United States Brent Oil Fund, LP
Form 10-Q
November 14, 2013

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

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2013.**

OR

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .**

Commission File Number: 001-34704
United States Brent Oil Fund, LP
(Exact name of registrant as specified in its charter)

Delaware	**27-0925904**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1999 Harrison Street, Suite 1530
Oakland, California 94612
(Address of principal executive offices) (Zip code)

(510) 522-9600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes x No

UNITED STATES BRENT OIL FUND, LP

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

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United States Brent Oil Fund, LP
Condensed Statements of Financial Condition
At September 30, 2013 (Unaudited) and December 31, 2012

	September 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents (Notes 2 and 5)	$ 38,001,862	$ 39,506,019
Equity in UBS Securities LLC trading accounts:		
Cash and cash equivalents	3,989,850	4,934,103
Unrealized gain (loss) on open commodity futures contracts	(1,639,350)	739,330
Receivable from General Partner (Note 3)	50,477	47,248
Dividend receivable	501	1,036
Other assets	1,684	827
Total assets	$ 40,405,024	$ 45,228,563
Liabilities and Partners' Capital		
Payable for units redeemed	$ 4,249,254	$
Professional fees payable	98,858	125,339
General Partner management fees payable (Note 3)	25,659	28,273
Brokerage commissions payable	981	1,221
Other liabilities	1,240	1,109
Total liabilities	4,375,992	155,942
Commitments and Contingencies (Notes 3, 4 and 5)		
Partners' Capital		
General Partner		
Limited Partners	36,029,032	45,072,621
Total Partners' Capital	36,029,032	45,072,621
Total liabilities and partners' capital	$ 40,405,024	$ 45,228,563
Limited Partners' units outstanding	850,000 *	1,100,000 *
Net asset value per unit	$ 42.39	$ 40.98 *
Market value per unit	$ 42.48	$ 41.04 *

** On August 26, 2013, the United States Brent Oil Fund, LP executed a 2-for-1 forward unit split for all unitholders of record as of the close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. United States Brent Oil Fund, LP began trading its post-unit split price on August 29, 2013. Historical units outstanding, net asset value per unit and market value per unit have been adjusted to reflect the 2-for-1 forward unit split on a retroactive basis.*

See accompanying notes to condensed financial statements.

United States Brent Oil Fund, LP
Condensed Schedule of Investments (Unaudited)
At September 30, 2013

	Number of Contracts	Unrealized Gain on Open Commodity Contracts	% of Partners' Capital
Open Futures Contracts - Long			
Foreign Contracts			
ICE Brent Crude Oil Futures CO November 2013 contracts, expiring October 2013*	333	$ (1,639,350)	(4.55)

	Principal Amount	Market Value	
Cash Equivalents			
United States Treasury Obligation			
U.S. Treasury Bill, 0.06%, 11/21/2013	$ 2,200,000	$ 2,199,813	6.10
United States - Money Market Funds			
Fidelity Institutional Government Portfolio - Class I	502,749	502,749	1.39
Goldman Sachs Financial Square Funds - Government Fund - Class FS	4,002,270	4,002,270	11.11
Morgan Stanley Institutional Liquidity Fund - Government Portfolio	11,510,274	11,510,274	31.95
Wells Fargo Advantage Government Money Market Fund - Class I	10,000,497	10,000,497	27.76
Total Money Market Funds		26,015,790	72.21
Total Cash Equivalents		$ 28,215,603	78.31

* Collateral amounted to $3,989,981 on open futures contracts.

See accompanying notes to condensed financial statements.

United States Brent Oil Fund, LP
Condensed Statements of Operations (Unaudited)
For the three and nine months ended September 30, 2013 and 2012

	Three months ended September 30, 2013		Three months ended September 30, 2012		Nine months ended September 30, 2013		Nine months ended September 30, 2012	
Income								
Gain on trading of commodity contracts:								
Realized gain on closed positions	$ 5,369,970		$ 7,512,240		$ 3,812,980		$ 4,019,700	
Change in unrealized gain (loss) on open positions	(1,831,440)		132,310		(2,378,680)		480,220	
Dividend income	1,550		2,479		5,556		6,892	
Interest income	1,207		1,300		3,713		4,295	
Other income	3,150		2,100		9,100		8,050	
Total income	3,544,437		7,650,429		1,452,669		4,519,157	
Expenses								
General Partner management fees (Note 3)	79,538		105,227		242,400		302,114	
Professional fees	36,854		31,070		98,858		89,183	
Brokerage commissions	6,739		8,739		23,029		25,880	
Other expenses	2,356		2,714		7,010		7,446	
Total expenses	125,487		147,750		371,297		424,623	
Expense waiver (Note 3)	(20,958)		(10,169)		(50,477)		(29,017)	
Net expenses	104,529		137,581		320,820		395,606	
Net income	$ 3,439,908		$ 7,512,848		$ 1,131,849		$ 4,123,551	
Net income per limited partnership unit	$ 3.51		$ 5.92	*	$ 1.41		$ 3.33	*
Net income per weighted average limited partnership unit	$ 3.44		$ 5.28	*	$ 1.08		$ 3.05	*
Weighted average limited partnership units outstanding	998,913	*	1,423,914	*	1,052,015	*	1,352,190	*

** On August 26, 2013, the United States Brent Oil Fund, LP executed a 2-for-1 forward unit split for all unitholders of record as of the close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. United States Brent Oil Fund, LP began trading its post-unit split price on August 29, 2013. The Condensed Statement of Operations (Unaudited) has been adjusted for the period shown to reflect the 2-for-1 forward unit split on a retroactive basis.*

See accompanying notes to condensed financial statements.

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United States Brent Oil Fund, LP
Condensed Statement of Changes in Partners' Capital (Unaudited)
For the nine months ended September 30, 2013

	General Partner	Limited Partners	Total	
Balances, at December 31, 2012	$	$ 45,072,621	$ 45,072,621	
Addition of 1,400,000 partnership units*		58,653,136	58,653,136	
Redemption of 1,650,000 partnership units*		(68,828,574)	(68,828,574)	
Net gain		1,131,849	1,131,849	
Balances, at September 30, 2013	$	$ 36,029,032	$ 36,029,032	
Net Asset Value Per Unit:				
At December 31, 2012			$ 40.98	*
At September 30, 2013			$ 42.39	

** On August 26, 2013, the United States Brent Oil Fund, LP executed a 2-for-1 forward unit split for all unitholders of record as of the close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. United States Brent Oil Fund, LP began trading at its post split price on August 29, 2013. The Condensed Statement of Changes in Partners' Capital (Unaudited) has been adjusted for the period to reflect the 2-for-1 forward unit split on a retroactive basis.*

See accompanying notes to condensed financial statements.

United States Brent Oil Fund, LP
Condensed Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2013 and 2012

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash Flows from Operating Activities:		
Net income	$ 1,131,849	$ 4,123,551
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in commodity futures trading account cash and cash equivalents	944,253	1,754,743
Unrealized (gain) loss on futures contracts	2,378,680	(480,220)
(Increase) decrease in receivable from General Partner	(3,229)	75,414
(Increase) decrease in dividend receivable	535	(536)
Increase in interest receivable		(17)
Increase in other assets	(857)	(2,156)
Decrease in professional fees payable	(26,481)	(57,339)
Increase (decrease) in General Partner management fees payable	(2,614)	4,106
Increase (decrease) in brokerage commissions payable	(240)	505
Increase in other liabilities	131	121
Net cash provided by operating activities	4,422,027	5,418,172
Cash Flows from Financing Activities:		
Addition of partnership units	58,653,136	80,992,276
Redemption of partnership units	(64,579,320)	(61,484,586)
Net cash provided by (used in) financing activities	(5,926,184)	19,507,690
Net Increase (Decrease) in Cash and Cash Equivalents	(1,504,157)	24,925,862
Cash and Cash Equivalents, beginning of period	39,506,019	29,961,706
Cash and Cash Equivalents, end of period	$ 38,001,862	$ 54,887,568

See accompanying notes to condensed financial statements.

United States Brent Oil Fund, LP
Notes to Condensed Financial Statements
For the period ended September 30, 2013 (Unaudited)

NOTE 1 ORGANIZATION AND BUSINESS

The United States Brent Oil Fund, LP ("USBO") was organized as a limited partnership under the laws of the state of Delaware on September 2, 2009. USBO is a commodity pool that issues limited partnership units ("units") that may be purchased and sold on the NYSE Arca, Inc. (the "NYSE Arca"). USBO will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Third Amended and Restated Agreement of Limited Partnership dated as of March 1, 2013 (the "LP Agreement"). The investment objective of USBO is for the daily changes in percentage terms of its units' per unit net asset value ("NAV") to reflect the daily changes in percentage terms of the spot price of Brent crude oil as measured by the daily changes in the price of the futures contract for Brent crude oil traded on the ICE Futures Exchange (the "ICE Futures") that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire (the "Benchmark Futures Contract"), less USBO's expenses. It is not the intent of USBO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of Brent crude oil or any particular futures contract based on Brent crude oil. It is not the intent of USBO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. United States Commodity Funds LLC ("USCF"), the general partner of USBO, believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts (as defined below) and Other Crude Oil-Related Investments (as defined below). USBO accomplishes its objective through investments in futures contracts for crude oil, diesel-heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the ICE Futures, the New York Mercantile Exchange (the "NYMEX"), or other U.S. and foreign exchanges (collectively, "Futures Contracts"), and other crude oil-related investments such as cash-settled options on Futures Contracts, forward contracts for crude oil, cleared swap contracts 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"). As of September 30, 2013, USBO held 333 Futures Contracts for Brent crude oil traded on the ICE Futures Europe and did not hold any Futures Contracts for Brent crude oil traded on the NYMEX.

USBO commenced investment operations on June 2, 2010 and has a fiscal year ending on December 31. USCF is responsible for the management of USBO. USCF is a member of the National Futures Association (the "NFA") and became a commodity pool operator registered with the Commodity Futures Trading Commission (the "CFTC") effective December 1, 2005. USCF is also the general partner of 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") and the United States Diesel-Heating Oil Fund, LP (formerly, the United States Heating Oil Fund, LP) ("USDHO"), which listed their limited partnership units on the American Stock Exchange (the "AMEX") under the ticker symbols "USO" on April 10, 2006, "UNG" on April 18, 2007, "USL" on December 6, 2007, "UGA" on February 26 2008 and "UHN" on April 9, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USOF's, USNG's, US12OF's, UGA's and USDHO's units commenced trading on the NYSE Arca on November 25, 2008. USCF is also the general partner of the United States Short Oil Fund, LP ("USSO") and the United States 12 Month Natural Gas Fund, LP ("US12NG"), which listed their limited partnership units on the NYSE Arca under the ticker symbols "DNO" on September 24, 2009 and "UNL" on November 18, 2009, respectively. USCF is also the sponsor of the United States Commodity Index Fund ("USCI"), the United States Copper Index Fund ("CPER"), the United States Agriculture Index Fund ("USAG") and the United States Metals Index Fund ("USMI"), each a series of the United States Commodity Index Funds Trust. USCI, CPER, USAG and USMI listed their units on the NYSE Arca under the ticker symbols "USCI" on August 10, 2010, "CPER" on November 15, 2011, "USAG" on April 13, 2012 and USMI on June 19, 2012, respectively. All funds listed previously are referred to collectively herein as the "Related Public Funds." USCF has also filed registration statements to register units of the United States Sugar Fund ("USSF"), the United States

Natural Gas Double Inverse Fund (“UNGD”), the United States Gasoil Fund (“USGO”) and the United States Asian Commodities Basket Fund (“UAC”), each a series of the United States Commodity Funds Trust I, and the US Golden Currency Fund (“HARD”), a series of the United States Currency Funds Trust. USSF, UNGD, USGO and HARD are currently not available to the public, as such funds are still in the process of review by various regulatory agencies which have regulatory authority over USCF and such funds. UAC has been declared effective by the regulatory agencies, which have regulatory authority over USCF and UAC, but at the time of the filing of this quarterly report on Form 10-Q, UAC has not been made available to the public.

