HARRIS CORP /DE/
Form 424B3
April 24, 2015
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-202539

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

Dear Fellow Shareholder:

You are cordially invited to attend a special meeting of shareholders of Exelis Inc., an Indiana corporation, which is referred to as Exelis, to be held on May 22, 2015, at 9:00 A.M., local time, at 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102. At the special meeting, you will be asked to approve the Agreement and Plan of Merger, dated as of February 5, 2015, which is referred to as the merger agreement and which provides for a merger in which a subsidiary of Harris Corporation, which is referred to as Harris, will merge with and into Exelis, and Exelis will become a wholly owned subsidiary of Harris, in a part cash, part stock transaction. Exelis board of directors unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of Exelis and its shareholders and unanimously adopted the merger agreement, the merger and the other transactions contemplated by the merger agreement.

Upon successful completion of the merger, Exelis shareholders will be entitled to receive a combination of cash and Harris common stock in exchange for their shares of Exelis common stock. Pursuant to the merger, you will have the right to receive, in exchange for each share of Exelis common stock you own immediately prior to the merger, (1) $16.625 in cash, without interest, and (2) 0.1025 of a share of Harris common stock. The price represented a premium of approximately 34% to the closing price of the Exelis common stock of $17.71 on the New York Stock Exchange, which is referred to as the NYSE, on February 5, 2015. Based on the closing price of Harris common stock on the NYSE on April 22, 2015, the latest practicable calculation date before the filing of this proxy statement/prospectus, in exchange for each share of Exelis common stock you own, such consideration represents value of approximately $25.08 per share, comprised of: (1) $16.625 per share in cash and (2) 0.1025 of a share of Harris common stock, having a value of approximately $8.45. Both Harris and Exelis common stock is traded on the NYSE, under the symbols HRS and XLS, respectively. On April 22, 2015, the closing price of Harris common stock was $82.46 and the closing price of Exelis common stock was $24.73. We encourage you to obtain updated quotes for the Harris common stock, given that a portion of the merger consideration is payable in Harris common stock.

We cannot complete the merger unless Exelis shareholders approve the merger agreement at the special meeting. **Your vote on these matters is very important, regardless of the number of shares of Exelis common stock you own. The merger cannot be completed unless the holders of at least a majority of the outstanding shares of Exelis common stock entitled to vote thereon vote to approve the merger agreement. Whether or not you plan to attend the special meeting in person, it is important that your shares of Exelis common stock be represented and voted at the special meeting. In order to ensure your shares of Exelis common stock are represented, we urge you to promptly submit your vote by proxy via the Internet, by phone, or by signing, dating, and returning the enclosed proxy card in the enclosed envelope**. If you decide to attend the special meeting, you will be able to vote in person, even if you have previously submitted your proxy.

In addition, at the special meeting you will also be asked to approve, on an advisory (non-binding) basis, the executive officer compensation payments that will or may be paid by Exelis to its named executive officers in connection with the merger and the adjournment of the special meeting under certain circumstances.

A failure to vote, a broker non-vote or an abstention, will have the same effect as a vote **AGAINST** the approval of the merger agreement. For the advisory proposal concerning the executive officer compensation payment that will or may be paid to Exelis named executive officers in connection with the merger to be considered approved, votes cast **FOR** must exceed votes cast **AGAINST**. The affirmative vote of the holders of a majority of the shares of Exelis common stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting. Accordingly, an Exelis shareholder s abstention from voting will have the same effect as a vote **AGAINST** the proposal to adjourn the special meeting, while a broker non-vote or other failure to vote will have no effect on the proposal.

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THE EXELIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EXELIS SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE MERGER AGREEMENT, FOR THE EXECUTIVE OFFICER COMPENSATION ARRANGEMENTS PROPOSAL, AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY.

In considering the recommendation of the Exelis board of directors, you should be aware that certain directors and executive officers of Exelis will have interests in the merger that may be different from, or in addition to, the interests of Exelis shareholders generally. See the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133 of the accompanying proxy statement/prospectus.

The accompanying proxy statement/prospectus provides you with important information about the special meeting and the merger, the executive officer compensation arrangements proposal and the adjournment proposal. **We encourage you to read the entire document carefully, in particular the Risk Factors section beginning on page 45 for a discussion of risks relevant to the merger**.

If you have any questions regarding this proxy statement/prospectus, you may contact D.F. King & Co., Inc., Exelis proxy solicitor, by calling toll free at (800) 487-4870, or collect at (212) 269-5550.

On behalf of the board of directors of Exelis, thank you for your consideration and continued support. We hope to see you at the special meeting and look forward to the successful completion of the merger.

Sincerely,

David F. Melcher

Chief Executive Officer and President of Exelis Inc.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the Harris common stock to be issued in the merger or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated April 24, 2015, and is first being mailed to Exelis shareholders on or about April 24, 2015.

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1650 Tysons Boulevard

Suite 1700

McLean, Virginia 22102

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 22, 2015

To the Shareholders of Exelis Inc.:

Notice is hereby given that Exelis Inc., which is referred to as Exelis, will hold a special meeting of its shareholders at 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102, on May 22, 2015, beginning at 9:00 A.M., local time, for the purpose of considering and voting on the following matters:

1. A proposal to approve the Agreement and Plan of Merger, dated as of February 5, 2015, which is referred to as the merger agreement, by and among Harris Corporation, which is referred to as Harris, Exelis and Harris Communication Solutions (Indiana), Inc., a wholly owned subsidiary of Harris, which is referred to as Merger Sub;

2. A proposal to approve, on an advisory (non-binding) basis, the executive officer compensation that will or may be paid to Exelis named executive officers in connection with the merger, which is referred to as the merger-related named executive officer compensation proposal; and

3. A proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders.

These items are described in detail in the accompanying proxy statement/prospectus.

Only shareholders of record of shares of Exelis common stock at the close of business on April 14, 2015, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof.

A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus.

