



Investors Exchange Product Information Circular 2016 – 0906

Date: September 2, 2016

Re: United States Short Oil Fund, LP

Investors Exchange LLC commenced operating as a national securities exchange on August 19, 2016 followed by a two-week security-by-security phase-in period. This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to IEX Rule 16.160, and will begin trading on IEX during the phase-in period. See [the Exchange’s Website](#) for the phase-in schedule.

<u>Exchange Traded Fund</u>	<u>Symbol</u>
United States Short Oil Fund, LP	DNO

Background Information on the Fund

As more fully explained in the Registration Statement (No. 333-152386) for the United States Short Oil Fund, L.P., The investment objective of USSO is to have the changes in percentage terms of the Units’ net asset value (“NAV”) inversely reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the price of the futures contract on light, sweet crude oil as traded on the NYMEX. The futures contract employed is the near month expiration contract, 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 (the “Benchmark Futures Contract”), less USSO’s expenses.

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 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.

According to the Registration Statement, 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.

USSO is a Delaware limited partnership formed on June 30, 2008. It is managed and controlled by the General Partner, a single member limited liability company formed in Delaware on May 10, 2005, registered as a commodity pool operator ("CPO") with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA"). Prior to June 13, 2008, the General Partner's name was Victoria Bay Asset Management, LLC. The General Partner is not affiliated with a broker-dealer.

UBS Securities, LLC, a CFTC registered futures commission merchant, will act as clearing broker for USSO. The clearing arrangements between the clearing broker and USSO generally are terminable by the clearing broker once it has given USSO notice. Upon termination, the General Partner may be required to renegotiate or make other arrangements for obtaining similar services if USSO intends to continue trading in Futures Contracts or Other Crude Oil- Related Investments at its present level of capacity.

Brown Brothers Harriman & Co. is anticipated to be the registrar and transfer agent for the Units. It is also anticipated to be the Custodian for USSO. In this capacity, Brown Brothers Harriman & Co. will hold USSO's Treasuries, cash and cash equivalents pursuant to a custodial agreement. In addition, Brown Brothers Harriman & Co. will perform certain administrative and accounting services for USSO and will prepare certain SEC and CFTC reports on behalf of USSO.

USSO plans to employ ALPS Distributors, Inc. as its marketing agent. USSO, through its marketing agent, will continuously offer Creation Baskets to and redeem Redemption Baskets from Authorized Purchasers and will receive and process creation and redemption orders from Authorized Purchasers.

Investment Strategy of USSO

To achieve its investment objective, USSO intends to maintain "short" positions in Futures Contracts and Other Crude Oil-Related Investments in which it invests. USSO seeks to have the percent changes in its Units' NAV inversely track percentage changes in the price of light, sweet crude oil. For that reason, the net assets of USSO will consist primarily of short positions in futures contracts for crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. or foreign exchanges. USSO may also take short positions in other crude oil-related investments such as cash-settled options on Futures Contracts and 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.

In addition to the Futures Contracts and options on the Futures Contracts, there also exists an active non-exchange-traded market in derivatives tied to crude oil. These derivatives transactions (also known as over-the-counter contracts) are usually entered into between two parties. Unlike most of the exchange-traded Futures Contracts or exchange-traded options on the Futures Contracts, each



party to such contract bears the credit risk that the other party may not be able to perform its obligations under its contract.

Some crude oil-based derivatives transactions contain fairly generic terms and conditions and are available from a wide range of participants. Other crude oil-based derivatives have highly customized terms and conditions and are not as widely available. Many of these over-the-counter contracts are cash-settled forwards for the future delivery of crude oil- or petroleum- based fuels that have terms similar to the Futures Contracts. Others take the form of “swaps” in which the two parties exchange cash flows based on pre-determined formulas tied to the crude oil spot price, forward crude oil price, the Benchmark Futures Contract price, or other crude oil futures contract price. USSO anticipates that the use of Other Crude Oil-Related Investments together with its investments in Futures Contracts will produce price and total return results that closely track the investment goals of USSO.

Impact of Accountability Levels and Position Limits

According to the Registration Statement, U.S. designated contract markets such as NYMEX have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment in USSO is not) may hold, own or control. The current accountability level for investments in Futures Contracts is not a fixed ceiling, but rather a threshold above which NYMEX may exercise greater scrutiny and control over an investor.

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

These limits may potentially cause a tracking error between the price of the Units and the price of the Benchmark Futures Contract. This may in turn prevent an investor from being able to effectively use USSO as a way to hedge against crude oil-related losses or as a way to indirectly take short positions in crude oil.