Effective February 29, 2012, USBO issues units to certain authorized purchasers ("Authorized Purchasers") by offering baskets consisting of 50,000 units ("Creation Baskets") through ALPS Distributors, Inc., as the marketing agent (the "Marketing Agent"). Prior to February 29, 2012, USBO issued units to Authorized Purchasers by offering baskets consisting of 100,000 units through the Marketing Agent. The purchase price for a Creation Basket is based upon the NAV of a unit calculated shortly after the close of the core trading session on the NYSE Arca on the day the order to create the basket is properly received.

From July 1, 2011 through September 30, 2013 (and continuing at least through May 1, 2014), the applicable transaction fee paid by Authorized Purchasers is $350 to USBO for each order they place to create or redeem one or more baskets ("Redemption Baskets"); prior to July 1, 2011, this fee was $1,000. Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket or Redemption Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the per unit NAV of USBO but rather at market prices quoted on such exchange.

In May 2010, USBO initially registered 50,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the "SEC"). On June 2, 2010, USBO listed its units on the NYSE Arca under the ticker symbol "BNO." USBO established its initial per unit NAV by setting the price at $50.00 and issued 200,000 units in exchange for $10,000,000. USBO also commenced investment operations on June 2, 2010, by purchasing Futures Contracts traded on the ICE Futures Europe based on Brent crude oil. As of September 30, 2013, USBO had registered a total of 45,450,000 units.

On August 26, 2013, USBO executed a 2-for-1 forward unit split for all unitholders of record as of close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. USBO began trading at its post-split price on August 29, 2013. As a result of the forward unit split, every one pre-split unit of USBO was automatically exchanged for two post-split units. Immediately prior to the forward unit split, there were 450,000 units of USBO issued and outstanding, representing a per unit NAV of $89.92. After the forward unit split, the number of issued and outstanding units of USBO increased to 900,000, and the per unit NAV decreased to $44.96. The ticker symbol and CUSIP number for USBO did not change as a result of the forward unit split.

The accompanying unaudited condensed financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosure required under generally accepted accounting principles ("GAAP") in the United States of America. The financial information included herein is unaudited; however, such financial information reflects all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of USCF, necessary for the fair presentation of the condensed financial statements for the interim period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Commodity futures contracts, forward contracts, physical commodities and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the condensed statements of financial condition and represent the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the condensed financial statements. Changes in the unrealized gains or losses between periods are reflected in the condensed statements of operations. USBO earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the 90-day Treasury bill rate. In addition, USBO earns income on funds held at the custodian or futures commission merchant at prevailing market rates earned on such investments.

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Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

Income Taxes

USBO is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

In accordance with GAAP, USBO is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. USBO files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. USBO is not subject to income tax return examinations by major taxing authorities for years before 2009. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in USBO recording a tax liability that reduces net assets. However, USBO's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of and changes to tax laws, regulations and interpretations thereof. USBO recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the period ended September 30, 2013.

Creations and Redemptions

Effective February 29, 2012, Authorized Purchasers may purchase Creation Baskets or redeem Redemption Baskets only in blocks of 50,000 units at a price equal to the NAV of the units calculated shortly after the close of the core trading session on the NYSE Arca on the day the order is placed. Prior to February 29, 2012, Authorized Purchasers could only purchase Creation Baskets or redeem Redemption Baskets in blocks of 100,000 units.

USBO receives or pays the proceeds from units sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in USBO's condensed statements of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

Partnership Capital and Allocation of Partnership Income and Losses

Profit or loss shall be allocated among the partners of USBO in proportion to the number of units each partner holds as of the close of each month. USCF may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

Calculation of Per Unit Net Asset Value

USBO's per unit NAV is calculated on each NYSE Arca trading day by taking the current market value of its total assets, subtracting any liabilities and dividing that amount by the total number of units outstanding. USBO uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

Net Income (Loss) Per Unit

Net income (loss) per unit is the difference between the per unit NAV at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units added and redeemed based on the amount of time the units were outstanding during such period. There were no units held by USCF at September 30, 2013.

Offering Costs

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by USBO. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated with such offerings. These costs are accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

Cash Equivalents

Cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of six months or less.

Reclassification

Certain amounts in the accompanying condensed financial statements were reclassified to conform to the current presentation.

Use of Estimates

The preparation of condensed financial statements in conformity with GAAP requires USCF to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

NOTE 3 FEES PAID BY THE FUND AND RELATED PARTY TRANSACTIONS

USCF Management Fee

Under the LP Agreement, USCF is responsible for investing the assets of USBO in accordance with the objectives and policies of USBO. In addition, USCF has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to USBO. For these services, USBO is contractually obligated to pay USCF a fee, which is paid monthly, equal to 0.75% per annum of average daily total net assets.

Ongoing Registration Fees and Other Offering Expenses

USBO pays all costs and expenses associated with the ongoing registration of its units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the nine months ended September 30, 2013 and 2012, USBO did not incur registration fees and other offering expenses.

Directors' Fees and Expenses

USBO is responsible for paying its portion of the directors' and officers' liability insurance for USBO and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of USBO and the Related Public Funds organized as limited partnerships and, as of July 8, 2012, the Related Public Funds organized as a series of a Delaware statutory trust. USBO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of $560,625 for USBO and the Related Public Funds.

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Investor Tax Reporting Cost

The fees and expenses associated with USBO's audit expenses and tax accounting and reporting requirements are paid by USBO. These costs are estimated to be $115,000 for the year ending December 31, 2013.

Other Expenses and Fees and Expense Waivers

In addition to the fees described above, USBO pays all brokerage fees and other expenses in connection with the operation of USBO, excluding costs and expenses paid by USCF as outlined in *Note 4* below. USCF has voluntarily agreed to pay certain expenses normally borne by USBO to the extent that such expenses exceed 0.15% (15 basis points) of USBO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the nine months ended September 30, 2013, USCF waived $50,477 of USBO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in Note 4.

NOTE 4 CONTRACTS AND AGREEMENTS

USBO is party to a marketing agent agreement, dated as of March 31, 2010, as amended from time to time, with the Marketing Agent and USCF, whereby the Marketing Agent provides certain marketing services for USBO as outlined in the agreement. The fee of the Marketing Agent, which is borne by USCF, is equal to 0.06% on USBO's assets up to $3 billion and 0.04% on USBO's assets in excess of $3 billion. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution related services exceed 10% of the gross proceeds of USBO's offering.

The above fee does not include the following expenses, which are also borne by USCF: the cost of placing advertisements in various periodicals; website construction and development; or the printing and production of various marketing materials.

USBO is also party to a custodian agreement, dated February 8, 2010, as amended from time to time, with Brown Brothers Harriman & Co. ("BBH&Co.") and USCF, whereby BBH&Co. holds investments on behalf of USBO. USCF pays the fees of the custodian, which are determined by the parties from time to time. In addition, USBO is party to an administrative agency agreement, dated February 8, 2010, as amended from time to time, with USCF and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for USBO. USCF also pays the fees of BBH&Co. for its services under such agreement and such fees are determined by the parties from time to time.

Currently, USCF pays BBH&Co. for its services, in the foregoing capacities, a minimum amount of $75,000 annually for its custody, fund accounting and fund administration services rendered to USBO and each of the Related Public Funds, as well as a $20,000 annual fee for its transfer agency services. In addition, USCF pays BBH&Co. an asset-based charge of (a) 0.06% for the first $500 million of USBO's, USOF's, USNG's, US12OF's, UGA's, USDHO's, USSO's, US12NG's, USCI's, CPER's, USAG's and USMI's combined net assets, (b) 0.0465% for USBO's, USOF's, USNG's, US12OF's, UGA's, USDHO's, USSO's, US12NG's, USCI's, CPER's, USAG's and USMI's combined net assets greater than $500 million but less than $1 billion, and (c) 0.035% once USBO's, USOF's, USNG's, US12OF's, UGA's, USDHO's, USSO's, US12NG's, USCI's, CPER's, USAG's and USMI's combined net assets exceed $1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds $75,000. USCF also pays transaction fees ranging from $7 to $15 per transaction.

On October 8, 2013, USBO entered into a brokerage agreement with RBC Capital Markets, LLC ("RBC Capital" or "RBC") to serve as USBO's futures commission merchant ("FCM"), effective October 10, 2013. Prior to October 10, 2013, the FCM was UBS Securities LLC ("UBS Securities"). The agreements require RBC Capital and UBS Securities to provide services to USBO in connection with the purchase and sale of Futures Contracts and Other Crude Oil-Related Investments that may be purchased and sold by or through RBC Capital and/or UBS Securities for USBO's account. In accordance with each agreement, RBC Capital and UBS Securities charge USBO commissions of approximately $7 to $15 per round-turn trade, including applicable exchange and NFA fees for Futures Contracts and options on Futures Contracts. Such fees include those incurred when purchasing Futures Contracts and options on Futures Contracts when USBO issues units as a result of a Creation Basket, as well as fees incurred when selling Futures Contracts and options on Futures Contracts when USBO redeems units as a result of a Redemption Basket. Such fees are also incurred when Futures Contracts and options on Futures Contracts are purchased or redeemed for the purpose of rebalancing the portfolio. USBO also incurs commissions to brokers for the purchase and sales of Futures Contracts, Other Crude Oil-Related Investments or short-term obligations of the United States of two years or less ("Treasuries"). During the nine months ended September 30, 2013, total commissions accrued to brokers amounted to $23,029. Of this amount, approximately $19,736 was a result of rebalancing costs and approximately $3,293 was the result of trades necessitated by creation and redemption activity. By comparison, during the nine months ended September 30, 2012, total commissions accrued to brokers amounted to $25,880. Of this amount, approximately $17,220 was the result of rebalancing costs and approximately $8,660 was the result of trades necessitated by creation and redemption activity. The decrease in the total commissions accrued to brokers for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, was primarily due to a lower number of futures contracts being held and traded as a result of USBO's lower total net assets during the nine months ended September 30, 2013. The decrease in total net assets required USBO to purchase a fewer number of Futures Contracts and incur a lower amount of brokerage commissions during the nine months ended September 30, 2013. As an annualized percentage of average daily total net assets, the figure for the nine months ended September 30, 2013 represents approximately 0.07% of average daily total net assets. By comparison, the figure for the nine months ended September 30, 2012 represented approximately 0.06% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

NOTE 5 FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

USBO engages in the trading of futures contracts and options on futures contracts and may engage in cleared swaps (collectively, "derivatives"). USBO is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

USBO may enter into futures contracts, options on futures contracts and cleared swaps to gain exposure to changes in the value of an underlying commodity. A futures contract obligates the seller to deliver (and the purchaser to accept) the future delivery of a specified quantity and type of a commodity at a specified time and place. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying commodity or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery.

The purchase and sale of futures contracts, options on futures contracts and cleared swaps require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant's proprietary activities.

Futures contracts and cleared swaps involve, to varying degrees, elements of market risk (specifically commodity price risk) and exposure to loss in excess of the amount of variation margin. The face or contract amounts reflect the

extent of the total exposure USBO has in the particular classes of instruments. Additional risks associated with the use of futures contracts are an imperfect correlation between movements in the price of the futures contracts and the market value of the underlying securities and the possibility of an illiquid market for a futures contract.

All of the futures contracts held by USBO were exchange-traded through September 30, 2013. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, a party must rely solely on the credit of its respective individual counterparties. However, in the future, if USBO were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any, on the transaction. USBO has credit risk under its futures contracts since the sole counterparty to all domestic and foreign futures contracts is the clearinghouse for the exchange on which the relevant contracts are traded. In addition, USBO bears the risk of financial failure by the clearing broker.

USBO's cash and other property, such as Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds, subject to the futures commission merchant's segregation requirements. In the event of a futures commission merchant's insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited. The insolvency of a futures commission merchant could result in the complete loss of USBO's assets posted with that futures commission merchant; however, the majority of USBO's assets are held in cash and/or cash equivalents with USBO's custodian and would not be impacted by the insolvency of a futures commission merchant. The failure or insolvency of USBO's custodian however, could result in a substantial loss of USBO's assets.

