

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

USHO s Investments in Heating Oil Interests

A brief description of the principal types of Heating Oil Interests in which USHO 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.

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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 Heating Oil Interests and other aspects of the heating oil and Heating Oil Interests markets can be found later in this prospectus.

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

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

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

USHO seeks to have the changes in its units' NAV in percentage terms track changes in the price of heating oil in percentage terms rather than profit from speculative trading of Heating Oil Interests. The General Partner therefore endeavors to manage USHO's positions in Heating Oil Interests so that USHO's assets are, unlike those of other commodity pools, not leveraged (*i.e.*, so that the aggregate value of USHO's unrealized losses from its investments in such Heating Oil Interests at any time will not exceed the value of USHO's assets). There is no assurance that the General Partner will successfully implement this investment strategy. If the General Partner permits USHO to become leveraged, you could lose all or substantially all of your investment if USHO'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 USHO's NAV, as well as the degree to which its total return tracks other heating oil price indices' total returns. In cases in which the near month

contract's price is lower than the next

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month contract's price (a situation known as contango in the futures markets), then absent the impact of the overall movement in heating oil prices the value of the benchmark contract would tend to decline as it approaches expiration. In cases in which the near month contract's price is higher than the next month contract's price (a situation known as backwardation in the futures markets), then absent the impact of the overall movement in heating oil prices the value of the benchmark contract would tend to rise as it approaches expiration.

Investors may choose to use USHO as a means of investing indirectly in heating oil and there are risks involved in such investments. The risks and hazards that are inherent in the heating oil industry may cause the price of heating oil to widely fluctuate, for example, due to changes in supply and demand for heating oil as a result of refinery shutdowns or changes in the weather. The exploration for crude oil, the raw material used in the production of heating oil, and production of heating oil are uncertain processes with many risks. The cost of drilling, completing and operating wells for crude oil, the raw material used in the production of heating oil, is often uncertain, and a number of factors can delay or prevent drilling operations or production of heating oil.

Investors, including those who directly participate in the heating oil industry, may choose to use USHO 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.

USHO invests primarily in Futures Contracts, and particularly in Futures Contracts traded on the NYMEX. USHO invests primarily in Futures Contracts that are traded in the United States. However, a portion of USHO'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 USHO to credit risk. Trading in non-U.S. markets also leaves USHO susceptible to fluctuations in the value of the local currency against the U.S. dollar. USHO may also invest in Other Heating Oil-Related Investments, many of which are negotiated contracts that are not as liquid as Futures Contracts and expose USHO to credit risk that its counterparty may not be able to satisfy its obligations to USHO.

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

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

The structure and operation of USHO 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 Natural Gas Fund, LP (USNG), the United States 12 Month Oil Fund, LP (US12OF), the United States Gasoline Fund, LP (UGA), the United States Short Oil Fund, LP (USSO), or the United States 12 Month Natural Gas Fund, LP (US12NG), other commodity pools that it manages, or any other commodity pool the General Partner may form and manage in the future. USOF, USNG, US12OF, UGA, USSO and US12NG are referred to herein as the Related Public Funds. Regulation of the commodity interest and energy markets is extensive and constantly changing. Currently, a number of proposals that would alter the regulation of Natural Gas Interests are being considered by federal regulators and Congress. These proposals include the imposition of fixed position limits on energy-based commodity futures contracts, extension of position and accountability limits to futures contracts on non-U.S. exchanges previously exempt from such limits, and the

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forced use of clearinghouse mechanisms for all over-the-counter transactions. Certain proposals would aggregate and limit all positions in energy futures held by a single entity, whether such positions exist on U.S. futures exchanges, non-U.S. futures exchanges, or in over-the-counter contracts. While it cannot be predicted at this time what reforms will eventually be made or how they will impact USHO, if any of the aforementioned proposals are implemented, USHO's ability to meet its investment objective may be negatively impacted and investors could be adversely affected.

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

Principal Offices of USHO and the General Partner

USHO's principal office is located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The telephone number is 510.522.9600. The General Partner's principal office is also located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502.

Financial Condition of USHO

USHO's NAV is calculated shortly after the close of the core trading session on the NYSE Arca.

