



Information Circular: United States Short Oil Fund, LP

To: Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

From: NASDAQ Listing Qualifications Department
BX Listing Qualifications Department

DATE: September 24, 2009

Exchange-Traded Fund	Symbol	CUSIP #
United States Short Oil Fund, LP	DNO	912613205

Background Information on the Trust

As more fully explained in the Registration Statement (No. 333-152386), the United States Short Oil Fund, LP (the "Fund" or "USSO"), is a commodity pool that is not registered as an investment company under the Investment Company Act of 1940. Each Unit of the Fund (the "Unit" or "Units") represents a fractional undivided beneficial interest in the net assets of the Fund.

The Fund's investment objective is to have the changes in percentage terms of the Units' net asset value inversely reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of the futures contract on light, sweet crude oil as traded on the 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.

The Fund was organized as a limited partnership under Delaware law on June 30, 2008 and is currently operating pursuant to the Amended and Restated Agreement of Limited Partnership dated January 6, 2009 (the "LP Agreement") which is included as Appendix B to the registration statement. It is expected that the initial limited partner of USSO will be IMC-Chicago, LLC. It is managed and controlled by its general partner, United States Commodity Funds LLC ("General Partner"). The General Partner is a single member limited liability company formed in Delaware on May 10, 2005, that is registered as a commodity pool operator ("CPO") with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). Prior to June 13, 2008, the General Partner's name was Victoria Bay Asset Management, LLC. USSO will pay the General Partner a management fee of 0.60% of NAV on its average net assets.

The net assets of USSO will consist primarily of investments in short positions in futures contracts for crude oil, heating oil, gasoline, natural gas and other

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

USSO will take short positions in Crude Oil Interests to the fullest extent possible without being leveraged or unable to satisfy its current or potential margin or collateral obligations with respect to its investments in short positions in Futures Contracts and Other Crude Oil-Related Investments. The primary focus of the General Partner will be taking short positions in Futures Contracts and the management of investments in short-term obligations of the United States of two years or less ("Treasuries"), cash and/or cash equivalents for margining purposes and as collateral.

To achieve its investment objective, USSO anticipates that it will need to maintain "short" positions in the Futures Contracts and Other Crude-Oil Related Investments in which it invests. A short position is one in which USSO will have sold the Futures Contract or Other Crude-Oil Related Investment and must buy it back or otherwise close out the position in the future. As a result, a drop in the market value of the Crude Oil Interest would lead to a potential gain for USSO, while an increase in the market value of the Crude Oil Interest would lead to a potential loss for USSO. Typically a short position will produce a result that is the inverse of buying the Futures Contract or Other Crude-Oil Related Investment (an approach referred to as being "long" the investment). The General Partner expects the performance of USSO to generally be inverse to the performance of the United States Oil Fund, LP ("USOF"), another commodity pool managed by the General Partner, which seeks to have the changes in percentage terms of its units NAV track the changes in percentage terms in the spot price of light, sweet crude oil as traded in the United States.

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

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

An investment in the units is intended to allow both retail and institutional investors to easily gain inverse or negative exposure to the crude 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 crude oil prices.

The Benchmark Futures Contract will be changed from the near month contract to the next month contract over a four-day period. Each month, the Benchmark Futures Contract will change starting at the end of the day on the date two weeks prior to expiration of the near month contract for that month. During the first three days of the period, the applicable value of the Benchmark Futures Contract will be based on a combination of the near month contract and the next month contract as follows: (1) day 1 will consist of 75% of the then near month contract's total return for the day, plus 25% of the total return for the day of the next month contract, (2) day 2 will consist of 50% of the then near month contract's total return for the day, plus 50% of the total return for the day of the next month contract, and (3) day 3 will consist of 25% of the then near month contract's total return for the day, plus 75% of the total return for the day of the next month contract. On day 4, the Benchmark Futures Contract will be the next month contract to expire at that time and that contract will remain the Benchmark Futures Contract until the beginning of following month's change in the Benchmark Futures Contract over a four-day period.

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

The anticipated dates that the monthly four-day roll period will commence for 2009 will be posted on USSO's website at www.unitedstatesshortoilfund.com, and are subject to change without notice.

The General Partner will employ a "neutral" investment strategy intended to inversely track the changes in the price of the Benchmark Futures Contract regardless of whether the price goes up or goes down. USSO's "neutral" investment strategy is designed to permit investors generally to purchase and sell USSO's units for the purpose of taking short positions indirectly in crude oil in a cost-effective manner, and/or to permit participants in the crude oil or other industries to hedge the risk of losses in their crude oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with taking short positions in crude oil and/or the risks involved in hedging may exist. In addition, an investment in USSO involves the risk that the changes in the price of USSO's units will not accurately track the inverse of changes in the price of the Benchmark Futures Contract. For example, USSO will also invest in Treasuries and hold cash and/or cash equivalents to be used to meet its current or potential margin or collateral requirements with respect to its short positions in Futures Contracts and Other Crude Oil-Related Investments. USSO does not expect there to be any meaningful correlation between the performance of USSO's investments in Treasuries/cash/cash equivalents and the changes in the price of crude 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 crude oil, this correlation is not anticipated as part of USSO's efforts to meet its objectives.

