

United States Diesel-Heating Oil Fund, LP
Form 10-Q
May 13, 2015

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 March 31, 2015.

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: 001-34016

United States Diesel-Heating Oil Fund, LP

(Exact name of registrant as specified in its charter)

Delaware 20-8837345
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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. 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). 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 (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 No

UNITED STATES DIESEL-HEATING OIL FUND, LP

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

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*United States Diesel-Heating Oil Fund, LP**Condensed Statements of Financial Condition**At March 31, 2015 (Unaudited) and December 31, 2014*

	March 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents (Notes 2 and 5)	\$ 4,553,035	\$ 2,780,596
Equity in trading accounts:		
Cash and cash equivalents	447,007	419,877
Unrealized gain (loss) on open commodity futures contracts	102,249	(188,748)
Receivable from General Partner (Note 3)	17,071	66,534
Dividends receivable	61	61
Prepaid registration fees	207,219	209,018
Directors' fees and insurance receivable	209	-
Total assets	\$ 5,326,851	\$ 3,287,338
Liabilities and Partners' Capital		
Professional fees payable	\$ 36,877	\$ 56,226
General Partner management fees payable (Note 3)	2,590	1,758
License fees payable	170	147
Directors' fees and insurance payable	-	12
Brokerage commissions payable	132	132
Total liabilities	39,769	58,275
Commitments and Contingencies (Notes 3, 4 and 5)		
Partners' Capital		
General Partner	-	-
Limited Partners	5,287,082	3,229,063
Total Partners' Capital	5,287,082	3,229,063
Total liabilities and partners' capital	\$ 5,326,851	\$ 3,287,338
Limited Partners' shares outstanding	250,000	150,000
Net asset value per share	\$ 21.15	\$ 21.53
Market value per share	\$ 21.16	\$ 21.58

See accompanying notes to condensed financial statements.

United States Diesel-Heating Oil Fund, LP

Condensed Schedule of Investments (Unaudited)

At March 31, 2015

	Number of Contracts	Unrealized Gain (Loss) on Open Commodity Contracts	% of Partners' Capital	
Open Futures Contracts - Long United States Contracts NYMEX Heating Oil Futures HO May 2015 contracts, expiring April 2015*	74	\$ 102,249	1.93	
			Principal Amount	Market Value
Cash Equivalents				
United States - Money Market Funds				
Morgan Stanley Institutional Liquidity Fund - Government Portfolio			\$1,801,936	\$1,801,936 34.08

* Collateral amounted to \$447,007 on open futures contracts.

See accompanying notes to condensed financial statements.

*United States Diesel-Heating Oil Fund, LP**Condensed Statements of Operations (Unaudited)**For the three months ended March 31, 2015 and 2014*

	Three months ended March 31, 2015	Three months ended March 31, 2014
Income		
Gain (loss) on trading of commodity futures contracts:		
Realized gain (loss) on closed positions	\$ (294,572	) \$ 93,362
Change in unrealized gain (loss) on open positions	290,997	(82,853)
Dividend income	178	215
Interest income	140	87
ETF transaction fees	700	-
Total income (loss)	(2,557	) 10,811
Expenses		
General Partner management fees (Note 3)	6,450	7,364
Professional fees	15,391	31,140
Brokerage commissions	1,299	782
Directors' fees and insurance	218	323
License fees	161	184
Registration fees	1,800	1,800
Total expenses	25,319	41,593
Expense waiver (Note 3)	(17,071	) (30,167)
Net expenses	8,248	11,426
Net income (loss)	\$ (10,805	) \$ (615)
Net income (loss) per limited partnership share	\$ (0.38	) \$ (0.00)*
Net income (loss) per weighted average limited partnership share	\$ (0.05	) \$ (0.00)*
Weighted average limited partnership shares outstanding	203,333	150,000

*Amount less than \$0.005

See accompanying notes to condensed financial statements.