USCF invests a portion of USBO's cash in money market funds that seek to maintain a stable per unit NAV. USBO is exposed to any risk of loss associated with an investment in such money market funds. As of September 30, 2013 and December 31, 2012, USBO held investments in money market funds in the amounts of $26,015,790 and $38,015,790, respectively. USBO also holds cash deposits with its custodian. Pursuant to a written agreement with BBH&Co., uninvested overnight cash balances are swept to offshore branches of U.S. regulated and domiciled banks located in Toronto, Canada, London, United Kingdom, Grand Cayman, Cayman Islands and Nassau, Bahamas, which are subject to U.S. regulation and regulatory oversight. As of September 30, 2013 and December 31, 2012, USBO held cash deposits and investments in Treasuries in the amounts of $15,975,922 and $6,424,332, respectively, with the custodian and futures commission merchant. Some or all of these amounts may be subject to loss should USBO's custodian and/or futures commission merchant cease operations.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, USBO is exposed to market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, USBO pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

USBO's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, USBO has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business.

The financial instruments held by USBO are reported in its condensed statements of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

NOTE 6 FINANCIAL HIGHLIGHTS

The following table presents per unit performance data and other supplemental financial data for the nine months ended September 30, 2013 and 2012 for the unitholders. This information has been derived from information presented in the condensed financial statements.

	For the nine months ended September 30, 2013 (Unaudited)		For the nine months ended September 30, 2012 (Unaudited)	
Per Unit Operating Performance:				
Net asset value, beginning of period	$ 40.98	*	$ 37.27	*
Total income	1.71		3.62	*
Total expenses	(0.30)		(0.29)	*
Net increase in net asset value	1.41		3.33	*
Net asset value, end of period	$ 42.39		$ 40.60	*
Total Return	3.44	%	8.93	%

Ratios to Average Net Assets				
Total income	3.36	%	8.40	%
Management fees**	0.75	%	0.75	%
Total expenses excluding management fees**	0.40	%	0.30	%
Expenses waived**	(0.16)	%	(0.07)	%
Net expenses excluding management fees**	0.24	%	0.23	%
Net income	2.62	%	7.66	%

* On August 26, 2013, USBO executed a 2-for-1 forward unit split for all unitholders of record as of the close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. USBO began trading at its post split price on August 29, 2013. The Financial Highlights (Unaudited) have been adjusted for the periods shown to reflect the 2-for-1 forward unit split on a retroactive basis.

** Annualized.

Total returns are calculated based on the change in value during the period. An individual unitholder's total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from USBO.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

USBO values its investments in accordance with Accounting Standards Codification 820 Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. The changes to past practice resulting from the application of ASC 820 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. ASC 820 establishes a fair value hierarchy that distinguishes between: (1) market participant assumptions developed based on market data obtained from sources independent of USBO (observable inputs) and (2) USBO's own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the ASC 820 hierarchy are as follows:

Level I Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for *similar* assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level III Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall within different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

The following table summarizes the valuation of USBO's securities at September 30, 2013 using the fair value hierarchy:

At September 30, 2013	Total	Level I	Level II	Level III
Short-Term Investments	$ 28,215,603	$ 28,215,603	$	$
Exchange-Traded Futures Contracts				
Foreign Contracts	(1,639,350)	(1,639,350)		

During the nine months ended September 30, 2013, there were no transfers between Level I and Level II.

The following table summarizes the valuation of USBO's securities at December 31, 2012 using the fair value hierarchy:

At December 31, 2012	Total	Level I	Level II	Level III
Short-Term Investments	$ 40,715,676	$ 40,715,676	$	$
Exchange-Traded Futures Contracts Foreign Contracts	739,330	739,330		

During the year ended December 31, 2012, there were no transfers between Level I and Level II.

USBO has adopted the provisions of Accounting Standards Codification 815 Derivatives and Hedging, which require presentation of qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivatives.

Fair Value of Derivative Instruments

Derivatives not Accounted for as Hedging Instruments	Condensed Statements of Financial Condition Location	Fair Value At September 30, 2013	Fair Value At December 31, 2012
Futures - Commodity Contracts	Assets	$ (1,639,350)	$ 739,330

The Effect of Derivative Instruments on the Condensed Statements of Operations

		For the nine months ended September 30, 2013		For the nine months ended September 30, 2012	
Derivatives not Accounted for as Hedging Instruments	Location of Gain or (Loss) on Derivatives Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) on Derivatives Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) on Derivatives Recognized in Income
Futures Commodity Contracts	Realized gain on closed positions	$3,812,980		$4,019,700	
	Change in unrealized gain (loss) on open positions		$ (2,378,680)		$ 480,220

NOTE 8 SUBSEQUENT EVENTS

USBO has performed an evaluation of subsequent events through the date the condensed financial statements were issued. The subsequent events, which did not necessitate disclosures and/or adjustments to the financial statements, were as follows:

On October 8, 2013, USCF entered into a Futures and Cleared Derivatives Transactions Customer Account Agreement with RBC Capital to serve as USBO's FCM, effective October 10, 2013. Prior to October 10, 2013, UBS Securities was USBO's FCM. This agreement requires RBC Capital to provide services to USBO, as of October 10, 2013, in connection with the purchase and sale of Futures Contracts and Other Crude Oil-Related Investments that may be purchased or sold by or through RBC Capital for USBO's account. For the period October 10, 2013 and after, USBO pays RBC Capital commissions for executing and clearing trades on behalf of USBO. Prior to October 10, 2013, and therefore for the entire period of this quarterly report on Form 10-Q for the period ended September 30, 2013, USBO paid UBS Securities commissions for executing and clearing trades on behalf of USBO.

RBC Capital's primary address is 500 West Madison Street, Suite 2500, Chicago, Illinois 60661. UBS Securities' principal business address is 677 Washington Blvd., Stamford, CT 06901. From USBO's commencement of trading to October 10, 2013, UBS Securities was a futures clearing broker for USBO. Effective October 10, 2013, RBC Capital became the futures clearing broker for USBO. Both RBC Capital and UBS Securities are registered in the U.S. with the Financial Industry Regulatory Authority as a broker-dealer and with the CFTC as a FCM. RBC Capital and UBS Securities are members of various U.S. futures and securities exchanges.

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

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

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

On March 11, 2013, the New Jersey Bureau of Securities entered a consent order settling an administrative complaint against RBC, which alleged that RBC failed to follow its own procedures with respect to monthly account reviews and failed to maintain copies of the monthly account reviews with respect to certain accounts that James Hankins Jr. maintained at the firm in violation of N.J.S.A. 49:3-58(a)(2)(xi) and 49:3-59(b). Without admitting or denying the findings of fact and conclusions of law, RBC consented to a civil monetary penalty of $150,000 (of which $100,000 was suspended as a result of the firm's cooperation) and to pay disgorgement of $300,000.

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

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

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

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

Please see RBC's Form BD for more details.

RBC Capital will only act as a clearing broker for USBO and as such will be paid commissions for executing and clearing trades on behalf of USBO. Prior to October 10, 2013, UBS Securities acted only as clearing broker for USBO and as such was paid commissions for executing and clearing trades on behalf of USBO. Neither RBC Capital nor UBS Securities has passed upon the adequacy or accuracy of this quarterly report on Form 10-Q. Neither RBC Capital nor UBS Securities will act in any supervisory capacity with respect to USCF or participate in the management of USCF or USBO.

Neither RBC Capital nor UBS Securities is affiliated with USBO or USCF. Therefore, neither USCF nor USBO believe that there are any conflicts of interest with RBC Capital and UBS Securities or their trading principals arising from their acting as USBO's FCM.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the condensed financial statements and the notes thereto of the United States Brent Oil Fund, LP ("USBO") included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Information

This quarterly report on Form 10-Q, including this "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding the plans and objectives of management for future operations. This information may involve known and unknown risks, uncertainties and other factors that may cause USBO's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe USBO's future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project," the negative of these w variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and USBO cannot assure investors that the projections included in these forward-looking statements will come to pass. USBO's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

USBO has based the forward-looking statements included in this quarterly report on Form 10-Q on information available to it on the date of this quarterly report on Form 10-Q, and USBO assumes no obligation to update any such forward-looking statements. Although USBO undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, investors are advised to consult any additional disclosures that USBO may make directly to them or through reports that USBO in the future files with the U.S. Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Introduction

USBO, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc (the "NYSE Arca"). The investment objective of USBO is for the daily changes in percentage terms of its units' per unit net asset value ("NAV") to reflect the daily changes in percentage terms of the spot price of Brent crude oil, as measured by the daily changes in the price of the futures contract for Brent crude oil traded on the ICE Futures Exchange ("ICE Futures") that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire (the "Benchmark Futures Contract"), less USBO's expenses. "Near month contract" means the next contract traded on the ICE Futures due to expire. "Next month contract" means the first contract traded on the ICE Futures due to expire after the near month contract. It is not the intent of USBO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of Brent crude oil or any particular futures contract based on Brent crude oil. It is not the intent of USBO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. The general partner of USBO, United States Commodity Funds LLC ("USCF"), believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts (as defined below) and Other Crude Oil-Related Investments (as defined below).

USBO invests in futures contracts for crude oil, diesel-heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the ICE Futures, the New York Mercantile Exchange (the "NYMEX"), or other U.S. and foreign exchanges (collectively, "Futures Contracts") and other crude oil-related investments such as cash-settled options on Futures Contracts, forward contracts for crude oil, cleared swap contracts 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 quarterly report on Form 10-Q.

USBO seeks to achieve its investment objective by investing in a combination of Futures Contracts and Other Crude Oil-Related Investments such that daily changes in its per unit NAV, measured in percentage terms, will closely track the daily changes in the price of the Benchmark Futures Contract, also measured in percentage terms. USCF believes the daily changes in the price of the Benchmark Futures Contract have historically exhibited a close correlation with the daily changes in the spot price of Brent crude oil. It is not the intent of USBO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of Brent crude oil or any particular futures contract based on Brent crude oil. It is not the intent of USBO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts and Other Crude Oil-Related Investments.

Regulatory Disclosure

Impact of Accountability Levels, Position Limits and Price Fluctuation Limits. Futures contracts include typical and significant characteristics. Most significantly, the Commodity Futures Trading Commission (the "CFTC") and the futures exchanges have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by USBO is not) may hold, own or control. The net position is the difference between an individual's or firm's open long contracts and open short contracts in any one commodity. In addition, most U.S.-based futures exchanges, such as the NYMEX, limit the daily price fluctuation for futures contracts. Currently, the ICE Futures imposes position and accountability limits that are similar to those imposed by U.S.-based futures exchanges and also limits the maximum daily price fluctuation, while some other non-U.S. futures exchanges have not adopted such limits.

The accountability levels for the Benchmark Futures Contract and other Futures Contracts traded on the NYMEX are not a fixed ceiling, but rather a threshold above which the NYMEX may exercise greater scrutiny and control over an investor's positions. The current accountability level for any one-month in the Benchmark Futures Contract is 10,000 net contracts. In addition, the NYMEX imposes an accountability level for all months of 20,000 net futures contracts for investments in futures contracts for oil. If USBO and the Related Public Funds (as defined below) exceed these accountability levels for investments in the futures contracts for oil, the NYMEX and ICE Futures will monitor USBO's and the Related Public Funds' exposure and may ask for further information on their activities, including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of USBO and the Related Public Funds. If deemed necessary by the NYMEX and/or ICE Futures, USBO could be ordered to reduce its aggregate net position back to the accountability level. In contrast, the position limits for the ICE Futures maintain that when 100 lots or more are traded, the activity must be reported to the exchange on a daily basis. ICE Futures also maintains that an Expiration Limit of 6,000 lots, long or short, will apply for the five business days up to and including the expiration date. As of September 30, 2013, USBO held 333 Futures Contracts traded on the ICE Futures Europe and did not hold any Futures Contracts for Brent crude oil traded on the NYMEX. For the nine months ended September 30, 2013, USBO did not exceed accountability levels on ICE Futures and the NYMEX.