The Fund will create and redeem units only in blocks of 100,000 units called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. It is expected that baskets will be created when there is sufficient demand for units that the market price per unit is at a premium to the NAV per unit. Authorized

Purchasers will then sell such units, which will be listed on the 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 USSO at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the Futures Contracts market and the market for Other Crude Oil-Related Investments. The prices of units offered by Authorized Purchasers are expected to fall between USSO's NAV and the trading price of the units on the NYSE Arca at the time of sale. Similarly, it is expected that baskets will be redeemed when the market price per unit is at a discount to the NAV per unit. Retail investors seeking to purchase or sell units on any day are expected to 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.

The NAV is calculated by taking the current market value of USSO's total assets and subtracting any liabilities. Under USSO's current operational procedures, the Administrator calculates the NAV of USSO's units 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 USSO 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 USSO's units are traded on the NYSE Arca for as long as the NYMEX's main pricing mechanism is open.

The Fund will pay the General Partner a management fee of 0.60% of NAV on its average net assets. Brokerage fees for Treasuries, Futures Contracts, and Other Crude Oil-Related Investments are estimated to be 0.14% and will be paid to unaffiliated brokers.

Individual certificates will not be issued for the Units. Instead, Units will be represented by one or more global certificates, which will be deposited by the Administrator with the Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC.

Investors should note that there is no regulated source of last-sale information regarding physical commodities, such as crude oil. Also, the Securities & Exchange Commission (the "SEC") has no regulatory jurisdiction over the trading of crude oil, heating oil, or any other petroleum-based fuels. Instead, that responsibility lies with the CFTC.

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

The listing exchange, NYSE Arca, will calculate and disseminate to the consolidated tape an indicative per share value for the Shares every 15 seconds.

The registration statement describes the various fees and expenses for the Fund and its Units. For a more complete description of the Fund, visit the Fund's website at www.unitedstatesshortoilfund.com.

Indicative Fund Value

In order to provide updated information relating to USSO for use by investors and market professionals, the NYSE Arca will calculate and disseminate throughout the core trading session on each trading day an updated indicative fund value. The indicative fund value will be calculated by using the prior day's closing NAV per unit of USSO as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the active light, sweet crude oil Futures Contracts on the NYMEX. The prices reported for these Futures Contract months will be adjusted based on the prior day's spread differential between settlement values for the relevant contract and the spot month contract. In the event that the spot month contract is also the Benchmark Futures Contract, the last sale price for that contract will not be adjusted. The indicative fund value unit basis disseminated during NYSE Arca core trading session hours should not be viewed as an actual real time update of the NAV, because NAV is calculated only once at the end of each trading day based upon the relevant end of day values of USSO's investments.

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

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

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

In addition, other Futures Contracts, Other Crude Oil-Related Investments and Treasuries held by USSO will be valued by the Administrator, using rates and points received from client-approved third party vendors (such as Reuters and WM Company) and advisor quotes. These investments will not be included in the indicative value. The indicative fund value is based on the prior day's NAV and moves up and down solely according to changes in the Benchmark Futures Contracts for crude oil traded on the NYMEX.

Purchases and Redemptions in Creation Unit Size

NASDAQ members and BX members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and SAI, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

Principal Risks

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

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules.

Trading Hours

The values of any security underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 7:00 a.m. and 8:00 p.m. ET. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. For trading during Nasdaq's and BX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Shares during these sessions, when the underlying security's values, intraday indicative value, or similar value may not be disseminated or calculated.

Dissemination of Data

The Consolidated Tape Association will disseminate real time trade and quote information for the Shares to Tape B.

Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
United States Short Oil Fund, LP	NYSE Arca	DNO	DNO.IV	DNO.NV

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of NASDAQ Rule 2310. Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer"

obligation that is embedded in both the NASDAQ Conduct Rules and the BX Conduct Rules.

NASDAQ and BX members also should review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

Trading Halts

NASDAQ will halt trading in the Shares in accordance with NASDAQ Rule 4120. BX will halt trading in the Shares in accordance with BX Equity Rule 4120. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Shares, the value of its underlying security, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ and BX will also stop trading the Shares if the primary market delists the Shares of the Trust.

Delivery of a Prospectus

NASDAQ and BX members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Shares of the Trust.

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

In the event that the Trust relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, NASDAQ Rules 4420 and 4421, and BX Equity Rules 4420 and 4421, require that NASDAQ members and BX members, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, NASDAQ members and BX members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a NASDAQ member or a BX member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before

purchasing Shares of the Trust. In addition, upon request you may obtain from your broker a prospectus for Shares of the Trust.”

A NASDAQ member or a BX member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to NASDAQ members and BX members under this rule.

Upon request of a customer, NASDAQ members and BX members also shall provide a copy of the prospectus.

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

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

Regulation M Exemptions

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

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Funds to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Funds for redemption does not constitute a bid for or purchase of any of the Funds’ securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

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

Broker-dealers who handle purchases or redemptions of Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities

tendered to a Fund for purposes of purchasing Creation Unit Aggregations (“Deposit Securities”) or the identity, number and price of shares to be delivered by the Trust to the redeeming holder (“Redemption Securities”). The composition of the securities required to be tendered to the Trust for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

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

SEC Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of a Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of a Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

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

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

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create

Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of a Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

SEC Rule 15c1-5 and 15c1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. NASDAQ members and BX members should consult the Trust's prospectus and/or the Trust's website for relevant information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, NASDAQ Listing Qualifications / BX Listing Qualifications, at 301.978.8088
- NASDAQ Market Sales / BX Market Sales, at 800.846.0477