Exelis board of directors unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of Exelis and its shareholders, unanimously adopted the merger agreement, the merger and the other transactions contemplated by the merger agreement, directed that the approval of the merger agreement be submitted to a vote at a meeting of the Exelis shareholders, and recommended that the Exelis shareholders vote to approve the merger agreement.

THE EXELIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE MERGER AGREEMENT, FOR THE MERGER-RELATED NAMED EXECUTIVE OFFICER COMPENSATION PROPOSAL, AND FOR THE APPROVAL OF THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY.

Your vote is very important, regardless of the number of shares of Exelis common stock you own. We hope you will attend the special meeting in person. If you choose to vote your shares in person at the special meeting, please bring your enclosed proxy card and proof of identification. The use of video, still photography or audio recording at the special meeting is not permitted. For the safety of attendees, all bags, packages and briefcases are subject to inspection. Your compliance is appreciated.

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If you do not return or submit your proxy, fail to instruct your broker or abstain from voting at the special meeting as provided in this proxy statement/prospectus, the effect will be the same as a vote **AGAINST** the proposal to approve the merger agreement. For the advisory proposal concerning the executive officer compensation payment that will or may be paid to Exelis named executive officers in connection with the merger to be considered approved, votes cast **FOR** must exceed votes cast **AGAINST**. The affirmative vote of the holders of a majority of the shares of Exelis common stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting. Accordingly, an Exelis shareholder s abstention from voting will have the same effect as a vote **AGAINST** the proposal to adjourn the special meeting, while a broker non-vote or other failure to vote will have no effect on the proposal.

Whether or not you intend to be present at the special meeting, we urge you to complete, date, sign and return promptly the accompanying proxy. A reply envelope is provided for this purpose, which needs no postage if mailed in the United States. Alternatively, certain Exelis shareholders may authorize their proxy or direct their vote by telephone or the Internet as described in this proxy statement/prospectus in the section entitled **The Special Meeting Methods of Voting** on page 63. You may revoke the proxy at any time prior to its exercise at the special meeting in the manner described in this proxy statement/prospectus. Completing a proxy will not prevent you from being able to vote at the special meeting by attending in person and casting your vote. Your vote at the special meeting will supersede any previously submitted proxy.

In considering the recommendation of the Exelis board of directors with respect to the merger agreement, Exelis shareholders should be aware that Exelis directors and executive officers will directly benefit from the merger. For a more complete description of these interests, see the information provided in the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133.

If you have any questions about the merger, please contact Exelis at (703) 790-6300 or write to Exelis Inc., Attn: Corporate Secretary, 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102.

If you have any questions about how to vote or direct a vote in respect of your shares of Exelis common stock, you may contact our proxy solicitor, D.F. King & Co., Inc., toll-free at (800) 487-4870, call collect at (212) 269-5550 or email at exelis@dfking.com.

By Order of the Board of Directors,

Ann D. Davidson,

Senior Vice President, Chief Legal Officer and Corporate Secretary

McLean, Virginia

Dated: April 24, 2015

Your vote is important. Exelis shareholders are requested to complete, date, sign and return the enclosed proxy in the envelope provided, which requires no postage if mailed in the United States, or to submit their votes electronically through the Internet or by telephone.

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Exelis Inc., which is referred to as Exelis, and Harris Corporation, which is referred to as Harris, from other documents that Exelis and Harris have filed with the U.S. Securities and Exchange Commission, which is referred to as the SEC, and that are contained in or incorporated by reference into this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus. This information is available for you to review at the SEC s public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC s website at www.sec.gov.

Any person may request copies of this proxy statement/prospectus and any of the documents incorporated by reference into this proxy statement/prospectus or other information concerning Exelis, without charge, by written or telephonic request directed to Exelis Inc., Attention: Corporate Secretary, 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102 or by calling (703) 790-6300; or D.F. King & Co., Inc., which is referred to as D.F. King, Exelis proxy solicitor, by calling toll-free at (800) 487-4870 or collect at (212) 269-5550.

You may also request a copy of this proxy statement/prospectus and any of the documents incorporated by reference into this proxy statement/prospectus or other information concerning Harris, without charge, by written or telephonic request directed to Harris Corporation, Attention: Secretary, 1025 West NASA Boulevard, Melbourne, Florida 32919, Telephone (321) 727-9100; or from the SEC through the SEC website at the address provided above.

In order for you to receive timely delivery of the documents in advance of the special meeting of Exelis shareholders to be held on May 22, which is referred to as the special meeting, you must request the information no later than five business days prior to the date of the special meeting, or May 15.

We are not incorporating the contents of the websites of the SEC, Exelis, Harris or any other entity into this proxy statement/prospectus. We are providing the information about how you can obtain certain documents that are incorporated by reference into this proxy statement/prospectus at these websites only for your convenience.

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This document, which forms part of a registration statement on Form S-4 filed with the SEC by Harris (File No. 333-202539), constitutes a prospectus of Harris under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the shares of common stock of Harris, which is referred to as Harris common stock, to be issued to Exelis shareholders pursuant to the Agreement and Plan of Merger, dated as of February 5, 2015, by and among Exelis, Harris and Harris Communication Solutions (Indiana), Inc., which is referred to as Merger Sub, as it may be amended from time to time, which is referred to as the merger agreement. This document also constitutes a proxy statement of Exelis under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act. It also constitutes a notice of meeting with respect to the special meeting, at which Exelis shareholders will be asked to vote on a proposal to approve the merger agreement and a proposal to approve, by non-binding, advisory vote, the compensation that may become payable to Exelis named executive officers in connection with the merger, which is referred to as the merger-related compensation arrangements for Exelis named executive officers.

Harris has supplied all information contained or incorporated by reference into this proxy statement/prospectus relating to Harris, and Exelis has supplied all such information relating to Exelis. Harris and Exelis have both contributed to the information related to the merger contained in this proxy statement/prospectus.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. Harris and Exelis have not authorized anyone to provide you with information that is different from

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that contained in or incorporated by reference into this proxy statement/prospectus. This proxy statement/prospectus is dated April 24, 2015, and you should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than such date unless otherwise specifically provided herein.