United States Diesel-Heating Oil Fund, LP

Condensed Statement of Changes in Partners' Capital (Unaudited)

For the three months ended March 31, 2015

	General Partner	Limited Partners	Total
Balances, at December 31, 2014	\$ -	\$ 3,229,063	\$3,229,063
Addition of 100,000 partnership shares	-	2,068,824	2,068,824
Net income (loss)	-	(10,805	) (10,805)
Balances, at March 31, 2015	\$ -	\$ 5,287,082	\$5,287,082
Net Asset Value Per Share:			
At December 31, 2014	\$ 21.53		
At March 31, 2015	\$ 21.15		

See accompanying notes to condensed financial statements.

*United States Diesel-Heating Oil Fund, LP**Condensed Statements of Cash Flows (Unaudited)**For the three months ended March 31, 2015 and 2014*

	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash Flows from Operating Activities:		
Net income (loss)	\$ (10,805	) \$ (615)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
(Increase) decrease in commodity futures trading account - cash and cash equivalents	(27,130	) (160,580)
Unrealized (gain) loss on open futures contracts	(290,997	) 82,853
(Increase) decrease in receivable from General Partner	49,463	70,641
(Increase) decrease in dividends receivable	-	(2)
(Increase) decrease in prepaid registration fees	1,799	1,799
(Increase) decrease in directors' fees and insurance receivable	(209	) (375)
Increase (decrease) in professional fees payable	(19,349	) (79,178)
Increase (decrease) in General Partner management fees payable	832	39
Increase (decrease) in license fees payable	23	(31)
Increase (decrease) in directors' fees and insurance payable	(12	) (97)
Net cash provided by (used in) operating activities	(296,385	) (85,546)
Cash Flows from Financing Activities:		
Addition of partnership shares	2,068,824	-
Net cash provided by (used in) financing activities	2,068,824	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,772,439	(85,546)
Cash and Cash Equivalents, beginning of period	2,780,596	4,441,883
Cash and Cash Equivalents, end of period	\$ 4,553,035	\$ 4,356,337

See accompanying notes to condensed financial statements.

United States Diesel-Heating Oil Fund, LP

Notes to Condensed Financial Statements

For the period ended March 31, 2015 (Unaudited)

NOTE 1 — ORGANIZATION AND BUSINESS

The United States Diesel-Heating Oil Fund, LP (“UHN”) was organized as a limited partnership under the laws of the state of Delaware on April 13, 2007. UHN is a commodity pool that issues limited partnership shares (“shares”) that may be purchased and sold on the NYSE Arca, Inc. (the “NYSE Arca”). Prior to November 25, 2008, UHN’s shares traded on the American Stock Exchange (the “AMEX”). UHN will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Second Amended and Restated Agreement of Limited Partnership, as amended March 1, 2013 (the “LP Agreement”). The investment objective of UHN is for the daily changes in daily percentage terms of its shares’ per share net asset value (“NAV”) to reflect the daily changes in percentage terms of the price of heating oil (also known as No. 2 fuel oil) for delivery to the New York harbor, as measured by the daily changes in the price of the futures contract for heating oil traded on the New York Mercantile Exchange (the “NYMEX”) 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 UHN’s expenses. It is not the intent of UHN to be operated in a fashion such that the per share NAV will equal, in dollar terms, the spot price of heating oil or any particular futures contract based on heating oil. It is not the intent of UHN to be operated in a fashion such that its per share 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 UHN, 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 Diesel-Heating Oil-Related Investments (as defined below). UHN accomplishes its objective through investments in futures contracts for diesel-heating oil, crude oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures Exchange (“ICE Futures”) or other U.S. and foreign exchanges (collectively, “Futures Contracts”) and other diesel-heating oil-related investments such as cash-settled options on Futures Contracts, forward contracts for diesel-heating oil and over-the-counter (“OTC”) transactions that are based on the price of diesel-heating oil, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, “Other Diesel-Heating Oil-Related Investments”). As of March 31, 2015, UHN held 74 Futures Contracts for heating oil traded on the NYMEX and did not hold any Futures Contracts for heating oil on ICE Futures.