Position limits differ from accountability levels in that they represent fixed limits on the maximum number of futures contracts that any person may hold and cannot allow such limits to be exceeded without express CFTC authority to do so. In addition to accountability levels and position limits that may apply at any time, the NYMEX and the ICE Futures impose position limits on contracts held in the last few days of trading in the near month contract to expire. It is unlikely that USBO will run up against such position limits because USBO's investment strategy is to close out its positions and "roll" from the near month contract to expire to the next month contract beginning two weeks from expiration of the contract. For the nine months ended September 30, 2013, USBO did not exceed any position limits imposed by the ICE Futures and the NYMEX.

The regulation of commodity interest trading in the United States and other countries is an evolving area of the law, as exemplified by the various discussions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The various statements made in this summary are subject to modification by legislative action and changes in the rules and regulations of the CFTC, the National Futures Association (the "NFA"), the futures exchanges, clearing organizations and other regulatory bodies. Pending final resolution of all applicable regulatory requirements, some specific examples of how the new Dodd-Frank Act provisions and rules adopted thereunder could impact USBO are discussed below.

Futures Contracts and Position Limits

The CFTC is prohibited by statute from regulating trading on non-U.S. futures exchanges and markets. The CFTC, however, has adopted regulations relating to the marketing of non-U.S. futures contracts in the United States. These regulations permit certain contracts on non-U.S. exchanges to be offered and sold in the United States.

In October 2011, the CFTC adopted rules that impose new position limits on Referenced Contracts (as defined below) involving 28 energy, metals and agricultural commodities (the "Position Limit Rules"). The Position Limit Rules were scheduled to become effective on October 12, 2012. However, on September 28, 2012, the United States District Court for the District of Columbia vacated these regulations on the basis of ambiguities in the provisions of the Commodity Exchange Act ("CEA") (as modified by the Dodd-Frank Act) upon which the regulations were based. In its September 28, 2012 decision, the court remanded the Position Limit Rules to the CFTC with instructions to use its expertise and experience to resolve the ambiguities in the statute. On November 15, 2012, the CFTC indicated that it will move forward with an appeal of the District Court's decision to vacate the Position Limit Rules. At this time, it is not possible to predict how the CFTC's appeal could affect USBO, but it may be substantial and adverse. Furthermore, until such time as the appeal is resolved or, if applicable revisions to the Position Limit Rules are proposed and adopted, the regulatory architecture in effect prior to the enactment of the Position Limit Rules will govern transactions in commodities and related derivatives (collectively, "Referenced Contracts"). Under that system, the CFTC enforces federal limits on speculation in agricultural products (e.g., corn, wheat and soy), while futures exchanges enforce position limits and accountability levels for agricultural and certain energy products (e.g., oil and natural gas). As a result, USBO may be limited with respect to the size of its investments in any commodities subject to these limits. Finally, subject to certain narrow exceptions, the vacated Position Limit Rules would have required the aggregation, for purposes of the position limits, of all positions in the 28 Referenced Contracts held by a single entity and its affiliates, regardless of whether such position existed on U.S. futures exchanges, non-U.S. futures exchanges, in cleared swaps or in over-the-counter swaps. The CFTC is presently considering new aggregation rules, under a rulemaking proposal that is distinct from the Position Limit Rules. At this time, it is unclear how any modified aggregation rules may affect USBO, but it may be substantial and adverse. By way of example, the aggregation rules in combination with any potential revised Position Limit Rules may negatively impact the ability of USBO to meet its investment objectives through limits that may inhibit USCF's ability to sell additional Creation Baskets of USBO.

Based on its current understanding of the final position limit regulations, USCF does not anticipate significant negative impact on the ability of USBO to achieve its investment objective.

"Swap" Transactions

The Dodd-Frank Act imposes new regulatory requirements on certain "swap" transactions that USBO is authorized to engage in that may ultimately impact the ability of USBO to meet its investment objective. On August 13, 2012, the CFTC and the SEC published joint final rules defining the terms "swap" and "security-based swap." The term "swap" is broadly defined to include various types of over-the-counter derivatives, including swaps and options. The effective date of these final rules was October 12, 2012.

The Dodd-Frank Act requires that certain transactions ultimately falling within the definition of "swap" be executed on organized exchanges or "swap execution facilities" and cleared through regulated clearing organizations (which are referred to in the Dodd-Frank Act as "derivative clearing organizations" ("DCOs")), if the CFTC mandates the central clearing of a particular contract. On November 28, 2012, the CFTC issued its final clearing determination requiring that certain credit default swaps and interest rate swaps be cleared by registered DCOs. This is the CFTC's first clearing determination under the Dodd-Frank Act and became effective on February 11, 2013. Beginning on March 11, 2013, "swap dealers," "major swap participants" and certain active funds were required to clear certain credit default swaps and interest rate swaps; and beginning on June 10, 2013, commodity pools, certain private funds and entities predominantly engaged in financial activities were required to clear the same types of swaps. As a result, if USBO

enters into or has entered into certain interest rate and credit default swaps on or after June 10, 2013, such swaps will be required to be centrally cleared. Determination on other types of swaps are expected in the future, and, when finalized, could require USBO to centrally clear certain over-the-counter instruments presently entered into and settled on a bi-lateral basis. If a swap is required to be cleared, the initial margin will be set by the clearing organization, subject to certain regulatory requirements and guidelines. Initial and variation margin requirements for swap dealers and major swap participants who enter into uncleared swaps and capital requirements for swap dealers and major swap participants who enter into both cleared and uncleared trades will be set by the CFTC, the SEC or the applicable "Prudential Regulator."

The Dodd-Frank Act also requires that certain swaps determined to be available to trade on a swap execution facility ("SEF") must be executed over such a facility. On June 5, 2013, the CFTC published a final rule regarding the obligations of SEFs, including the obligation for facilities offering multiple person execution services to register as a SEF by October 2, 2013. On September 27 and 30, 2013, the CFTC's Division of Market Oversight granted no-action relief to SEFs from compliance with certain regulatory and reporting requirements. The no-action relief granted on September 27, 2013 included relief, in effect until November 1, 2013, from a requirement that a SEF enforce its own rulebooks and compel its participants to consent to the jurisdiction of the SEF. Based upon applications filed by several SEFs with the CFTC in the second half of October 2013, it is expected that the CFTC will determine that certain interest rate swaps will be determined to be available to trade on those SEFs in the first quarter of 2014.

On April 11, 2013, the CFTC published a final rule to exempt swaps between certain affiliated entities within a corporate group from the clearing requirement. The rule permits affiliated counterparties to elect not to clear a swap subject to the clearing requirement if, among other things, the counterparties are majority-owned affiliates whose financial statements are included in the same consolidated financial statements and whose swaps are documented and subject to a centralized risk management program. However, the exemption does not apply to swaps entered into by affiliated counterparties with unaffiliated counterparties.

On November 14, 2012, the CFTC proposed new regulations that would require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures and auditing and examination programs for FCMs. The proposed rules are intended to afford greater assurances to market participants that customer segregated funds and secured amounts are protected, customers are provided with appropriate notice of the risks of futures trading and of the FCMs with which they may choose to do business, FCMs are monitoring and managing risks in a robust manner, the capital and liquidity of FCMs are strengthened to safeguard their continued operations and the auditing and examination programs of the CFTC and the self-regulatory organizations are monitoring the activities of FCMs in a thorough manner. The final regulations have not yet been adopted.

Additionally, the CFTC published rules on February 17, 2012 and April 3, 2012 that require "swap dealers" and "major swap participants" to: 1) adhere to business conduct standards, 2) implement policies and procedures to ensure compliance with the CEA and 3) maintain records of such compliance. These new requirements may impact the documentation requirements for both cleared and non-cleared swaps and cause swap dealers and major swap participants to face increased compliance costs that, in turn, may be passed along to counterparties (such as USBO) in the form of higher fees and expenses that related to trading swaps.

On April 5, 2013, the CFTC's Division of Clearing and Risk issued a letter granting no-action relief from certain swap data reporting requirements for swaps entered into between affiliated counterparties. In general, the letter grants relief from, among others: real-time, historical and regular swap reporting (under Part 43, Part 45 and Part 46 of the CFTC's regulations, respectively).

On April 9, 2013, the CFTC's Division of Market Oversight issued a letter granting time-limited no-action relief to non-swap dealer, non-major swap participant counterparties from the real-time, regular and historical swap reporting requirements (under Part 43, Part 45 and Part 46 of the CFTC's regulations, respectively). The regular reporting requirements (Part 45 of the CFTC regulations) for interest rate and credit swaps of a financial entity (including a commodity pool such as USBO) began on April 10, 2013. The letter delays implementation of the reporting requirements based upon the asset class underlying the swap and the classification of the reporting counterparty. For a financial entity (including a commodity pool such as USBO), regular reporting requirements for equity, foreign exchange and other commodity swaps (including swaps on Brent oil) began on May 29, 2013 and reporting of all historical swaps for all asset classes begins on September 30, 2013.

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In addition to the rules and regulations imposed under the Dodd-Frank Act, swap dealers that are European banks may also be subject to European Market Infrastructure Regulation ("EMIR"). These regulations have not yet been fully implemented.

General Regulation Applicable to USBO

On August 12, 2013, the CFTC issued final rules establishing compliance obligations for commodity pool operators ("CPOs") of investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act") that are required to register due to recent changes to CFTC Regulation 4.5. The final rules were issued in a CFTC release entitled "Harmonization of Compliance Obligations for Registered Investment Companies Required to Register as Commodity Pool Operators." For entities that are registered with both the CFTC and the SEC, the CFTC will accept the SEC's disclosure, reporting and recordkeeping regime as substituted compliance for substantially all of Part 4 of the CFTC's regulations, so long as they comply with comparable requirements under the SEC's statutory and regulatory compliance regime. Thus, the final rules (the "Harmonization Rules") allow dually registered entities to meet certain CFTC regulatory requirements for CPOs by complying with SEC rules to which they are already subject. Although USBO is not a registered investment company under the Investment Company Act, the Harmonization Rules amended certain CFTC disclosure rules to make the requirements for all CPOs to periodically update their disclosure documents consistent with those of the SEC. This change will decrease the burden to USBO and USCF of having to comply with inconsistent regulatory requirements. It is not known whether the CFTC will make additional amendments to its disclosure, reporting and recordkeeping rules to further harmonize these obligations with those of the SEC as they apply to USBO and USCF, but any such further rule changes could result in additional operating efficiencies for USBO and USCF.

With regard to any other rules that the CFTC may adopt in the future, the effect of any such regulatory changes on USBO is impossible to predict, but it could be substantial and adverse.

USCF, which is registered as a CPO and a swaps firm with the CFTC, is authorized by the Third Amended and Restated Agreement of Limited Partnership of USBO (the "LP Agreement") to manage USBO. USCF is authorized by USBO in its sole judgment to employ and establish the terms of employment for, and termination of, commodity trading advisors or FCMs.

Price Movements

Brent crude oil futures prices exhibited moderate daily swings along with a downward trend during the nine months ended September 30, 2013. The price of the Benchmark Futures Contract started the period at $111.11 per barrel. The Benchmark Futures Contract reached its high for the period on February 14, 2013 at $118.00 per barrel and reached its low for the period on April 17, 2013 when the price dropped to $97.69 per barrel. The period ended with the Benchmark Futures Contract at $108.37 per barrel, down approximately 2.47% over the period. USBO's per unit NAV began the period at $40.98* and ended the period at $42.39 on September 30, 2013, an increase of approximately 3.44% over the period. USBO's per unit NAV reached its high for the period on August 28, 2013 at $44.96* and reached its low for the period on April 17, 2013 at $37.01*. The Benchmark Futures Contract prices listed above began with the February 2013 contract and ended with the November 2013 contract. The decrease of approximately 2.47% on the Benchmark Futures Contract listed above is a hypothetical return only and could not actually be achieved by an investor holding Futures Contracts. An investment in Futures Contracts would need to be rolled forward during the time period described in order to simulate such a result. Furthermore, the change in the nominal price of these differing crude oil Futures Contracts, measured from the start of the period to the end of the period, does not represent the actual benchmark results that USBO seeks to track, which are more fully described below, in the section titled *"Tracking USBO's Benchmark."*

Historically, the crude oil futures markets have experienced periods of contango and backwardation, with backwardation being in place roughly as often as contango since oil futures trading started in 1982. In recent years, U.S. crude oil markets experienced long periods of contango, while Brent crude oil moved into a state of backwardation in 2011. During the nine months ended September 30, 2013, U.S. based West Texas Intermediate ("WTI") crude oil experienced conditions of both contango and backwardation while Brent crude oil remained in a state of backwardation. Contango means that the price of the near month crude oil Futures Contract was below the price of the next month crude oil Futures Contract, or contracts further away from expiration. Backwardation means that the price of the near month crude oil Futures Contract was above the price of the next month crude oil Futures Contract, or contracts further away from expiration. For a discussion of the impact of backwardation and contango on total returns, see *"Term Structure of Crude Oil Prices and the Impact on Total Returns"* below.