Further, you should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither the mailing of this proxy statement/prospectus to Exelis shareholders nor the issuance by Harris of shares of its common stock pursuant to the merger agreement will create any implication to the contrary.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions that you, as a shareholder of Exelis Inc., which is referred to as Exelis, may have regarding the merger, the merger-related named executive officer compensation proposal, the adjournment proposal and the Exelis special meeting, and brief answers to those questions. You are urged to read carefully this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety because this section may not provide all the information that is important to you regarding these matters. Additional important information is contained in the annexes to, and the documents incorporated by reference into, this proxy statement/prospectus. You may obtain the information incorporated by reference in this proxy statement/prospectus, without charge, by following the instructions under the section entitled ***Where You Can Find More Information*** *beginning on page 173.*

Q. Why am I receiving this proxy statement/prospectus?

A. You are receiving this proxy statement/prospectus because Harris Corporation, which is referred to as Harris, and Exelis have agreed to a merger of Harris Communication Solutions (Indiana), Inc., a wholly owned subsidiary of Harris which is referred to as Merger Sub, with and into Exelis, with Exelis surviving the merger as a wholly owned subsidiary of Harris. The Agreement and Plan of Merger, dated February 5, 2015, which is referred to as the merger agreement, governing the terms of the merger of Exelis and Merger Sub, which is referred to as the merger, is attached to this proxy statement/prospectus as Annex A.

The merger agreement must be approved by the shareholders of Exelis in accordance with the Indiana Business Corporation Law, which is referred to as the IBCL. Exelis is holding a special meeting of its shareholders, which is referred to as the special meeting, to obtain that approval. Exelis shareholders will also be asked to approve, on an advisory (non-binding) basis, the merger-related executive officer compensation payments that will or may be paid by Exelis to its named executive officers in connection with the merger.

Q: When and where will the special meeting take place?

A: The special meeting will be held at 9:00 A.M., on May 22, 2015, at Exelis Inc., 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102. If you choose to vote your shares in person at the special meeting, please bring your enclosed proxy card and proof of identification. The use of video, still photography or audio recording at the special meeting is not permitted. For the safety of attendees, all bags, packages and briefcases are subject to inspection.

Even if you plan to attend the special meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to or become unable to attend the special meeting. Shares held in street name may be voted in person by you only if you obtain a signed legal proxy from your bank, brokerage firm or other nominee giving you the right to vote the shares.

Q: What matters will be considered at the special meeting?

A: The shareholders of Exelis will be asked to: (1) vote to approve the merger agreement; (2) vote to approve, on an advisory (non-binding) basis, the merger-related named executive officer compensation payments that will or may be paid by Exelis to its named executive officers in connection with the merger; and (3) vote to approve the adjournment of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders.

The approval of the merger agreement by Exelis shareholders is a condition to the obligations of Exelis and Harris to complete the merger. Neither the approval of the proposal to adjourn the Exelis special meeting, if necessary, nor the approval of the merger-related named executive officer compensation proposal is a condition to the obligations of Exelis or Harris to complete the merger.

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Q: Does my vote matter?

A: Yes. The merger cannot be completed unless the merger agreement is approved by the Exelis shareholders. For shareholders, if you do not return or submit your proxy or vote at the special meeting as provided in this proxy statement/prospectus, the effect will be the same as a vote **AGAINST** the proposal to approve the merger agreement. The Exelis board unanimously recommends that you vote **FOR** the proposal to approve the merger, **FOR** the merger-related named executive officer compensation proposal, and **FOR** the approval of the adjournment of the special meeting, if necessary.

Q: What will I receive if the merger is completed?

A: If the merger is completed, each of your shares of Exelis common stock outstanding at the effective time of the merger will automatically be cancelled and converted into the right to receive an amount equal to (1) $16.625 in cash, without interest, and (2) 0.1025 shares of Harris common stock. Each Exelis shareholder will receive cash for any fractional shares of Harris common stock that the shareholder would otherwise receive in the merger. Any cash amounts to be received by an Exelis shareholder, either in respect of fractional shares or in respect of the cash portion of the merger consideration, will be aggregated and rounded to the nearest whole cent.

Harris will issue an aggregate of approximately 19.3 million shares of Harris common stock and pay an aggregate of approximately $3.30 billion in cash in the merger with respect to all of Exelis outstanding shares of common stock. Because Harris will issue a fixed fraction of a share of Harris common stock in exchange for each share of Exelis common stock, the value of the stock portion of the merger consideration that Exelis shareholders will receive in the merger will depend on the market price of shares of Harris common stock at the time the merger is completed. The market price of shares of Harris common stock when Exelis shareholders receive those shares after the merger is completed could be greater than, less than or the same as the market price of shares of Harris common stock on the date of this proxy statement/prospectus or at the time of the special meeting. Accordingly, you should obtain current stock price quotations for Harris common stock and Exelis common stock before deciding how to vote with respect to the approval of the merger agreement. Both Harris and Exelis common stock is traded on the New York Stock Exchange, which is referred to as the NYSE, under the symbols HRS and XLS, respectively.

For more information regarding the merger consideration to be provided to Exelis shareholders, see the section entitled **The Merger Agreement Merger Consideration** beginning on page 104.

Q: What will holders of Exelis equity awards receive in the merger?

A: Upon completion of the merger:

Each Exelis stock option, whether vested or unvested, will be cancelled and converted into the right to receive, as soon as reasonably practicable after the effective time of the merger, an amount in cash, without interest, equal to the product of (1) the total number of shares of Exelis common stock subject to the option and (2) the excess, if any, of the per share equity award consideration over the exercise price per share of the option, less any required withholding taxes. The sum of (1) the cash consideration and (2) the product of (a) the exchange ratio and (b) the Harris average closing price (as defined in the section entitled **Summary Per Share Merger Consideration**) is referred to as the equity award consideration.

With respect to each outstanding Exelis restricted stock unit, which is referred to as an RSU (other than rollover RSUs, the treatment of which is described below), the holder will receive an amount in cash, without interest, equal to the sum of the product of (1) the total number of shares of Exelis common stock subject to such RSUs and (2) the per share equity award consideration, plus any accrued dividend payments in respect of such RSUs, less any required withholding taxes.