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 investment in a single unit to equal the amount invested twelve months after the investment was made. For purposes of this breakeven analysis, we have assumed an initial selling price per unit of \$28.47 which equals the net asset value per unit on April 8, 2010. 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	\$ 28.47
Management Fee (0.60%) ⁽¹⁾	\$ 0.17
Creation Basket Fee ⁽²⁾	\$ (0.01)
Estimated Brokerage Fee (0.10%) ⁽³⁾	\$ 0.03
Interest Income (0.17%) ⁽⁴⁾	\$ (0.05)
Registration Fees ⁽⁵⁾	\$ 0.30
New York Mercantile Exchange Licensing Fee ⁽⁶⁾	\$ 0.01
Independent Directors and Officers' Fees ⁽⁷⁾	\$ 0.01
Fees and expenses associated with tax accounting and reporting ⁽⁸⁾	\$ 0.32
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	\$ 0.78
Percentage of initial selling price per unit	2.74 %

(1) USHO 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.

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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 \$.01 (1,000/100,000).

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

USHO earns interest on funds it deposits with the futures commission merchant and the Custodian and it estimates (4) that the interest rate will be 0.17% based on the current interest rate on three-month Treasury Bills as of April 7, 2010. The actual rate may vary.

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(5) The fee to register 50,000,000 units with the SEC and the Financial Industry Regulatory Authority (FINRA) is \$149,602.40 (the SEC s fee is \$74,102.40 and FINRA s fee is \$75,500). An order must be at least one basket which is 100,000 units. The number in the break-even table assumes USHO has \$14.24 million in assets which is the amount of assets as of April 8, 2010.

(6) Assuming the aggregate assets of USHO and the Related Public Funds are \$1,000,000,000 or more, the NYMEX licensing fee is 0.02%. For more information see Fees of USHO.

(7) The foregoing assumes that the assets of USHO are aggregated with those of the Related Public Funds, that the aggregate fees paid to the independent directors for 2009 was \$433,046, that the allocable portion of the fees borne by USHO equals \$645, and that USHO has \$14.24 million in assets which is the amount of assets as of April 8, 2010.

(8) USHO assumed the aggregate costs attributable to tax accounting and reporting for 2009 was \$160,000. The number in the break-even table assumes USHO has \$14.24 million in assets which is the amount of assets as of April 8, 2010.

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THE OFFERING

Offering:

USHO 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 USHO's NAV.

Use of Proceeds:

The General Partner applies substantially all of USHO's assets toward trading in Futures Contracts and Other Heating Oil-Related Investments, and investing in Treasuries, cash and/or cash equivalents. The General Partner deposits a portion of USHO'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 Heating Oil Related Investments. USHO uses only Treasuries, cash and/or cash equivalents to satisfy these requirements. The General Partner believes that all entities that hold or trade USHO's assets are based in the United States and are subject to United States regulations. Approximately 5% to 10% of USHO's assets have normally been committed as margin for 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 USHO's assets, which are 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 USHO's investments in Heating Oil Interests. All interest income earned on these investments is retained for USHO's benefit.

NYSE Arca Symbol:

UHN

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 USHO calculated shortly after the close of the core trading session 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:

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

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Fund Expenses:

USHO pays the General Partner a management fee of 0.60% of NAV on its average net assets. Brokerage fees for Treasuries, Futures Contracts, and Other Heating Oil-Related Investments were 0.10% of average net assets on an annualized basis through August 31, 2009 and were paid to unaffiliated brokers. USHO also pays any licensing fees for the use of intellectual property. Registration fees paid to the SEC, FINRA, or other regulatory agency in connection with the initial offers and sales of the units and the legal, printing, accounting and other expenses associated with such registrations were paid by the General Partner, but the fees and expenses associated with subsequent SEC registrations of units will be borne by USHO. The licensing 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 USHO are aggregated with those of the other funds managed by the General Partner, for the purpose of calculating the NYMEX licensing fee. USHO 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 USHO. These director fees and expenses may be shared with other funds managed by the General Partner. These fees and expenses, in total, amounted to \$433,046 for 2009, and USHO's portion was \$645, although this amount may change in future years. The General Partner, and not USHO, is responsible for payment of the fees of USHO's Marketing Agent, Administrator and Custodian. USHO and/or the General Partner may be required to indemnify the Marketing Agent, Administrator or Custodian under certain circumstances. USHO 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 will be paid by the General Partner. The General Partner paid approximately \$575,000 on behalf of the Related Public Funds in 2009. The General Partner, though under no obligation to do so, agreed to pay certain expenses, including those relating to audit expenses and tax accounting and reporting requirements normally borne by USHO to the extent that such expenses exceeded 0.15% (15 basis points) of USHO's NAV, on an annualized basis. The General Partner has no obligation to continue such payment into subsequent years. The total amount of these costs paid by the General Partner in 2009 was \$822,231.