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

Valuation of Futures Contracts and the Computation of the Per Unit NAV

The per unit NAV of USBO's units is calculated once each NYSE Arca trading day. The per unit NAV for a particular trading day is released after 4:00 p.m. New York time. Trading during the core trading session on the NYSE Arca typically closes at 4:00 p.m. New York time. USBO's administrator uses the ICE Futures settlement price (a weighted average price of trades during a three minute settlement period from 2:27 p.m. to 2:30 p.m. New York time) for the contracts held on the ICE Futures, but calculates or determines the value of all other USBO investments, including NYMEX contracts or other futures contracts, as of the earlier of the close of the NYSE Arca or 4:00 p.m. New York time.

Results of Operations and the Crude Oil Market

Results of Operations. On June 2, 2010, USBO listed its units on the NYSE Arca under the ticker symbol "BNO." On that day, USBO established its initial offering price at $50.00 per unit and issued 200,000 units to the initial authorized purchaser in exchange for $10,000,000 in cash.

Since its initial offering of 50,000,000 units, USBO has not registered any subsequent offerings of its units. On August 26, 2013, USBO executed a 2-for-1 forward unit split for all unitholders of record as of the close of markets on August 26, 2013. The 2-for-1 forward unit split was payable after the close of markets on August 28, 2013. USBO began trading at its post-split price on August 29, 2013. As a result of the forward unit split, every one pre-split unit of USBO was automatically exchanged for two post-split units. Immediately prior to the forward unit split, there were 450,000 units of USBO issued and outstanding, representing a per unit NAV of $89.92. After the forward unit split, the number of issued and outstanding units of USBO increased to 900,000, and the per unit NAV decreased to $44.96. As of September 30, 2013, USBO had issued 4,950,000 units, 850,000 of which were outstanding. As of September 30, 2013, there were 45,050,000 units registered but not yet issued.

More units may have been issued by USBO than are outstanding due to the redemption of units. Unlike funds that are registered under the Investment Company Act of 1940, as amended, units that have been redeemed by USBO cannot be resold by USBO. As a result, USBO contemplates that additional offerings of its units will be registered with the SEC in the future in anticipation of additional issuances and redemptions.

As of September 30, 2013, USBO had the following authorized purchasers: Citadel Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., JP Morgan Securities Inc., Merrill Lynch Professional Clearing Corporation, Morgan Stanley & Co. LLC, Nomura Securities International Inc., Virtu Financial Capital Markets and Virtu Financial DB LLC.

For the Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

As of September 30, 2013, the total unrealized loss on Futures Contracts owned or held on that day was $1,639,350 and USBO established cash deposits and investments in short-term obligations of the United States of two years or less ("Treasuries") and money market funds that were equal to $41,991,712. USBO held 90.50% of its cash assets in overnight deposits and investments in money market funds at its custodian bank, while 9.50% of the cash balance was held as investments in Treasuries and margin deposits for the Futures Contracts purchased at the FCM. The ending per unit NAV on September 30, 2013 was $42.39.

By comparison, as of September 30, 2012, the total unrealized loss on Futures Contracts owned or held on that day was $436,350, and USBO established cash deposits and investments in Treasuries and money market funds that were equal to $61,433,642. USBO held 89.34% of its cash assets in overnight deposits and investments in money market funds at its custodian bank, while 10.66% of the cash balance was held as investments in Treasuries and margin deposits for the Futures Contracts purchased at the FCM. The decrease in cash assets in overnight deposits and investments in Treasuries and money market funds for September 30, 2013, as compared to September 30, 2012, was the result of USBO's smaller size as of September 30, 2013 as measured by total net assets. The ending per unit NAV on September 30, 2012 was $40.60*. The increase in the per unit NAV for September 30, 2013, as compared to September 30, 2012, was primarily a result of the impact of backwardation between the nine months ended September 30, 2012 and the nine months ended September 30, 2013.

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

Portfolio Expenses. USBO's expenses consist of investment management fees, brokerage fees and commissions, certain offering costs, the fees and expenses of the independent directors of USCF and expenses relating to tax accounting and reporting requirements. The management fee that USBO pays to USCF is calculated as a percentage of the total net assets of USBO. USBO pays USCF a management fee of 0.75% of its average daily total net assets. The fee is accrued daily and paid monthly.

During the nine months ended September 30, 2013, the average daily total net assets of USBO were $43,211,684. The management fee incurred by USBO during the period amounted to $242,400. By comparison, during the nine months ended September 30, 2012, the average daily total net assets of USBO were $53,807,168. The management fee paid by USBO during the period amounted to $302,114.

In addition to the management fee, USBO pays all brokerage fees and other expenses, including tax reporting costs, ongoing registration or other fees paid to the SEC, the Financial Industry Regulatory Authority ("FINRA") and any other regulatory agency in connection with offers and sales of its units subsequent to the initial offering and all legal, accounting, printing and other expenses associated therewith. The gross total of these fees and expenses for the nine months ended September 30, 2013 was $128,897, as compared to $122,509 for the nine months ended September 30, 2012. The increase in gross total expenses excluding management fees for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, was primarily the result of USBO's increased tax reporting, legal, accounting, printing and other expenses associated therewith during the nine months ended September 30, 2013. For the nine months ended September 30, 2013 and 2012, USBO did not incur any fees or other expenses relating to the registration or offering of additional units. During the nine months ended September 30, 2013 and 2012, an expense waiver was in effect which offset certain of the expenses incurred by USBO. The total amount of the expense waiver was $50,477 for the nine months ended September 30, 2013 and $29,017 for the nine months ended September 30, 2012. For the nine months ended September 30, 2013 and 2012, the expenses of USBO, including management fees, commissions, and all other expenses, before allowance for the expense waiver, totaled $371,297 and $424,623, respectively, and after allowance for the expense waiver, totaled $320,820 and $395,606, respectively.

USBO is responsible for paying its portion of the directors' and officers' liability insurance of USBO and the United States Oil Fund, LP, the United States Natural Gas Fund, LP, the United States 12 Month Oil Fund, LP, the United States Gasoline Fund, LP, the United States Diesel-Heating Oil Fund, LP (formerly, the United States Heating Oil Fund, LP), the United States Short Oil Fund, LP, the United States 12 Month Natural Gas Fund, LP, the United States Commodity Index Fund, the United States Copper Index Fund, the United States Agriculture Index Fund and the United States Metals Index Fund (collectively, the "Related Public Funds") and the fees and expenses of the independent directors who also serve as audit committee members of USBO and the Related Public Funds organized as limited partnerships and, as of July 8, 2012, the Related Public Funds organized as a series of a Delaware statutory trust. USBO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based

on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of $560,625 for USBO and the Related Public Funds. By comparison, for the year ended December 31, 2012, these fees and expenses amounted to a total of $540,586 for USBO and the Related Public Funds. USBO's portion of such fees and expenses for the year ended December 31, 2012 was $9,844.

USBO also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Crude Oil-Related Investments or Treasuries. During the nine months ended September 30, 2013, total commissions accrued to brokers amounted to $23,029. Of this amount, approximately $19,736 was a result of rebalancing costs and approximately $3,293was the result of trades necessitated by creation and redemption activity. By comparison, during the nine months ended September 30, 2012, total commissions accrued to brokers amounted to $25,880. Of this amount, approximately $17,220 was the result of rebalancing costs and approximately $8,660 was the result of trades necessitated by creation and redemption activity. The decrease in total commissions accrued to brokers for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, was primarily due to a lower number of futures contracts being held and traded as a result of USBO's lower total net assets during the nine months ended September 30, 2013. The decrease in total net assets required USBO to purchase a fewer number of Futures Contracts and incur a lower amount of brokerage commissions during the nine months ended September 30, 2013. As an annualized percentage of average daily total net assets, the figure for the nine months ended September 30, 2013 represents approximately 0.07% of average daily total net assets. By comparison, the figure for the nine months ended September 30, 2012 represented approximately 0.06% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

The fees and expenses associated with USBO's audit expenses and tax accounting and reporting requirements are paid by USBO. These costs are estimated to be $115,000 for the year ending December 31, 2013. USCF has voluntarily agreed to pay certain expenses normally borne by USBO to the extent that such expenses exceed 0.15% (15 basis points) of USBO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the nine months ended September 30, 2013, USCF waived $50,477 of USBO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4* in *Item 1* of this quarterly report on Form 10-Q.

Dividend and Interest Income. USBO seeks to invest its assets such that it holds Futures Contracts and Other Crude Oil-Related Investments in an amount equal to the total net assets of its portfolio. Typically, such investments do not require USBO to pay the full amount of the contract value at the time of purchase, but rather require USBO to post an amount as a margin deposit against the eventual settlement of the contract. As a result, USBO retains an amount that is approximately equal to its total net assets, which USBO invests in Treasuries, cash and/or cash equivalents. This includes both the amount on deposit with the FCM as margin, as well as unrestricted cash and cash equivalents held with USBO's custodian bank. The Treasuries, cash and/or cash equivalents earn income that accrues on a daily basis. For the nine months ended September 30, 2013, USBO earned $9,269 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USBO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USBO purchased Treasuries during the nine months ended September 30, 2013 and also held cash and/or cash equivalents during this time period. By comparison, for the nine months ended September 30, 2012, USBO earned $11,187 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USBO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USBO purchased Treasuries during the nine months ended September 30, 2012 and also held cash and/or cash equivalents during this time period. Interest rates on short-term investments held by USBO, including cash, cash equivalents and Treasuries, were similar during the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012. As a result, the amount of income earned by USBO as a percentage of average daily total net assets was similar during the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012.

For the Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Portfolio Expenses. During the three months ended September 30, 2013, the average daily total net assets of USBO were $42,074,296. The management fee incurred by USBO during the period amounted to $79,538. By comparison, during the three months ended September 30, 2012, the average daily total net assets of USBO were $55,816,246.

The management fee paid by USBO during the period amounted to $105,227.

In addition to the management fee, USBO pays all brokerage fees and other expenses, including tax reporting costs, ongoing registration or other fees paid to the SEC, FINRA and any other regulatory agency in connection with offers and sales of its units subsequent to the initial offering and all legal, accounting, printing and other expenses associated therewith. The gross total of these fees and expenses for the three months ended September 30, 2013 was $45,949, as compared to $42,523 for the three months ended September 30, 2012. The increase in gross total expenses excluding management fees for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012, was primarily the result of USBO's increased tax reporting, legal, accounting, printing and other expenses associated therewith during the three months ended September 30, 2013. For the three months ended September 30, 2013 and 2012, USBO did not incur any fees or other expenses relating to the registration or offering of additional units. During the three months ended September 30, 2013 and 2012, an expense waiver was in effect which offset certain of the expenses incurred by USBO. The total amount of the expense waiver was $20,958 for the three months ended September 30, 2013 and $10,169 for the three months ended September 30, 2012. For the three months ended September 30, 2013 and 2012, the expenses of USBO, including management fees, commissions, and all other expenses, before allowance for the expense waiver, totaled $125,487 and $147,750, respectively, and after allowance for the expense waiver, totaled $104,529 and $137,581, respectively.