Investment Procedures

According to the Registration Statement, USSO anticipates that the use of Futures Contracts, together with Other Crude Oil-Related Investments, as necessary, will produce price and total return results that closely track the investment goals of USSO.



Counterparty Procedures

To protect itself from the credit risk that arises in connection with taking short positions in Other Crude Oil-Related Investments, USSO will enter into agreements with each counterparty that provide for the netting of its overall exposure to its counterparty. The General Partner will assess or review, as appropriate, the creditworthiness of each potential or existing counterparty to an over-the-counter contract pursuant to guidelines approved by the General Partner's Board of Directors. Furthermore, the General Partner on behalf of USSO will only enter into over-the-counter contracts with (a) members of the Federal Reserve System or foreign banks with branches regulated by the Federal Reserve Board; (b) primary dealers in U.S. government securities; (c) broker-dealers; (d) commodities futures merchants; or (e) affiliates of the foregoing. Existing counterparties will also be reviewed periodically by the General Partner.

Cash, Cash Equivalents and Treasuries

USSO will also invest in cash, cash equivalents, and Treasuries with a remaining maturity of two years or less. The cash, cash equivalents, and Treasuries are to be used to meet USSO's current or potential margin or collateral requirements with respect to its short positions in Futures Contracts and Other Crude Oil-Related Investments. USSO plans to reinvest the earned interest income, hold it in cash, or use it to pay its expenses. If USSO reinvests the earned interest income, it will make investments that are consistent with its investment objectives.

Calculation of Partnership NAV

The Administrator will calculate NAV by taking the current market value of USSO's total assets and subtracting any liabilities. The Administrator will calculate NAV once each trading day and the NAV for a particular trading day will be released after 4:00 p.m. E.T. The Administrator will calculate NAV as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. E.T.

USSO will use the NYMEX closing price (determined at the earlier of the close of that Exchange or 2:30 p.m. E.T.) for the contracts held on NYMEX, but will calculate or determine the value of all other USSO investments as of the earlier of the close of the regular trading session or 4:00 p.m. E.T.

Calculation of Basket Amount

USSO will create and redeem Units only in blocks of 100,000 Units called Creation Baskets and Redemption Baskets, respectively. The price of each Unit offered in Creation Baskets on any day will be the total NAV of USSO calculated as of the close of on that day divided by the number of issued and outstanding Units.



The creation and redemption of baskets will only be made in exchange for delivery to USSO or the distribution by USSO of the amount of Treasuries and any cash represented by the baskets being created or redeemed, the amount of which will be based on the combined NAV of the number of Units included in the baskets being created or redeemed as of 4:00 p.m. E.T. on the day the order to create or redeem baskets is properly received. Additional procedures relating to the creation and redemption of Units are described in the Registration Statement.

Portfolio Disclosure

USSO's total portfolio composition will be disclosed each business day that the Exchange is open for trading on USSO's Web site at www.unitedstatesshortoilfund.com. The Web site disclosure of portfolio holdings will be made daily and will include, as applicable, the name and value of each Crude Oil Interest, the specific types of Other Crude Oil-Related Investments and characteristics of such Other Crude Oil-Related Investments, Treasuries, and the amount of cash and cash equivalents held in USSO's portfolio.

Indicative Partnership Value

In order to provide updated information relating to USSO for use by investors and market professionals, NYSE Arca will calculate and disseminate during the trading day an updated IPV, as described below. The IPV 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 Futures Contract on NYMEX. The prices reported for the active Futures Contract month will be adjusted based on the prior day's spread differential between settlement values for that contract and the spot month contract. In the event that the spot month contract is also the active contract, the last sale price for the active contract will not be adjusted.

The IPV will be disseminated on a per Unit basis every 15 seconds during the Core Trading Session of NYSE Arca from 9:30 a.m. E.T. to 4:00 p.m. E.T. The normal trading hours of NYMEX are 10:00 a.m. E.T. to 2:30 p.m. E.T. This means that there will be a gap in time at the beginning and the end of each day during which USSO 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 IPV. The IPV will not be updated during the Exchange's Opening Trading Session from 4:00 a.m. to 9:30 a.m., during that part of the Exchange's Core Trading Session when NYMEX is not normally open for trading (specifically, 9:30 a.m. to 10:00 a.m. E.T. and 2:30 p.m. to 4:00 p.m. E.T.), and during the Late Trading Session from 4:00 p.m. to 8:00 p.m. E.T. NYSE Arca will disseminate the IPV through the facilities of CTA/CQ High Speed Lines.

In addition, the IPV will be published on NYSE Arca's Web site and will be available through on-line information services such as Bloomberg and Reuters.