UHN commenced investment operations on April 9, 2008 and has a fiscal year ending on December 31. USCF is responsible for the management of UHN. 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 and a swaps firm on August 8, 2013. USCF is also the general partner of the United States Oil Fund, LP (“USO”), the United States Natural Gas Fund, LP (“UNG”), the United States 12 Month Oil Fund, LP (“USL”) and the United States Gasoline Fund, LP (“UGA”), which listed their limited partnership shares on the AMEX under the ticker symbols “USO” on April 10, 2006, “UNG” on April 18, 2007, “USL” on December 6, 2007 and “UGA” on February 26, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USO’s, UNG’s, USL’s and

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UGA's shares commenced trading on the NYSE Arca on November 25, 2008. USCF is also the general partner of the United States Short Oil Fund, LP ("DNO"), the United States 12 Month Natural Gas Fund, LP ("UNL") and the United States Brent Oil Fund, LP ("BNO"), which listed their limited partnership shares on the NYSE Arca under the ticker symbols "DNO" on September 24, 2009, "UNL" on November 18, 2009 and "BNO" on June 2, 2010, respectively. USCF is also the sponsor of the United States Commodity Index Fund ("USCI"), the United States Copper Index Fund ("CPER") and the United States Agriculture Index Fund ("USAG"), each a series of the United States Commodity Index Funds Trust. USCI, CPER, and USAG listed their shares on the NYSE Arca under the ticker symbol "USCI" on August 10, 2010, "CPER" on November 15, 2011, and "USAG" on April 13, 2012, respectively. All funds listed previously are referred to collectively herein as the "Related Public Funds."

UHN issues shares to certain authorized purchasers ("Authorized Participants") by offering baskets consisting of 50,000 shares ("Creation Baskets") through ALPS Distributors, Inc., as the marketing agent (the "Marketing Agent"). The purchase price for a Creation Basket is based upon the NAV of a share 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.

The applicable transaction fee paid by Authorized Participants is \$350 to UHN for each order they place to create one or more Creation Baskets or to redeem one or more baskets ("Redemption Baskets"). Shares may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket or Redemption Basket. Shares purchased or sold on a nationally recognized securities exchange are not purchased or sold at the per share NAV of UHN but rather at market prices quoted on such exchange.

In April 2008, UHN initially registered 10,000,000 shares on Form S-1 with the U.S. Securities and Exchange Commission (the "SEC"). On April 9, 2008, UHN listed its shares on the AMEX under the ticker symbol "UHN." On that day, UHN established its initial per share NAV by setting the price at \$50.00 and issued 200,000 shares in exchange for \$10,000,000. UHN also commenced investment operations on April 9, 2008 by purchasing Futures Contracts traded on the NYMEX based on heating oil. As a result of the acquisition of the AMEX by NYSE Euronext, UHN commenced trading on the NYSE Arca on November 25, 2008. As of March 31, 2015, UHN had registered a total of 60,000,000 shares.

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

Basis of Presentation

The financial statements have been prepared in conformity with GAAP as detailed in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification. UHN is an investment company and follows the accounting and reporting guidance in FASB Topic 946.

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. UHN earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant (“FCM”) at the overnight Federal Funds Rate, less 32 basis points. In addition, UHN earns income on funds held at the custodian or FCM at prevailing market rates earned on such investments.

Brokerage Commissions

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

Income Taxes

UHN 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, UHN 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. UHN files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. UHN is not subject to income tax return examinations by major taxing authorities for years before 2011. 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 UHN recording a tax liability that reduces net assets. However, UHN'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. UHN 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 March 31, 2015.

Creations and Redemptions

Authorized Participants may purchase Creation Baskets or redeem Redemption Baskets only in blocks of 50,000 shares at a price equal to the NAV of the shares calculated shortly after the close of the core trading session on the NYSE Arca on the day the order is placed.

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

Authorized Participants pay UHN a fee of \$350 for each order placed to create one or more Creation Baskets or to redeem one or more Redemption Baskets.

Partnership Capital and Allocation of Partnership Income and Losses

Profit or loss shall be allocated among the partners of UHN in proportion to the number of shares 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 Share Net Asset Value (“NAV”)

UHN’s per share 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 shares outstanding. UHN 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 Share

Net income (loss) per share is the difference between the per share NAV at the beginning of each period and at the end of each period. The weighted average number of shares outstanding was computed for purposes of disclosing net income (loss) per weighted average share. The weighted average shares are equal to the number of shares outstanding at the end of the period, adjusted proportionately for shares added and redeemed based on the amount of time the shares were outstanding during such period. There were no shares held by USCF at March 31, 2015.