USBO is responsible for paying its portion of the directors' and officers' liability insurance of USBO and Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of USBO and the Related Public Funds organized as limited partnerships and, as of July 8, 2012, the Related Public Funds organized as a series of a Delaware statutory trust. USBO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of $560,625 for USBO and the Related Public Funds. By comparison, for the year ended December 31, 2012, these fees and expenses amounted to a total of $540,586 for USBO and the Related Public Funds. USBO's portion of such fees and expenses for the year ended December 31, 2012 was $9,844.

USBO also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Crude Oil-Related Investments or Treasuries. During the three months ended September 30, 2013, total commissions accrued to brokers amounted to $6,739. Of this amount, approximately $5,806 was a result of rebalancing costs and approximately $933 was the result of trades necessitated by creation and redemption activity. By comparison, during the three months ended September 30, 2012, total commissions accrued to brokers amounted to $8,739. Of this amount, approximately $5,940 was the result of rebalancing costs and approximately $2,799 was the result of trades necessitated by creation and redemption activity. The decrease in total commissions accrued to brokers for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, was primarily due to a lower number of futures contracts being held and traded as a result of USBO's lower total net assets during the three months ended September 30, 2013. As an annualized percentage of average daily total net assets, the figure for the three months ended September 30, 2013 represents approximately 0.06% of average daily total net assets. By comparison, the figure for the three months ended September 30, 2012 represented approximately 0.06% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

The fees and expenses associated with USBO's audit expenses and tax accounting and reporting requirements are paid by USBO. These costs are estimated to be $115,000 for the year ending December 31, 2013. USCF has voluntarily agreed to pay certain expenses normally borne by USBO to the extent that such expenses exceed 0.15% (15 basis points) of USBO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the three months ended September 30, 2013, USCF waived $20,958 of USBO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4* in *Item 1* of this quarterly report on Form 10-Q.

Dividend and Interest Income. USBO seeks to invest its assets such that it holds Futures Contracts and Other Crude Oil-Related Investments in an amount equal to the total net assets of its portfolio. Typically, such investments do not require USBO to pay the full amount of the contract value at the time of purchase, but rather require USBO to post an amount as a margin deposit against the eventual settlement of the contract. As a result, USBO retains an amount that is approximately equal to its total net assets, which USBO invests in Treasuries, cash and/or cash equivalents. This includes both the amount on deposit with the FCM as margin, as well as unrestricted cash and cash equivalents held with USBO's custodian bank. The Treasuries, cash and/or cash equivalents earn income that accrues on a daily basis. For the three months ended September 30, 2013, USBO earned $2,757 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USBO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USBO purchased Treasuries during the three months ended September 30, 2013 and also held cash and/or cash equivalents during this time period. By comparison, for the three months ended September 30, 2012, USBO earned $3,779 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USBO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USBO purchased Treasuries during the three months ended September 30, 2012 and also held cash and/or cash equivalents during this time period. Interest rates on short-term investments held by USBO, including cash, cash equivalents and Treasuries, were similar during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. As a result, the amount of income earned by USBO as a

percentage of average daily total net assets was similar during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

Tracking USBO's Benchmark

USCF seeks to manage USBO's portfolio such that changes in its average daily per unit NAV, on a percentage basis, closely track the daily changes in the average price of the Benchmark Futures Contract, also on a percentage basis. Specifically, USCF seeks to manage the portfolio such that over any rolling period of 30-valuation days, the average daily change in USBO's per unit NAV is within a range of 90% to 110% (0.9 to 1.1) of the average daily change in the price of the Benchmark Futures Contract. As an example, if the average daily movement of the price of the Benchmark Futures Contract for a particular 30-valuation day time period was 0.5% per day, USCF would attempt to manage the portfolio such that the average daily movement of the per unit NAV during that same time period fell between 0.45% and 0.55% (*i.e.*, between 0.9 and 1.1 of the benchmark's results). USBO's portfolio management goals do not include trying to make the nominal price of USBO's per unit NAV equal to the nominal price of the current Benchmark Futures Contract or the spot price for Brent crude oil. USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in listed Futures Contracts.

For the 30-valuation days ended September 30, 2013, the simple average daily change in the Benchmark Futures Contract was (0.003)%, while the simple average daily change in the per unit NAV of USBO over the same time period was (0.007)%. The average daily difference was (0.003)% (or (0.3) basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contract, the average error in daily tracking by the per unit NAV was (0.49)%, meaning that over this time period USBO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal. The first chart below shows the daily movement of USBO's per unit NAV versus the daily movement of the Benchmark Futures Contract for the 30-valuation day period ended September 30, 2013, the last trading day in September. The second chart below shows the monthly total returns of USBO as compared to the monthly value of the Benchmark Futures Contract for the three years ended September 30, 2013.

Since the commencement of the offering of USBO's units to the public on June 2, 2010 to September 30, 2013, the simple average daily change in the Benchmark Futures Contract was 0.08%, while the simple average daily change in the per unit NAV of USBO over the same time period was 0.07%. The average daily difference was (0.004)% (or (0.4) basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contract, the average error in daily tracking by the per unit NAV was (0.94)%, meaning that over this time period USBO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

An alternative tracking measurement of the return performance of USBO versus the return of its Benchmark Futures Contract can be calculated by comparing the actual return of USBO, measured by changes in its per unit NAV, versus the *expected* changes in its per unit NAV under the assumption that USBO's returns had been exactly the same as the daily changes in its Benchmark Futures Contract.

For the nine months ended September 30, 2013, the actual total return of USBO as measured by changes in its per unit NAV was 3.44%. This is based on an initial per unit NAV, taking into the account the forward unit split, of $40.98* as of December 31, 2012 and an ending per unit NAV as of September 30, 2013 of $42.39. During this time period, USBO made no distributions to its unitholders. However, if USBO's daily changes in its per unit NAV had instead exactly tracked the changes in the daily total return of the Benchmark Futures Contract, USBO would have had an estimated per unit NAV of $42.70 as of September 30, 2013, for a total return over the relevant time period of 4.20%. The difference between the actual per unit NAV total return of USBO of 3.44% and the expected total return based on the Benchmark Futures Contract of 4.20% was an error over the time period of (0.75)%, which is to say that USBO's actual total return underperformed the benchmark result by that percentage. USCF believes that a portion of the difference between the actual total return and the expected benchmark total return can be attributed to the net impact of the expenses that USBO pays, offset in part by the income that USBO collects on its cash and cash equivalent holdings. During the nine months ended September 30, 2013, USBO earned dividend and interest income of $9,269, which is equivalent to a weighted average income rate of approximately 0.03% for such period. In addition, during the nine months ended September 30, 2013, USBO also collected $9,100 from its Authorized Purchasers for creating or redeeming baskets of units. This income also contributed to USBO's actual total return. During the nine months ended September 30, 2013, USBO incurred net expenses of $320,820. Income from dividends and interest and Authorized Purchaser collections net of expenses was $(302,451), which is equivalent to an annualized weighted average net income rate of approximately (0.94)% for the nine months ended September 30, 2013.

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

By comparison, for the nine months ended September 30, 2012, the actual total return of USBO as measured by changes in its per unit NAV was 8.93%. This was based on an initial per unit NAV, taking into account the forward unit split, of $37.27* as of December 31, 2011 and an ending per unit NAV as of September 30, 2012 of $40.60*. During this time period, USBO made no distributions to its unitholders. However, if USBO's daily changes in its per unit NAV had instead exactly tracked the changes in the daily total return of the Benchmark Futures Contract, USBO would have had an estimated per unit NAV of $81.80 as of September 30, 2012, for a total return over the relevant time period of 9.74%. The difference between the actual per unit NAV total return of USBO of 37.27% and the expected total return based on the Benchmark Futures Contract of 9.74% was an error over the time period of (0.81)%, which is to say that USBO's actual total return underperformed the benchmark result by that percentage. USCF believes that a portion of the difference between the actual total return and the expected benchmark total return can be attributed to the net impact of the expenses that USBO paid, offset in part by the income that USBO collected on its cash and cash equivalent holdings. During the nine months ended September 30, 2012, USBO earned dividend and interest income of $11,187, which was equivalent to a weighted average income rate of approximately 0.03% for such period. In addition, during the nine months ended September 30, 2012, USBO also collected $8,050 from its Authorized Purchasers for creating or redeeming baskets of units. This income also contributed to USBO's actual total return. During the nine months ended September 30, 2012, USBO incurred net expenses of $395,606. Income from dividends and interest and Authorized Purchaser collections net of expenses was $(376,369), which was equivalent to an annualized weighted average net income rate of approximately (0.93)% for the nine months ended September 30, 2012.

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

There are currently three factors that have impacted or are most likely to impact USBO's ability to accurately track its Benchmark Futures Contract.

First, USBO may buy or sell its holdings in the then current Benchmark Futures Contract at a price other than the closing settlement price of that contract on the day during which USBO executes the trade. In that case, USBO may pay a price that is higher, or lower, than that of the Benchmark Futures Contract, which could cause the daily changes in the daily per unit NAV of USBO to either be too high or too low relative to the changes in the Benchmark Futures

Contract. During the nine months ended September 30, 2013, USCF attempted to minimize the effect of these transactions by seeking to execute its purchase or sale of the Benchmark Futures Contract at, or as close as possible to, the end of the day settlement price. However, it may not always be possible for USBO to obtain the closing settlement price and there is no assurance that failure to obtain the closing settlement price in the future will not adversely impact USBO's attempt to track the Benchmark Futures Contract over time.

Second, USBO earns dividend and interest income on its cash, cash equivalents and Treasuries. USBO is not required to distribute any portion of its income to its unitholders and did not make any distributions to unitholders during the nine months ended September 30, 2013. Interest payments, and any other income, were retained within the portfolio and added to USBO's NAV. When this income exceeds the level of USBO's expenses for its management fee, brokerage commissions and other expenses (including ongoing registration fees and the fees and expenses of the independent directors of USCF), USBO will realize a net yield that will tend to cause daily changes in the per unit NAV of USBO to track slightly higher than daily changes in the Benchmark Futures Contract. During the nine months ended September 30, 2013, USBO earned, on an annualized basis, approximately 0.03% on its cash and cash equivalent holdings. It also incurred cash expenses on an annualized basis of 0.75% for management fees, approximately 0.07% in brokerage commission costs related to the purchase and sale of futures contracts and approximately 0.17% for other net expenses. The foregoing fees and expenses resulted in a net yield on an annualized basis of approximately (0.96)% and affected USBO's ability to track its benchmark. If short-term interest rates rise above the current levels, the level of deviation created by the yield would decrease. Conversely, if short-term interest rates were to decline, the amount of error created by the yield would increase. When short-term yields drop to a level lower than the combined expenses of the management fee and the brokerage commissions, then the tracking error becomes a negative number and would tend to cause the daily returns of the per unit NAV to underperform the daily returns of the Benchmark Futures Contract. USCF anticipates that interest rates will continue to remain at historical lows and, therefore, it is anticipated that fees and expenses paid by USBO will to continue to be higher than interest earned by USBO. As such, USCF anticipates that USBO will continue to underperform its benchmark until such a time when interest earned at least equals or exceeds the fees and expenses paid by USBO.

Third, USBO may hold Other Crude Oil-Related Investments in its portfolio that may fail to closely track the Benchmark Futures Contract's total return movements. In that case, the error in tracking the Benchmark Futures Contract could result in daily changes in the per unit NAV of USBO that are either too high, or too low, relative to the daily changes in the Benchmark Futures Contract. During the nine months ended September 30, 2013, USBO did not hold any Other Crude Oil-Related Investments. If USBO increases in size, and due to its obligations to comply with regulatory limits, USBO may invest in Other Crude Oil-Related Investments, which may have the effect of increasing transaction related expenses and may result in increased tracking error.