Termination Events:

USHO 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

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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:

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

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WHAT ARE THE RISK FACTORS INVOLVED WITH AN INVESTMENT IN USHO?

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 USHO's financial statements and the related notes.

Risks Associated With Investing Directly or Indirectly in Heating Oil

Investing in Heating Oil Interests subjects USHO to the risks of the heating oil industry and this could result in large fluctuations in the price of USHO's units.

USHO is subject to the risks and hazards of the heating oil industry because it invests in Heating Oil Interests. The risks and hazards that are inherent in the heating oil industry may cause the price of heating oil to widely fluctuate. If the changes in percentage terms of USHO's units accurately track the percentage changes in the Benchmark Futures Contract or the spot price of heating oil, then the price of its units may also fluctuate. The exploration for crude oil, the raw material used in the production of heating oil, and production of heating oil are uncertain processes with many risks. The cost of drilling, completing and operating wells for crude oil is often uncertain, and a number of factors can delay or prevent drilling operations or production of heating oil, including:

unexpected drilling conditions;
pressure or irregularities in formations;
equipment failures or repairs;
fires or other accidents;
adverse weather conditions;
pipeline ruptures, spills or other supply disruptions; and
shortages or delays in the availability of drilling rigs and the delivery of equipment.

Heating oil transmission, distribution, gathering, and processing activities involve numerous risks that may affect the price of heating oil.

There are a variety of hazards inherent in heating oil 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 heating oil, scheduled and unscheduled maintenance, physical damage to the gathering or transportation system, and other hazards which could affect the price of heating oil. To the extent these hazards limit the supply or delivery of heating oil, heating oil prices will increase.

The price of heating oil fluctuates on a seasonal basis and this would result in fluctuations in the price of USHO's units.

Heating oil prices fluctuate seasonally. For example, in some parts of the United States and other markets, the heating oil 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 heating oil may fluctuate substantially on a seasonal basis, which may make consecutive

period to period comparisons less relevant. Cold weather increases demand and prices follow. Extremely cold and hazardous weather can make energy transportation more difficult, as oil trucks may have to wait for roads to be plowed and oil barges may be delayed due to frozen rivers and harbors.

Weather is also a key factor in inventory levels of heating oil. Extremely cold weather will cause depletion of supplies in storage at terminals and refineries and as a result, prices often rise until inventories are restored to normal levels. Supply interruptions may also affect inventories. For example, the Gulf Coast hurricanes of 2005 seriously disrupted the ability of several refineries to build up distillate (heating oil and diesel fuel) inventories for the winter months.

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Changes in the political climate could have negative consequences for heating oil prices.

Tensions with Iran, the world's fourth largest oil exporter, could put oil exports in jeopardy. Other global concerns include civil unrest and sabotage affecting the flow of oil from Nigeria, a large oil exporter. Meanwhile, friction continues between the governments of the United States and Venezuela, a major exporter to the United States. Additionally, a series of production cuts by members of the Organization of Oil Exporting Countries (OPEC) have tightened world oil markets.

Limitations on ability to develop additional sources of heating oil could impact future prices.

In the past, a supply disruption in one area of the world has been softened by the ability of major oil-producing nations such as Saudi Arabia to increase output to make up the difference. Now, much of that reserve capacity has been absorbed by increased demand, with the supply cushion now estimated to be about two million barrels a day in a world that every day is using 85 million barrels (or nearly 3.6 billion gallons) of oil products. In addition, consumption of oil products is increasing around the world, especially in rapidly growing countries such as India and China, which is now the world's second-largest energy user. According to the United States Government's Energy Information Administration, global oil demand is expected to rise by more than 7 million barrels per day in 2010, compared with a decrease in demand of 1.8 million barrels per day in 2009 and largely unchanged demand in 2008.

Heating oil transmission and storage operations are subject to government regulations and rate proceedings which could have an impact on the price of heating oil.

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

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

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

Changes in USHO 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 USHO as a way to hedge against heating oil-related losses or as a way to indirectly invest in heating oil.