Holders of Exelis restricted stock will receive the per share merger consideration.

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Each rollover RSU will be cancelled in exchange for a substitute RSU, covering a number of shares of Harris common stock, rounded up to the nearest whole share, equal to the product of (1) the total number of shares of Exelis common stock subject to such award of rollover RSU and (2) the sum of (A) the stock consideration and (B) the cash consideration divided by the Harris average closing price. Each substitute RSU will be subject to the same vesting conditions and payment terms as were applicable to such rollover RSU immediately prior to the effective time of the merger.

Q: What if I participate in the Exelis 401(k) Savings Plan?

A: If you are a participant in the Exelis Retirement Savings Plan or any other Exelis 401(k) plan which offers an Exelis common stock fund as an investment, which is referred to as the 401(k) Savings Plans, your proxy will serve as voting instructions for your interest in the Exelis common stock fund in the plan as of the record date. The trustee of the applicable 401(k) Savings Plan will vote the plan shares as instructed by plan participants. Participants in the 401(k) Savings Plans may direct the trustee of the applicable plan as to how to vote shares attributable to their interest in the Exelis common stock fund. By submitting voting instructions by telephone, the Internet or by signing and returning the voting instruction card, you direct the trustee of the savings plans to vote these shares, in person or by proxy at the special meeting. You should mail your confidential voting instruction card to Broadridge Financial Solutions, Inc., which is referred to as Broadridge, acting as tabulation agent, or vote by telephone or Internet. Instructions must be received by Broadridge no later than 11:59 p.m. Eastern Time three days before the special meeting. If you do not provide voting instructions, the trustee will vote shares attributable to your interest in the Exelis common stock fund in the same proportion as those votes cast by plan participants submitting voting instructions considered as a group.

Q: How does the board of directors of Exelis recommend that I vote?

A: The Exelis board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement, **FOR** the approval of the merger-related named executive officer compensation payments and **FOR** the approval of the adjournment of the special meeting, if necessary.

In considering the recommendation of the Exelis board of directors with respect to the merger agreement, Exelis shareholders should be aware that Exelis directors will directly benefit from the merger. In addition, directors and executive officers have interests in the merger that are different from, or in addition to, their interests as Exelis shareholders. For a more complete description of these interests, see the information provided in the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133.

Q: What is executive officer compensation and why am I being asked to vote on it?

A: Under certain rules adopted by the U.S. Securities and Exchange Commission, which is referred to as the SEC, Exelis must seek an advisory (non-binding) vote on executive officer compensation. The executive officer compensation is certain compensation that is tied to or based on the merger and that will or may be paid by Exelis to its named executive officers in connection with the merger. This proposal is referred to in this proxy

statement/prospectus as the merger-related named executive officer compensation proposal.

Q: How will Harris fund the cash portion of the merger consideration?

A: Harris plans to fund the cash consideration from a combination of cash on hand and debt financing, which may include some combination of borrowings under a new senior unsecured term loan and the issuance of debt securities, or, to the extent necessary, borrowings under a bridge loan facility. See the section entitled **The Merger Financing of the Merger and Indebtedness Following the Merger** beginning on page 99.

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Q: Who is entitled to vote at the special meeting?

A: The board of directors of Exelis has fixed April 14, 2015 as the record date for the special meeting. All holders of shares of Exelis common stock who held shares at the close of business on the record date are entitled to receive notice of, and to vote at, the special meeting, provided that those shares remain outstanding on the date of the special meeting. Each holder of Exelis common stock is entitled to cast one vote on each matter properly brought before the special meeting for each share of Exelis common stock that such holder owned of record as of the record date. Physical attendance at the special meeting is not required to vote. See below for instructions on how to vote your shares without attending the special meeting.

Q: What is a proxy?

A: A proxy is a shareholder s legal designation of another person, which is referred to as a proxy, to vote shares of such shareholder s common stock at a shareholders meeting. The document used to designate a proxy to vote your shares of Exelis common stock is referred to as a proxy card.

Q: How many votes do I have?

A: Each Exelis shareholder is entitled to one vote for each share of Exelis common stock held of record as of the close of business on the record date. As of the close of business on the record date, there were 188,019,364 outstanding shares of Exelis common stock.

Q: What constitutes a quorum for the special meeting?

A: A majority of the outstanding shares of Exelis common stock entitled to vote must be represented at the special meeting in person or by proxy in order to constitute a quorum. Abstentions are considered present for purposes of establishing a quorum.

Q: What will happen to Exelis as a result of the merger?

A: If the merger is completed, Merger Sub will merge with and into Exelis, with Exelis continuing as the surviving corporation and a wholly owned subsidiary of Harris. Exelis will no longer be a public company and its shares will be delisted from the NYSE, deregistered under the Exchange Act and will cease to be publicly traded.

Q: Where will the Harris common stock that I receive in the merger be publicly traded?

A: Harris will apply to have the new shares of Harris common stock issued in the merger listed on the NYSE.

Q: What happens if the merger is not completed?

A: If the merger agreement is not approved by Exelis shareholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of Exelis common stock in connection with the merger. Instead, Exelis will remain an independent public company and its common stock will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, Exelis may be required to pay Harris a termination fee of $138,420,000 or $57,675,000. If the merger agreement is terminated under other specified circumstances, Harris may be required to pay Exelis a reverse termination fee of $300,000,000. See **The Merger Agreement Termination Fee; Reverse Termination Fee** beginning on page 129 of this proxy statement/prospectus for a more detailed discussion of the termination fees.

Q: What shareholder vote is required for the approval of each proposal? What will happen if I fail to vote or abstain from voting on each proposal?