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

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

If the futures market is in backwardation, *e.g.*, when the expected price of crude oil in the future would be less, the investor would be buying a next month contract for a lower price than the current near month contract. Using the $50 per barrel price above to represent the front month price, the price of the next month contract could be $49 per barrel,

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

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

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

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

An alternative way to view the same data is to subtract from the dollar price of the near month contract the average dollar price of the near 12 months contracts for Brent crude oil. If the resulting number is a positive number, then the near month price is higher than the average price of the near 12 months contracts and the market could be described as being in backwardation. If the resulting number is a negative number, then the near month price is lower than the average price of the near 12 months contracts and the market could be described as being in contango. The chart below shows the results from subtracting from the near 12 months contracts price the price of the next month contract for the 10-year period between September 30, 2003 and September 30, 2013.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Historically, the crude oil futures markets have experienced periods of contango and backwardation, with backwardation being in place more often than contango. During 2006 and the first half of 2007, these markets experienced contango. However, starting early in the third quarter of 2007, the crude oil futures market moved into backwardation. The crude oil markets remained in backwardation until late in the second quarter of 2008 when they moved into contango. The crude oil markets remained in contango until late in the third quarter of 2008, when the markets moved into backwardation. Early in the fourth quarter of 2008, the crude oil market moved back into contango and remained in contango for the balance of 2008. Throughout 2009, the crude oil market remained in contango. During parts of January and February 2009, the level of contango was unusually steep. Crude oil inventories, which reached historic levels in January and February 2009 and which appeared to be the primary cause of the steep level of contango, began to drop in March 2009 and continued to drop for the balance of 2009 and the beginning of 2010. The crude oil futures market remained in contango through 2010 and 2012. The Brent crude oil futures market did not experience the steep levels of contango seen in the United States during the year ended December 31, 2012. The Brent crude oil futures market moved into a very mild backwardation through the end of December 2012. During the nine months ended September 30, 2013, U.S. based crude oil experienced conditions of both contango and backwardation while Brent crude oil remained in a state of backwardation. The Brent crude oil futures market experiences the same effects of contango and backwardation as the United States crude oil futures market, but the Brent crude oil futures market has not historically experienced the same level of steepness in contango and backwardation as the United States crude oil futures market.

Periods of contango or backwardation do not materially impact USBO's investment objective of having the daily percentage changes in its per unit NAV track the daily percentage changes in the price of the Benchmark Futures Contract since the impact of backwardation and contango tend to equally impact the daily percentage changes in price of both USBO's units and the Benchmark Futures Contract. It is impossible to predict with any degree of certainty whether backwardation or contango will occur in the future. It is likely that both conditions will occur during different periods.

Brent Crude Oil Market. During the nine months ended September 30, 2013, Brent crude oil prices were impacted by several factors. On the consumption side, demand moderated inside and outside the United States as global economic growth, including emerging economies such as China and India, showed signs of slowing economic growth. Europe in particular showed signs of weakness as the ongoing financial and banking crisis raised concerns during the first quarter of 2013. On the supply side, efforts to reduce production by the Organization of the Petroleum Exporting Countries ("OPEC") to more closely match global consumption were partially successful. However, continuing concerns about the political standoff with Iran have left the market subject to bouts of heightened volatility as OPEC's ability to replace Iranian oil currently subject to embargo is not unlimited. In addition, security issues in Libya, Egypt, Iraq, and Syria also contribute to heightened volatility. Brent crude oil prices finished the third quarter of 2013 approximately 3.58% lower than at the beginning of the year, as the global economy continues to adjust to periods of slow recovery and economic growth. USCF believes that should the global economic situation cease to improve, or decline, there is a meaningful possibility that crude oil prices could further retreat from their current levels, while any military actions involving Iran would likely have the opposite effect.

Brent Crude Oil Price Movements in Comparison to Other Energy Commodities and Investment Categories. USCF believes that investors frequently measure the degree to which prices or total returns of one investment or asset class move up or down in value in concert with another investment or asset class. Statistically, such a measure is usually done by measuring the correlation of the price movements of the two different investments or asset classes over some period of time. The correlation is scaled between 1 and -1, where 1 indicates that the two investment options move up or down in price or value together, known as "positive correlation," and -1 indicates that they move in completely opposite directions, known as "negative correlation." A correlation of 0 would mean that the movements of the two are neither positively nor negatively correlated, known as "non-correlation." That is, the investment options sometimes move up and down together and other times move in opposite directions.

For the ten-year time period between September 30, 2003 and September 30, 2013, the table below compares the monthly movements of Brent crude oil prices versus the monthly movements of the prices of several other energy commodities, such as natural gas, diesel-heating oil, and unleaded gasoline, as well as several major non-commodity investment asset classes, such as large cap U.S. equities, U.S. government bonds and global equities. It can be seen that over this particular time period, the movement of Brent crude oil on a monthly basis was neither strongly correlated nor inversely correlated with the movements of diesel-heating oil, large cap U.S. equities, global equities or U.S. government bonds. However, movements in Brent crude oil were strongly correlated to movements in unleaded gasoline and U.S. West Texas Intermediate (WTI) crude oil.

Correlation Matrix September 30, 2003 - 2013	Large Cap U.S. Equities (S&P 500)	U.S. Gov't. Bonds (EFFAS U.S. Gov't. Bond Index)	Global Equities (FTSE World Index)	Crude Oil (WTI)	Unleaded Gasoline	Diesel-Heating Oil	Brent Oil
Large Cap U.S. Equities (S&P 500)	1.000	(0.285)	0.961	0.419	0.196	0.382	0.393
U.S. Gov't. Bonds (EFFAS U.S. Gov't. Bond Index)		1.000	(0.258)	(0.321)	(0.248)	(0.265)	(0.314)
Global Equities (FTSE World Index)			1.000	0.485	0.212	0.450	0.467
Crude Oil (WTI)				1.000	0.639	0.869	0.944
Unleaded Gasoline					1.000	0.665	0.674
Diesel-Heating Oil						1.000	0.299
Brent Oil							1.000

Source: Bloomberg, NYMEX

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

The table below covers a more recent, but much shorter, range of dates than the above table. Over the one-year period ended September 30, 2013, Brent crude oil continued to have a strong correlation with WTI Crude Oil. The correlation between Brent crude oil and large cap U.S. equities, U.S. government bonds, global equities and diesel-heating oil continued to be neither strongly correlated nor inversely correlated. Unleaded gasoline, which had a strong correlation over the longer time period, was neither strongly correlated nor inversely correlated over the shorter time period.

Correlation Matrix 12 Months ended September 30, 2013	Large Cap U.S. Equities (S&P 500)	U.S. Gov't. Bonds (EFFAS U.S. Gov't. Bond Index)	Global Equities (FTSE World Index)	Crude Oil	Unleaded Gasoline	Diesel-Heating Oil	Brent Oil
Large Cap U.S. Equities (S&P 500)	1.000	0.177	0.852	0.270	(0.009)	0.047	(0.039)
U.S. Gov't. Bonds (EFFAS U.S. Gov't. Bond Index)		1.000	0.456	(0.346)	(0.438)	(0.441)	(0.467)
Global Equities (FTSE World Index)			1.000	0.111	(0.272)	0.012	(0.104)
Crude Oil (WTI)				1.000	0.480	0.786	0.807
Unleaded Gasoline					1.000	0.556	0.477
Diesel-Heating Oil						1.000	(0.359)
Brent Oil							1.000

Source: Bloomberg, NYMEX

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Investors are cautioned that the historical price relationships between Brent crude oil and various other energy commodities, as well as other investment asset classes, as measured by correlation may not be reliable predictors of future price movements and correlation results. The results pictured above would have been different if a different range of dates had been selected. USCF believes that Brent crude oil has historically not demonstrated a strong correlation with equities or bonds over long periods of time. However, USCF also believes that in the future it is possible that Brent crude oil could have long-term correlation results that indicate prices of Brent crude oil more closely track the movements of equities or bonds. In addition, USCF believes that, when measured over time periods shorter than ten years, there will always be some periods where the correlation of Brent crude oil to equities and bonds will be either more strongly positively correlated or more strongly negatively correlated than the long-term historical results suggest.

The correlations between Brent crude oil, WTI Crude Oil, diesel-heating oil and gasoline are relevant because USCF endeavors to invest USBO's assets in Futures Contracts and Other Crude Oil-Related Investments so that daily changes in percentage terms in USBO's per unit NAV correlate as closely as possible with daily changes in percentage terms in the price of the Benchmark Futures Contract. If certain other fuel-based commodity futures contracts do not closely correlate with the Benchmark Futures Contract, then their use could lead to greater tracking error. As noted above, USCF also believes that the changes in percentage terms in the price of the Benchmark Futures Contract will closely correlate with changes in percentage terms in the spot price of Brent crude oil.

Critical Accounting Policies

Preparation of the condensed financial statements and related disclosures in compliance with accounting principles generally accepted in the United States of America requires the application of appropriate accounting rules and guidance, as well as the use of estimates. USBO's application of these policies involves judgments and actual results may differ from the estimates used.

USCF has evaluated the nature and types of estimates that it makes in preparing USBO's condensed financial statements and related disclosures and has determined that the valuation of its investments, which are not traded on a United States or internationally recognized futures exchange (such as forward contracts and over-the-counter contracts) involves a critical accounting policy. The values which are used by USBO for its Futures Contracts are provided by its commodity broker who uses market prices when available, while over-the-counter contracts are valued based on the present value of estimated future cash flows that would be received from or paid to a third party in settlement of these derivative contracts prior to their delivery date and valued on a daily basis. In addition, USBO estimates interest and dividend income on a daily basis using prevailing rates earned on its cash and cash equivalents. These estimates are adjusted to the actual amount received on a monthly basis and the difference, if any, is not considered material.

Liquidity and Capital Resources

USBO has not made, and does not anticipate making, use of borrowings or other lines of credit to meet its obligations. USBO has met, and it is anticipated that USBO will continue to meet, its liquidity needs in the normal course of business from the proceeds of the sale of its investments, or from the Treasuries, cash and/or cash equivalents that it intends to hold at all times. USBO's liquidity needs include: redeeming units, providing margin deposits for its existing Futures Contracts or the purchase of additional Futures Contracts and posting collateral for its over-the-counter contracts, if applicable, and, except as noted below, payment of its expenses, summarized below under "Contractual Obligations."

USBO currently generates cash primarily from: (i) the sale of baskets consisting of 50,000 units ("Creation Baskets") and (ii) income earned on Treasuries, cash and/or cash equivalents. USBO has allocated substantially all of its net assets to trading in Crude Oil Interests. USBO invests in Crude Oil Interests to the fullest extent possible without

being leveraged or unable to satisfy its current or potential margin or collateral obligations with respect to its investments in Futures Contracts and Other Crude Oil-Related Investments. A significant portion of USBO's NAV is held in cash and cash equivalents that are used as margin and as collateral for its trading in Crude Oil Interests. The balance of the assets is held in USBO's account at its custodian bank and in investments in Treasuries at the FCM. Income received from USBO's investments in money market funds and Treasuries is paid to USBO. During the nine months ended September 30, 2013, USBO's expenses exceeded the income USBO earned and the cash earned from the sale of Creation Baskets and the redemption of Redemption Baskets. During the nine months ended September 30, 2013, USBO used other assets to pay expenses, which could cause a drop in USBO's NAV over time. To the extent expenses exceed income, USBO's NAV will be negatively impacted.

USBO's investments in Crude Oil Interests may be subject to periods of illiquidity because of market conditions, regulatory considerations and other reasons. For example, most commodity exchanges limit the fluctuations in futures contracts prices during a single day by regulations referred to as "daily limits." During a single day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, positions in the contracts can neither be taken nor liquidated unless the traders are willing to effect trades at or within the specified daily limit. Such market conditions could prevent USBO from promptly liquidating its positions in Futures Contracts. During the nine months ended September 30, 2013, USBO did not purchase or liquidate any of its positions while daily limits were in effect; however, USBO cannot predict whether such an event may occur in the future.

Prior to the initial offering of USBO, all payments with respect to USBO's expenses were paid by USCF. USBO does not have any obligation or intention to refund such payments by USCF. USCF is under no obligation to pay USBO's current or future expenses. Since the initial offering of units, USBO has been responsible for expenses relating to: (i) management fees, (ii) brokerage fees and commissions, (iii) ongoing registration expenses in connection with offers and sales of its units subsequent to the initial offering, (iv) other expenses, including tax reporting costs, (v) fees and expenses of the independent directors of USCF and (vi) other extraordinary expenses not in the ordinary course of business, while USCF has been responsible for expenses relating to the fees of USBO's Marketing Agent, Administrator and Custodian and registration expenses relating to the initial offering of units. If USCF and USBO are unsuccessful in raising sufficient funds to cover these respective expenses or in locating any other source of funding, USBO will terminate and investors may lose all or part of their investment.