The General Partner endeavors to invest USHO s assets as fully as possible in Futures Contracts and Other Heating Oil-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 USHO s NAV may not correlate with changes in the price of the Benchmark Futures Contract for several reasons as set forth below:

USHO (i) may not be able to buy/sell the exact amount of Futures Contracts and Other Heating Oil-Related Investments to have a perfect correlation with NAV; (ii) may not always be able to buy and sell Futures Contracts or Other Heating Oil-Related Investments at the market price; (iii) may

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not experience a perfect correlation between the Benchmark Futures Contract and the underlying investments in Futures Contracts, Other Heating Oil-Related Investments and Treasuries, cash and cash equivalents; and (iv) is required to pay fees, including brokerage fees and the management fee, which will have an effect on the correlation.

Short-term supply and demand for heating oil may cause the changes in the market price of the Benchmark Futures Contract to vary from the changes in USHO's NAV if USHO 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 heating oil and the prices of related futures contracts.

USHO plans to buy only as many Futures Contracts and Other Heating Oil-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 Heating Oil Interests. Investments in Treasuries, cash and/or cash equivalents, both directly and as margin, will provide rates of return that will vary from changes in the value of the price of heating oil and the price of the Benchmark Futures Contract.

In addition, because USHO 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 USHO's assets in Futures Contracts or Other Heating Oil-Related Investments and there cannot be perfect correlation between changes in USHO's NAV and changes in the price of the Benchmark Futures Contract.

As USHO grows, there may be more or less correlation. For example, if USHO only has enough money to buy three Benchmark Futures Contracts and it needs to buy four contracts to track the price of heating oil 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, USHO 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 USHO invests in these other Futures Contracts or Other Heating Oil-Related Investments, the correlation with the Benchmark Futures Contract may be lower. If USHO is required to invest in other Futures Contracts and Other Heating Oil-Related Investments that are less correlated with the Benchmark Futures Contract, USHO would likely invest in over-the-counter contracts to increase the level of correlation of USHO's assets. Over-the-counter contracts entail certain risks described below under *Over-the-Counter Contract Risk*.

USHO may not be able to buy the exact number of Futures Contracts and Other Heating Oil-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, USHO could not invest the entire proceeds from the purchase of the Creation Basket in such futures contracts (for example, assume USHO receives \$5,000,000 for the sale of a Creation Basket and assume that the value of a Futures Contract for heating oil is \$103,950 based on a price of \$2.50 per gallon, then USHO could only invest in only 47 Futures Contracts with an aggregate value of \$4,935,000), USHO 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, USHO may not be

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able to purchase these investments at the last reported price for such investments. If changes in USHO's NAV do not correlate with changes in the price of the Benchmark Futures Contract, then investing in USHO may not be an effective way to hedge against heating oil-related losses or indirectly invest in heating oil.

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

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

USHO 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 USHO is required to sell Treasuries at a price lower than the price at which they were acquired, USHO 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 USHO's Futures Contracts and Other Heating Oil-Related Investments, and the spot price of heating oil.

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

USHO 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 heating oil production or exports, or in another major export, can also make it difficult to liquidate a position. Alternatively, limits imposed by futures exchanges or other regulatory organizations, such as accountability levels, position limits and price fluctuation limits, may contribute to a lack of liquidity with respect to some commodity interests.

Unexpected market illiquidity may cause major losses to investors at any time or from time to time. In addition, USHO 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 USHO increases the risk of illiquidity. Other Heating Oil-Related Investments that USHO invests in, such as 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 Heating Oil-Related Investments may be illiquid, USHO's Heating Oil Interests may be more difficult to liquidate at favorable prices in periods of illiquid markets and losses may be incurred during the

The Benchmark Futures Contract may not correlate with the spot price of heating oil and this could cause the change

period in which positions are being liquidated.

If the nature of hedgers and speculators in futures markets has shifted such that heating oil purchasers are the predominant hedgers in the market, USHO might have to reinvest at higher futures prices or choose Other Heating Oil-Related Investments.

The changing nature of the hedgers and speculators in the heating oil market will influence whether futures prices are above or below the expected future spot price. In order to induce speculators to take the

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corresponding long side of the same futures contract, heating oil producers must generally be willing to sell futures contracts at prices that are below expected future spot prices. Conversely, if the predominant hedgers in the futures market are the purchasers of the heating oil 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 heating oil. This can have significant implications for USHO when it is time to reinvest the proceeds from a maturing Futures Contract into a new Futures Contract.

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

While it is not the current intention of USHO to take physical delivery of heating oil 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 heating oil could result in costs and other liabilities that could impact the value of Futures Contracts or Other Heating Oil-Related Investments. Storage costs include the time value of money
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