A: The approval of the merger agreement by the shareholders of Exelis requires the affirmative vote of the holders of at least a majority of the shares of Exelis common stock outstanding and entitled to vote at the

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special meeting. Accordingly, an Exelis shareholder s abstention from voting, the failure of an Exelis shareholder who holds his or her shares in street name through a bank, brokerage firm or other nominee to give voting instructions to that bank, brokerage firm or other nominee or an Exelis shareholder s other failure to vote will have the same effect as a vote **AGAINST** the proposal.

If a quorum is present at the meeting, the merger-related named executive officer compensation proposal will be approved if more votes are cast in favor of the proposal than are cast against it. Accordingly, an Exelis shareholder s abstention from voting, the failure of an Exelis shareholder who holds his or her shares in street name through a bank, brokerage firm or other nominee to give voting instructions to that bank, brokerage firm or other nominee or an Exelis shareholder s other failure to vote, will have no effect on the proposal.

The special meeting may be adjourned, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders. The affirmative vote of the holders of a majority of the shares of Exelis common stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting. Accordingly, an Exelis shareholder s abstention from voting will have the same effect as a vote **AGAINST** the proposal, while the failure of an Exelis shareholder who holds his or her shares in street name through a bank, brokerage firm or other nominee to give voting instructions to that bank, brokerage firm or other nominee or an Exelis shareholder s other failure to vote will have no effect on the proposal.

Q: What happens if Exelis shareholders do not approve the merger-related named executive compensation proposal?

A: Approval of the compensation that may be paid or become payable to Exelis named executive officers that is based on, or otherwise relates to, the merger is not a condition to completion of the merger. The vote is an advisory vote and will not be binding on Exelis or the surviving corporation in the merger. If the merger is completed, the merger-related compensation may be paid to Exelis named executive officers to the extent payable in accordance with the terms of their compensation and benefits agreements and arrangements even if Exelis shareholders do not approve, by advisory (non-binding) vote, the merger-related compensation.

Q: How can I vote my shares in person at the special meeting?

A: *Direct Holders*. Shares held directly in your name as the shareholder of record may be voted in person at the special meeting. If you choose to vote your shares in person at the special meeting, please bring your enclosed proxy card and proof of identification.

Shares in street name. Shares held in street name may be voted in person by you only if you obtain a signed legal proxy from your bank, brokerage firm or other nominee giving you the right to vote the shares. If you choose to vote your shares in person at the special meeting, please bring proof of identification.

Even if you plan to attend the special meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to or become unable to attend the special meeting. The use of video, still photography or audio recording at the special meeting is not permitted. For the safety of attendees, all bags, packages and briefcases are subject to inspection. Your compliance is appreciated.

Q: How can I vote my shares without attending the special meeting?

A: Whether you hold your shares directly as the shareholder of record or beneficially in street name, you may direct your vote by proxy without attending the special meeting. You can vote by proxy over the Internet, or by telephone or by mail by following the instructions provided in the enclosed proxy card. Please note that if you are a beneficial owner, you also may vote by submitting voting instructions to your bank, brokerage firm or other nominee, or otherwise by following instructions provided by your bank, brokerage firm or other nominee.

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Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: If your shares of Exelis common stock are registered directly in your name with the transfer agent of Exelis, Computershare, you are considered the shareholder of record with respect to those shares. As the shareholder of record, you have the right to vote, or to grant a proxy for your vote directly to Exelis or to a third party to vote, at the special meeting.

If your shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and your bank, brokerage firm or other nominee is considered the shareholder of record with respect to those shares. Your bank, brokerage firm or other nominee will send you, as the beneficial owner, a package describing the procedure for voting your shares. You should follow the instructions provided by them to vote your shares. You are invited to attend the special meeting, however, you may not vote these shares in person at the special meeting unless you obtain a signed legal proxy, executed in your favor, from your bank, brokerage firm or other nominee that holds your shares, giving you the right to vote the shares at the special meeting.

Q: If my shares of Exelis common stock are held in street name by my bank, brokerage firm or other nominee, will my bank, brokerage firm or other nominee automatically vote those shares for me?

A: Your bank, brokerage firm or other nominee will only be permitted to vote your shares of Exelis common stock if you instruct your bank, brokerage firm or other nominee how to vote. You should follow the procedures provided by your bank, brokerage firm or other nominee regarding the voting of your shares of Exelis common stock. In accordance with the rules of the NYSE, banks, brokerage firms and other nominees who hold shares of Exelis common stock in street name for their customers have authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms and other nominees are precluded from exercising their voting discretion with respect to non-routine matters, such as the proposal to approve the merger agreement, the proposal to approve, by non-binding, advisory vote, the merger-related compensation arrangements for Exelis named executive officers and the proposal for the approval of the adjournment of the special meeting, if necessary. As a result, absent specific instructions from the beneficial owner of such shares, banks, brokerage firms and other nominees are not empowered to vote such shares, which we refer to as a broker non-vote. The effect of not instructing your bank, brokerage firm or other nominee how you wish your shares to be voted will be the same as a vote **AGAINST** the proposal to approve the merger agreement, but will not be counted as **FOR** or **AGAINST** or, assuming a quorum is present at the special meeting, have an effect on, the proposal to approve, by non-binding, advisory vote, the merger-related compensation arrangements for Exelis named executive officers or the proposal to approve the adjournment of the special meeting, if necessary.

Q: What should I do if I receive more than one set of voting materials?

A: If you hold shares of Exelis common stock in street name and also directly in your name as a shareholder of record or otherwise or if you hold shares of Exelis common stock in more than one brokerage account, you may receive more than one set of voting materials relating to the special meeting.

Direct Holders. For shares of Exelis common stock held directly, please complete, sign, date and return each proxy card (or cast your vote by telephone or Internet as provided on each proxy card) or otherwise follow the voting instructions provided in this proxy statement/prospectus in order to ensure that all of your shares of Exelis common

stock are voted.

Shares in street name. For shares of Exelis common stock held in street name through a bank, brokerage firm or other nominee, you should follow the procedures provided by your bank, brokerage firm or other nominee to vote your shares.

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Q: If a shareholder gives a proxy, how are the shares of Exelis common stock voted?