The Partnership is subject to various fees and expenses described in the relevant Registration Statement.

DTC serves as the securities depository for the Units, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Units of the Fund.

Continuous Offering

The method by which Basket aggregations of Units are created and traded may raise certain issues under applicable securities laws. Because new Units may be issued by the Fund on an ongoing basis, at any point a distribution may occur. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery requirement and liability provisions of the Securities Act of 1933 (“Securities Act”). For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it purchases Basket aggregations, breaks them down into constituent Units, and sells such Units directly to customers, or if it chooses to couple the creation of a supply of new Units with an active selling effort involving solicitation of secondary market demand for Units. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a categorization as an underwriter.

Creation and Redemption of Units

The Fund will issue and redeem Units on a continuous basis only in Baskets of 100,000 Units or multiples thereof, by or through Authorized Participants. Basket Aggregations will be issued in exchange for the corresponding Deposit Amount that will be determined on each business day by the Administrator. The Deposit Amount necessary for the creation of a Basket will change from day to day. The initial Deposit Amount will be \$5 million. On each day that the Exchange is open for regular trading, the Administrator will adjust the Deposit Amount as appropriate to reflect the prior day’s Partnership NAV and accrued expenses. Authorized Participants that wish to redeem a Basket will receive Treasuries and cash in exchange for each Basket surrendered in an amount equal to the NAV per Basket (“Redemption Amount”). These items are described in the Fund’s prospectus and registration statement.

Authorized Participants that wish to purchase a Basket must transfer the Deposit Amount plus a transaction fee of \$1,000 to the Fund in exchange for a Basket. No Units will be issued unless and until the Administrator has informed the Marketing Agent that it has allocated to the Fund’s account the



required funds necessary for the Deposit Amount plus transaction fee. Authorized Participants that wish to redeem a Basket will receive the Redemption Amount in exchange for each Basket surrendered less the transaction fee of \$1,000. The Redemption Amount will be delivered to the Authorized Participant upon confirmation that the Fund's DTC Account has received the Basket.

The Administrator will provide an Estimated Deposit Amount for the next business day. Authorized Participants may use the Estimated Deposit Amount as guidance regarding the amount of Treasuries and cash expected to deposit with the Administrator. Before 4:00 p.m. ET, the Authorized Participants may use the Estimated Deposit Amount as guidance in respect of the Deposit Amount that they may expect to be required to deposit in connection with the issuance of Units on the next business day.

The Fund's prospectus and registration statement describe additional procedures and requirements that apply to the creation and redemptions of Units. Members interested in becoming an Authorized Participant, or obtaining a list of Authorized Participants, can contact the Marketing Agent at www.alpsinc.com for more information.

Principal Risks

Members are referred to the Fund's prospectus and registration statement for a description of risks associated with an investment in the Units of the Fund. These risks include the risk that the market price of the Units will be subject to fluctuations similar to those affecting the current Benchmark Futures Contract. Owners of the Units will not have the protections normally associated with ownership of shares in an investment company registered under the Investment Company Act of 1940 but will have the protections afforded by the Commodity Exchange Act to investors in CFTC-regulated commodity pools. If certain events occur, at any time, the General Partner will be required to terminate the Fund, otherwise the Fund will continue in perpetuity. In addition, as noted in the prospectus, Units trade at market prices that may differ from NAV. The NAV of the Units will fluctuate with changes in the market value of the Fund's assets. The trading prices of the Units will fluctuate in accordance with changes in the NAV as well as market supply and demand.

There is no regulated source of last sale information regarding physical commodities, and the Commission has no jurisdiction over the trading of crude oil, heating oil, gasoline, natural gas or other petroleum-based fuels. The CFTC has regulatory jurisdiction over the trading of futures contracts traded on U.S. exchanges and related options.

Trading Hours

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during the Regular Trading Session.



The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, (3) higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Trading Halts

The Exchange will halt trading in the Shares of a security in accordance with Exchange Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

Suitability

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

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

Exchange Rules Applicable to Trading in the Shares

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



Delivery of a Prospectus

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

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

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

The Commission's Division of Market Regulation (now known as the Division of Trading and Markets) issued a letter dated June 21, 2006 ("No-Action Letter") granting exemptive or no- action relief from certain rules under the Securities Exchange Act of 1934 (the "1934 Act") with respect to Commodity Based Investment Vehicles. The Fund relies on such exemptive or no- action relief.

Regulation M Exemptions

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

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

This Information Circular is not a statutory prospectus. Members should consult the Prospectus for a



security and the security's website for relevant information.

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.