Offering Costs

Offering costs incurred in connection with the registration of additional shares after the initial registration of shares are borne by UHN. 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 nine 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 UHN in accordance with the objectives and policies of UHN. In addition, USCF has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to UHN. For these services, UHN is contractually obligated to pay USCF a fee, which is paid monthly, equal to 0.60% per annum of average daily total net assets.

Ongoing Registration Fees and Other Offering Expenses

UHN pays all costs and expenses associated with the ongoing registration of its shares subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of shares, and all legal, accounting, printing and other expenses associated with such offer and sale. For the three

months ended March 31, 2015 and 2014, UHN incurred \$1,800 and \$1,800, respectively, in registration fees and other offering expenses.

Directors' Fees and Expenses

UHN is responsible for paying its portion of the directors' and officers' liability insurance for UHN and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of UHN and the Related Public Funds. UHN 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 Related Public Fund computed on a daily basis. These fees and expenses for the year ending December 31, 2015 are estimated to be a total of \$981 for UHN and \$560,625 for UHN and the Related Public Funds.

Licensing Fees

UHN and the Related Public Funds, other than BNO, USCI, CPER and USAG, pay a licensing fee that is equal to 0.015% on all net assets. During the three months ended March 31, 2015 and 2014, UHN incurred \$161 and \$184, respectively, under this arrangement.

Investor Tax Reporting Cost

The fees and expenses associated with UHN's audit expenses and tax accounting and reporting requirements are paid by UHN. These costs are estimated to be \$63,000 for the year ending December 31, 2015.

Other Expenses and Fees and Expense Waivers

In addition to the fees described above, UHN pays all brokerage fees and other expenses in connection with the operation of UHN, excluding costs and expenses paid by USCF as outlined in *Note 4 – Contracts and Agreements* below. USCF has voluntarily agreed to pay certain expenses normally borne by UHN to the extent that such expenses exceed 0.15% (15 basis points) of UHN's NAV, on an annualized basis, through at least June 30, 2015. USCF has no obligation to continue such payments into subsequent periods. For the three months ended March 31, 2015, USCF waived \$17,071 of UHN's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4 – Contracts and Agreements* below.

NOTE 4 — CONTRACTS AND AGREEMENTS

UHN is party to a marketing agent agreement, dated as of March 10, 2008, as amended from time to time, with the Marketing Agent and USCF, whereby the Marketing Agent provides certain marketing services for UHN as outlined in the agreement. The fee of the Marketing Agent, which is borne by USCF, is equal to 0.06% on UHN's assets up to \$3 billion and 0.04% on UHN'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 UHN's offering.

The above fee does not include website construction and development, which are borne by USCF.

UHN is also party to a custodian agreement, dated March 13, 2008, as amended from time to time, with Brown Brothers Harriman & Co. ("BBH&Co.") and USCF, whereby BBH&Co. holds investments on behalf of UHN. USCF pays the fees of the custodian, which are determined by the parties from time to time. In addition, UHN is party to an administrative agency agreement, dated February 7, 2008, as amended from time to time, with USCF and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for UHN. 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 UHN 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 the Related Public Funds' combined net assets, (b) 0.0465% for the Related Public Funds' combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once the Related Public Funds' 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, UHN entered into a brokerage agreement with RBC Capital Markets, LLC ("RBC Capital" or "RBC") to serve as UHN's FCM, effective October 10, 2013. Prior to October 10, 2013, the FCM was UBS Securities LLC. The agreement with RBC Capital requires it to provide services to UHN in connection with the purchase and sale of Futures Contracts and Other Diesel-Heating Oil-Related Investments that may be purchased and sold by or through RBC Capital and/or UBS Securities for UHN's account. In accordance with the agreement, RBC Capital charges UHN commissions of approximately \$7 to \$15 per round-turn trade, including applicable exchange and NFA