A: Regardless of the method you choose to vote, the individuals named on the enclosed proxy card will vote your shares of Exelis common stock in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your shares of Exelis common stock should be voted for or against, or abstain from voting on, all, some or none of the specific items of business to come before the special meeting.

Q: How will my shares of Exelis common stock be voted if I return a blank proxy?

A: If you sign, date and return your proxy and do not indicate how you want your shares of Exelis common stock to be voted, then your shares of Exelis common stock will be voted **FOR** the approval of the merger agreement, **FOR** the merger-related named executive officer compensation proposal, and, if necessary, **FOR** the approval of the adjournment of the special meeting.

Q: Can I change my vote after I have submitted my proxy?

A: Any shareholder giving a proxy has the right to revoke it before the proxy is voted at the special meeting by any of the following: (a) subsequently submitting a new proxy (including by Internet or telephone) that is received by the deadline specified on the accompanying proxy card; (b) giving written notice of your revocation to the Exelis Corporate Secretary; or (c) voting in person at the special meeting. Execution or revocation of a proxy will not in any way affect your right to attend the special meeting and vote in person. Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows: Exelis Inc., Attn: Corporate Secretary, 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102.

Q: Where can I find the voting results of the special meeting?

A: The preliminary voting results will be announced at the special meeting. In addition, within four business days following certification of the final voting results, Exelis intends to file the final voting results with the SEC on a Current Report on Form 8-K.

Q: Are Harris stockholders voting on the merger?

A: No. A vote of Harris stockholders is not required to complete the merger.

Q: If I do not favor the approval of the merger agreement, what are my rights?

A:

Exelis shareholders are not entitled to dissenters rights under Chapter 44 of the IBCL, which provides that the holders of shares of any class or series are not entitled to dissenters rights if, on the date fixed to determine the shareholders entitled to receive notice of and vote at the special meeting, the shares of that class or series were a covered security under Section 18(b)(1)(A) or 18(b)(1)(B) of the Securities Act of 1933, as amended. Exelis common stock is a covered security under Section 18(b)(1)(A) because it is listed on the NYSE. Exelis shareholders may vote against the proposal to approve the merger agreement if they are not in favor.

Q: Are there any risks that I should consider in deciding whether to vote for the approval of the merger agreement?

A: Yes. You should read and carefully consider the risk factors set forth in the section entitled **Risk Factors** beginning on page 45 of this proxy statement/prospectus. You also should read and carefully consider the risk factors of Harris and Exelis contained in the documents that are incorporated by reference into this proxy statement/prospectus.

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Q: What happens if I sell my shares of Exelis common stock before the special meeting?

A: The record date for Exelis shareholders entitled to vote at the special meeting is earlier than the date of the special meeting. If you transfer your shares of Exelis common stock after the record date but before the special meeting, you will, unless special arrangements are made, retain your right to vote at the special meeting but will transfer the right to receive the merger consideration to the person to whom you transfer your shares of Exelis common stock.

Q: What are the material United States federal income tax consequences of the merger to me?

A: Subject to the discussion in the paragraph immediately below, as a general matter, the receipt of the per share merger consideration pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. Generally, for U.S. federal income tax purposes, if you are a U.S. holder (as defined in the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus), you will recognize gain or loss equal to the difference between (i) the sum of cash you receive and the fair market value (as of the effective time) of the Harris common stock you receive and (ii) your adjusted tax basis in the Exelis common stock you exchange pursuant to the merger. If you are a non-U.S. holder (as defined in the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus), the merger will generally not result in tax to you under U.S. federal income tax laws unless you have certain connections to the United States. We encourage you to seek tax advice regarding such matters.

As described under the section entitled **Material U.S. Federal Income Tax Consequences U.S. Holders Tax Consequences of the Merger** beginning on page 145 of this proxy statement/prospectus, as a result of certain restructuring transactions that Harris may undertake (a determination in respect of which has not been made), the merger, together with any such restructuring, may instead be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, which is referred to as the Code. The applicability of such treatment depends on whether the merger, together with the restructuring transactions (if undertaken by Harris), satisfies the continuity of interest requirement set forth in U.S. Treasury Regulations. Based on the per share merger consideration, Harris and Exelis intend to take the position that the continuity of interest requirement is not satisfied, but this determination depends in part on statutory, judicial and administrative authorities that are unclear. Accordingly, it is possible that the merger, together with the restructuring transactions (if undertaken by Harris), could be treated as a reorganization within the meaning of Section 368(a) of the Code. If the merger is so treated, and if you are a U.S. holder, you would generally recognize gain (but not loss) on the exchange of Exelis common stock for the per share merger consideration.

Because individual circumstances may differ, we recommend that you consult your own tax advisor to determine the particular tax effects of the merger to you.

You should read the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus for a more complete discussion of the material U.S. federal income tax consequences of the merger.

TAX MATTERS ARE COMPLICATED AND THE TAX CONSEQUENCES OF THE MERGER WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO YOU IN YOUR

PARTICULAR CIRCUMSTANCES.

Q: When is the merger expected to be completed?

A: Subject to the satisfaction or waiver of the closing conditions described under the section entitled **The Merger Agreement Conditions to the Completion of the Merger** beginning on page 126, including the approval of the merger agreement by Exelis shareholders at the special meeting, Harris and Exelis are

working to complete the merger in June 2015. However, it is possible that factors outside the control of both companies could result in the merger being completed at a later time, or not being completed at all. Harris and Exelis hope to complete the merger as soon as reasonably practicable.

Q: Who will solicit and pay the cost of soliciting proxies?

A: Exelis has engaged D.F. King to assist in the solicitation of proxies for the special meeting. Exelis estimates that it will pay D.F. King a fee of approximately $25,000. Exelis has agreed to indemnify D.F. King against various liabilities and expenses that relate to or arise out of its solicitation of proxies (subject to certain exceptions). Exelis also may reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries or their respective agents for their expenses in forwarding proxy materials to beneficial owners of Exelis common stock. Exelis directors, officers and employees also may solicit proxies by telephone, by electronic means or in person. They will not be paid any additional amounts for soliciting proxies.