Market Risk

Trading in Futures Contracts and Other Crude Oil-Related Investments, such as forwards, involves USBO entering into contractual commitments to purchase or sell oil at a specified date in the future. The aggregate market value of the contracts will significantly exceed USBO's future cash requirements since USBO intends to close out its open positions prior to settlement. As a result, USBO is generally only subject to the risk of loss arising from the change in value of the contracts. USBO considers the "fair value" of its derivative instruments to be the unrealized gain or loss on the contracts. The market risk associated with USBO's commitments to purchase oil is limited to the aggregate market value of the contracts held. However, should USBO enter into a contractual commitment to sell oil, it would be required to make delivery of the oil at the contract price, repurchase the contract at prevailing prices or settle in cash. Since there are no limits on the future price of oil, the market risk to USBO could be unlimited.

USBO's exposure to market risk depends on a number of factors, including the markets for oil, the volatility of interest rates and foreign exchange rates, the liquidity of the Futures Contracts and Other Crude Oil-Related Investments markets and the relationships among the contracts held by USBO. Drastic market occurrences could ultimately lead to the loss of all or substantially all of an investor's capital.

Credit Risk

When USBO enters into Futures Contracts and Other Crude Oil-Related Investments, it is exposed to the credit risk that the counterparty will not be able to meet its obligations. The counterparty for the Futures Contracts traded on the ICE Futures and on most other futures exchanges is the clearinghouse associated with the particular exchange. In general, in addition to margin required to be posted by the clearinghouse in connection with cleared trades, clearinghouses are backed by their members who may be required to share in the financial burden resulting from the nonperformance of one of their members and, therefore, this additional member support should significantly reduce credit risk. Some foreign exchanges are not backed by their clearinghouse members but may be backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearinghouse, or their members or their financial backers will satisfy their obligations to USBO in such circumstances.

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USCF attempts to manage the credit risk of USBO by following various trading limitations and policies. In particular, USBO generally posts margin and/or holds liquid assets that are approximately equal to the market value of its obligations to counterparties under the Futures Contracts and Other Crude Oil-Related Investments it holds. USCF has implemented procedures that include, but are not limited to, executing and clearing trades only with creditworthy parties and/or requiring the posting of collateral or margin by such parties for the benefit of USBO to limit its credit exposure. An FCM, when acting on behalf of USBO in accepting orders to purchase or sell Futures Contracts on United States exchanges, is required by CFTC regulations to separately account for and segregate as belonging to USBO, all assets of USBO relating to domestic Futures Contracts trading. These FCMs are not allowed to commingle USBO's assets with their other assets. In addition, the CFTC requires commodity brokers to hold in a secure account USBO's assets related to foreign Futures Contracts trading. During the nine months ended September 30, 2013, the only foreign exchange on which USBO made investments was the ICE Futures Europe, which is a London based futures exchange. Those crude oil contracts are denominated in U.S. dollars.

If, in the future, USBO purchases over-the-counter contracts, see *"Item 3. Quantitative and Qualitative Disclosures About Market Risk"* in this quarterly report on Form 10-Q for a discussion of over-the-counter contracts.

As of September 30, 2013, USBO held cash deposits and investments in Treasuries and money market funds in the amount of $41,991,712 with the custodian and FCM. Some or all of this amount may be subject to loss should USBO's custodian and/or FCM cease operations.

Off Balance Sheet Financing

As of September 30, 2013, USBO had no loan guarantee, credit support or other off-balance sheet arrangements of any kind other than agreements entered into in the normal course of business, which may include indemnification provisions relating to certain risks that service providers undertake in performing services, which are in the best interests of USBO. While USBO's exposure under these indemnification provisions cannot be estimated, they are not expected to have a material impact on USBO's financial position.

European Sovereign Debt

USBO had no direct exposure to European sovereign debt as of September 30, 2013 and has no direct exposure to European sovereign debt as of the filing of this quarterly report on Form 10-Q.

Redemption Basket Obligation

In order to meet its investment objective and pay its contractual obligations described below, USBO requires liquidity to redeem units, which redemptions must be in blocks of 50,000 units as of February 29, 2012, called "Redemption Baskets." (Prior to February 29, 2012, the size of the Redemption Basket was 100,000 units.) USBO has to date satisfied this obligation by paying from the cash or cash equivalents it holds or through the sale of its Treasuries in an amount proportionate to the number of units being redeemed.

Contractual Obligations

USBO's primary contractual obligations are with USCF. In return for its services, USCF is entitled to a management fee calculated daily and paid monthly as a fixed percentage of USBO's NAV, currently 0.75% of NAV on its average daily total net assets.

USCF agreed to pay the start-up costs associated with the formation of USBO, primarily its legal, accounting and other costs in connection with USCF's registration with the CFTC as a CPO and the registration and listing of USBO and its units with the SEC, FINRA and NYSE Arca (formerly, AMEX), respectively. However, since USBO's initial

offering of units, offering costs incurred in connection with registering and listing additional units of USBO have been directly borne on an ongoing basis by USBO, and not by USCF.

USCF pays the fees of USBO's marketing agent, ALPS Distributors, Inc., and the fees of the custodian and transfer agent, Brown Brothers Harriman & Co. ("BBH&Co."), as well as BBH&Co.'s fees for performing administrative services, including those in connection with the preparation of USBO's condensed financial statements and its SEC, NFA and CFTC reports. USBO pays the fees and expenses associated with its tax accounting and reporting requirements. USCF has voluntarily agreed to pay certain expenses normally borne by USBO to the extent that such expenses exceed 0.15% (15 basis points) of USBO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note* 4 in *Item 1* of this quarterly report on Form 10-Q.

In addition to USCF's management fee, USBO pays its brokerage fees (including fees to a FCM), over-the-counter dealer spreads and, subsequent to the initial offering, registration and other fees paid to the SEC, FINRA, or other regulatory agencies in connection with the offer and sale of units, as well as legal, printing, accounting and other expenses associated therewith, and extraordinary expenses. The latter are expenses not incurred in the ordinary course of USBO's business, including expenses relating to the indemnification of any person against liabilities and obligations to the extent permitted by law and under the LP Agreement, the bringing or defending of actions in law or in equity or otherwise conducting litigation and incurring legal expenses and the settlement of claims and litigation. Commission payments to a FCM are on a contract-by-contract, or round turn, basis. USBO also pays a portion of the fees and expenses of the independent directors of USCF. See *Note 3* to the *Notes to Condensed Financial Statements (Unaudited)* in *Item 1* of this quarterly report on Form 10-Q.

The parties cannot anticipate the amount of payments that will be required under these arrangements for future periods, as USBO's per unit NAVs and trading levels to meet its investment objective will not be known until a future date. These agreements are effective for a specific term agreed upon by the parties with an option to renew, or, in some cases, are in effect for the duration of USBO's existence. Either party may terminate these agreements earlier for certain reasons described in the agreements.

As of September 30, 2013, USBO's portfolio consisted of 333 Brent Crude Oil Futures CO contracts traded on the ICE Futures Europe. As of September 30, 2013, USBO did not hold any Futures Contracts for Brent crude oil traded on NYMEX. For a list of USBO's current holdings, please see USBO's website at www.unitedstatesbrentoilfund.com.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Over-the-Counter Derivatives (Including Spreads and Straddles)

In the future, USBO may purchase over-the-counter contracts ("OTC Contracts"). Unlike most exchange-traded futures contracts or exchange-traded options on such futures, each party to an OTC Contract bears the credit risk that the other party may not be able to perform its obligations under its contract.

Swap transactions, like other financial transactions, involve a variety of significant risks. The specific risks presented by a particular swap transaction necessarily depend upon the terms and circumstances of the transaction. In general, however, all swap transactions involve some combination of market risk, credit risk, counterparty credit risk, funding risk, liquidity risk and operational risk.

Highly customized swap transactions in particular may increase liquidity risk, which may result in a suspension of redemptions. Highly leveraged transactions may experience substantial gains or losses in value as a result of relatively small changes in the value or level of an underlying or related market factor.

In evaluating the risks and contractual obligations associated with a particular swap transaction, it is important to consider that a swap transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Therefore, it may not be possible for USCF to modify, terminate or offset USBO's obligations or its exposure to the risks associated with a transaction prior to its scheduled termination date.

To reduce the credit risk that arises in connection with such contracts, USBO will generally enter into an agreement with each counterparty based on the Master Agreement published by the International Swaps and Derivatives Association that provides for the netting of its overall exposure to its counterparty, if the counterparty is unable to meet its obligations to USBO due to the occurrence of a specified event, such as the insolvency of the counterparty.

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USCF assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty to an OTC Contract pursuant to guidelines approved by USCF's board of directors (the "Board"). Furthermore, USCF on behalf of USBO only enters into OTC Contracts with counterparties who are, or are affiliates of, (a) banks regulated by a United States federal bank regulator, (b) broker-dealers regulated by the SEC, (c) insurance companies domiciled in the United States, or (d) producers, users or traders of energy, whether or not regulated by the CFTC. Any entity acting as a counterparty shall be regulated in either the United States or the United Kingdom unless otherwise approved by the Board after consultation with its legal counsel. Existing counterparties are also reviewed periodically by USCF. USBO will also require that the counterparty be highly rated and/or provide collateral or other credit support. Even if collateral is used to reduce counterparty credit risk, sudden changes in the value of OTC transactions may leave a party open to financial risk due to a counterparty default since the collateral held may not cover a party's exposure on the transaction in such situations.

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

During the nine months ended September 30, 2013, USBO did not employ any hedging methods such as those described above since all of its investments were made over an exchange. Therefore, during such period, USBO was not exposed to counterparty risk.

USBO 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 USBO. However, there can be no assurance of this. OTC Contracts may result in higher transaction-related expenses than the brokerage commissions paid in connection with the purchase of Futures Contracts, which may impact USBO's ability to successfully track the Benchmark Futures Contract.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

USBO maintains disclosure controls and procedures that are designed to ensure that material information required to be disclosed in USBO's periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms.

The duly appointed officers of USCF, including its chief executive officer and chief financial officer, who perform functions equivalent to those of a principal executive officer and principal financial officer of USBO if USBO had any officers, have evaluated the effectiveness of USBO's disclosure controls and procedures and have concluded that the disclosure controls and procedures of USBO have been effective as of the end of the period covered by this quarterly report on Form 10-Q.

Change in Internal Control Over Financial Reporting

There were no changes in USBO's internal control over financial reporting during USBO's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, USBO's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in USBO's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on March 26, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Monthly Account Statements

Pursuant to the requirement under Rule 4.22 under the Commodity Exchange Act, each month USBO publishes an account statement for its unitholders, which includes a Statement of Income (Loss) and a Statement of Changes in Net Asset Value. The account statement is furnished to the SEC on a current report on Form 8-K pursuant to Section 13 or 15(d) of the Exchange Act and posted each month on USBO's website at www.unitedstatesbrentoilfund.com.

Item 6. Exhibits.

Listed below are the exhibits, which are filed as part of this quarterly report on Form 10-Q (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit Number	Description of Document
31.1(1)	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(1)	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(1)	Certification by Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(1)	Certification by Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS(2)	XBRL Instance Document.
101.SCH(2)	XBRL Taxonomy Extension Schema.
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase.
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase.
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase.

(1) Filed herewith.
(2) In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Brent Oil Fund, LP (Registrant)
By: United States Commodity Funds LLC, its general partner

By: /s/ Nicholas D. Gerber
Nicholas D. Gerber
President and Chief Executive Officer
(Principal executive officer)

Date: November 14, 2013

By: /s/ Howard Mah
Howard Mah
Chief Financial Officer
(Principal financial and accounting officer)

Date: November 14, 2013