Q: What are the conditions to completion of the merger?

A: In addition to the approval of the merger proposal by Exelis shareholders as described above, completion of the merger is subject to the satisfaction of a number of other conditions, including, but not limited to, the receipt of required regulatory approvals, the accuracy of representations and warranties under the merger agreement (subject to certain materiality exceptions), Harris and Exelis performance of their respective obligations under the merger agreement and the absence of a material adverse effect for Exelis (as described in the merger agreement). For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see the section entitled **The Merger Agreement Conditions to the Completion of the Merger** beginning on page 126.

Q: How do I exchange my shares of Exelis common stock for shares of Harris common stock?

A: All shares of Exelis common stock are held in book-entry form. Therefore, you are not required to take any specific actions to exchange your shares of Exelis common stock for shares of Harris common stock. After the completion of the merger, shares of Exelis common stock held in book-entry form will be automatically exchanged for shares of Harris common stock in book-entry form and cash to be paid in lieu of any fractional share of Harris common stock.

Q: What equity stake will Exelis shareholders hold in Harris immediately following the merger?

A: Based on the number of issued and outstanding shares of Harris common stock as of April 3, 2015, and Exelis common stock as of April 14, 2015, the latest practicable calculation date prior to the filing of this registration statement, and based on the exchange ratio of 0.1025, holders of shares of Exelis common stock as of immediately prior to the closing of the merger will hold, in the aggregate, approximately 15.6% of the issued and outstanding shares of Harris common stock immediately following the closing of the merger. The exact equity

stake of Exelis shareholders in Harris immediately following the merger will depend on the number of shares of Harris common stock and Exelis common stock issued and outstanding immediately prior to the merger.

Q: Will my shares of Harris common stock acquired in the merger receive a dividend?

A: After the closing of the merger, as a holder of Harris common stock you will receive the same dividends on shares of Harris common stock that all other holders of shares of Harris common stock will receive for any dividend for which the record date occurs after the merger is completed.

Harris most recently paid a quarterly dividend on March 23, 2015 in an amount equal to $0.47 per share of Harris common stock. Any future Harris dividends will remain subject to approval by the board of directors of Harris, which we refer to as the Harris board.

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Q: How will I receive the per share merger consideration to which I am entitled?

A: After receiving the proper documentation from you, following the effective time, the exchange agent will deliver to you the Harris common stock (in book-entry form) and cash to which you are entitled. More information on the documentation you are required to deliver to the exchange agent may be found under the caption **The Special Meeting Exchange Procedures** beginning on page 64.

Q: What should I do now?

A: You should read this proxy statement/prospectus carefully, including the annexes, and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope or submit your voting instructions by telephone or over the Internet as soon as possible so that your shares will be voted in accordance with your instructions.

Q: Whom do I call if I have questions about the special meeting or the merger?

A: If you have questions about the special meeting or the merger, or desire additional copies of this proxy statement/prospectus or additional proxies, you may contact D.F. King at exelis@dfking.com (email), (800) 487-4870 (toll-free) or (212) 269-5550 (collect).

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SUMMARY

For your convenience, we have provided a brief summary of certain information contained in this proxy statement/prospectus. This summary highlights selected information from this proxy statement/prospectus and does not contain all of the information that is important to you as an Exelis shareholder. To understand the merger fully and for a more complete description of the terms of the merger, you should read carefully this entire proxy statement/prospectus, its annexes and the other documents to which we have referred you. Items in this summary include a page reference directing you to a more complete description of those items. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions under the section entitled ***Where You Can Find More Information*** *beginning on page 173 of this proxy statement/prospectus.*

The Parties to the Merger (Page 67)

Exelis Inc.

1650 Tysons Boulevard

Suite 1700

McLean, Virginia 22102

Phone: (703) 790-6300

Exelis Inc., an Indiana corporation, which is referred to as Exelis, is a diversified aerospace, defense, information and services company that leverages a greater than 50-year legacy of deep customer knowledge and technical expertise to deliver affordable mission-critical solutions to military, government and commercial customers in the United States and globally. Exelis is focused on strategic growth in the areas of critical networks; intelligence, surveillance, reconnaissance, which is referred to as ISR, and analytics; electronic warfare; and composite aerostructures. Exelis operates in two segments: (1) Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance, which is referred to collectively as C4ISR, Electronics and Systems, and (2) Information and Technical Services. Exelis customers include the U.S. Department of Defense, which is referred to as the DoD, and its prime contractors, U.S. government intelligence agencies, the U.S. National Aeronautics and Space Administration, the U.S. Federal Aviation Administration, allied foreign governments and domestic and foreign commercial customers. As a prime contractor, subcontractor, or preferred supplier, Exelis participates in many high priority defense and civil government programs in the United States and internationally. Exelis conducts most of its business with the U.S. government, principally the DoD. For the year ended December 31, 2014, Exelis revenue was $3.3 billion.

Exelis employs approximately 10,000 people on four continents, led by an experienced management team with a proven ability to execute on existing programs, win new contracts, enter adjacent markets, drive operating efficiency, and lead development of advanced technologies and solutions.

Exelis common stock is listed on the New York Stock Exchange, which is referred to as the NYSE, under the ticker symbol XLS.

Harris Corporation

1025 West NASA Boulevard

Melbourne, Florida 32919

(321) 727-9100

Harris Corporation, which is referred to as Harris, a Delaware corporation, is an international communications and information technology company serving government and commercial markets in more than 125 countries. It is dedicated to developing best-in-class *assured communications*® products, systems and services for global markets, including RF communications, integrated network solutions and government

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communications systems. Harris annual revenue for its fiscal year 2014 was greater than $5 billion and it employs about 13,000 employees, including 6,000 engineers and scientists. Harris is headquartered in Melbourne, Florida.

Harris common stock is listed on the NYSE, under the ticker symbol HRS.

Harris Communication Solutions (Indiana), Inc.

c/o Harris Corporation

1025 West NASA Boulevard

Melbourne, Florida 32919

(321) 727-9100

Harris Communication Solutions (Indiana), Inc., which is referred to as Merger Sub, an Indiana corporation and a wholly owned subsidiary of Harris, was formed solely for the purpose of facilitating the merger. Merger Sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the merger and the other transactions contemplated by the merger agreement. By operation of the merger, Merger Sub will be merged with and into Exelis, with Exelis surviving the merger as a wholly owned subsidiary of Harris.

The Merger and the Merger Agreement (Page 103)

The terms and conditions of the merger are contained in the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement carefully and in its entirety, as it is the legal document that governs the merger.

Pursuant to the merger agreement, Merger Sub will merge with and into Exelis. After the effective time of the merger, which is referred to as the effective time, Exelis will be the surviving corporation and a wholly owned subsidiary of Harris. Following the merger, Exelis common stock will be delisted from the NYSE, deregistered under the Exchange Act and will cease to be publicly traded.

Per Share Merger Consideration (Page 69)

In the merger, each share of Exelis common stock (other than shares of Exelis common stock owned by Harris, Merger Sub or any direct or indirect wholly owned subsidiary of Harris and shares of Exelis common stock owned by Exelis or any direct or indirect subsidiary of Exelis, and in each case not held on behalf of third parties) will be converted into the right to receive (1) $16.625 in cash, without interest, which is referred to as the cash consideration, and (2) 0.1025 of a share of Harris common stock, which is referred to as the stock consideration. The cash consideration and stock consideration together, with cash payable in lieu of any fractional shares as described below, are collectively referred to in this proxy statement/prospectus as the merger consideration.

Harris will not issue any fractional shares in the merger. Instead, the total number of shares of Harris common stock that each Exelis shareholder will receive in the merger will be rounded down to the nearest whole number, and each Exelis shareholder will receive an amount in cash rounded up to the nearest whole cent, without interest, for any fractional share of Harris common stock that would otherwise be received in the merger. The amount of cash for fractional shares will be calculated by multiplying the fraction of a share of Harris common stock that the Exelis

shareholder would otherwise be entitled to receive in the merger by the average closing price for a share of Harris common stock on the NYSE as reported by Bloomberg L.P. or, if not reported by Bloomberg L.P., in another authoritative source mutually selected by Exelis and Harris, for the ten consecutive trading days ending with the trading day that is three days prior to the effective date of the merger, which average is referred to as the Harris average closing price.

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Example: If you own 100 shares of Exelis common stock at the time the merger is completed, you will be entitled to receive $1662.50 in cash, without interest, and 10 shares of Harris common stock. In addition, you will be entitled to receive an amount of cash equal to 0.25 multiplied by the Harris average closing price.

The ratio of 0.1025 of a share of Harris common stock for each share of Exelis common stock, which is referred to as the exchange ratio, is fixed, which means that it will not change between now and the date of the merger, regardless of whether the market price of either Harris or Exelis common stock changes. Therefore, the value of the stock portion of the merger consideration will depend on the market price of Harris common stock at the time Exelis shareholders receive Harris common stock in the merger. The market price of Harris common stock has fluctuated since the date of the announcement of the merger agreement and will continue to fluctuate from the date of this proxy statement/prospectus to the date of the special meeting and the date the merger is completed and thereafter. The market price of Harris common stock, when received by Exelis shareholders after the merger is completed, could be greater than, less than or the same as the market price of Harris common stock on the date of this proxy statement/prospectus or at the time of the special meeting. Accordingly, you should obtain current stock price quotations for Harris common stock and Exelis common stock before deciding how to vote with respect to the approval of the merger agreement. Both Harris and Exelis common stock is traded on the NYSE under the symbols HRS and XLS, respectively.

For more information on the per share merger consideration, see the section entitled **The Merger Per Share Merger Consideration** beginning on page 69 of this proxy statement/prospectus.

Treatment of Existing Stock Options and Other Equity Awards (Page 107)

Exelis Stock Options

Pursuant to the merger agreement, upon completion of the merger, each outstanding option to purchase a share of Exelis common stock, whether vested or unvested, will be cancelled and converted into the right to receive, as soon as reasonably practicable after the effective time of the merger, an amount in cash, without interest, equal to the product of (1) the total number of shares of Exelis common stock subject to the option and (2) the excess, if any, of the per share equity award consideration over the exercise price per share of the option, less any required withholding taxes. The sum of (1) the cash consideration and (2) the product of (a) the exchange ratio and (b) the Harris average closing price, is referred to in this proxy statement/prospectus as the equity award consideration.

Exelis Restricted Stock Units

Pursuant to the merger agreement, upon completion of the merger, any vesting conditions or restrictions applicable to each outstanding Exelis restricted stock unit, which is referred to as an RSU (other than rollover RSUs, the treatment of which is described below), shall lapse, and such RSU will be cancelled and converted into the right to receive, as soon as reasonably practicable after the effective time of the merger, an amount in cash, without interest, equal to the sum of the product of (1) the total number of shares of Exelis common stock subject to such RSU and (2) the per share equity award consideration, plus any accrued dividend payments in respect of such RSU, less any required withholding taxes. To the extent that any such payment would cause an impermissible acceleration event under Section 409A of the Internal Revenue Code, which is referred to as the Code, such amounts will become vested at the effective time of the merger and will be paid at the earliest time such payment would not cause an impermissible acceleration event under Section 409A of the Code.

Exelis Restricted Stock

Pursuant to the merger agreement, upon completion of the merger, any restrictions or vesting conditions applicable to each outstanding share of Exelis restricted stock shall lapse, and each such share of Exelis restricted stock will be cancelled and converted into the right to receive the merger consideration. Payment with respect to

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Exelis restricted stock will occur in accordance with the applicable terms and conditions of such Exelis restricted stock and applicable law; provided, to the extent any such payment would cause an impermissible acceleration event under Section 409A of the Code, such amounts will be paid at the earliest time such payment would not cause an impermissible acceleration event under Section 409A of the Code.

Exelis Rollover RSUs

Pursuant to the merger agreement, upon completion of the merger, each Exelis restricted stock unit granted after the date of the merger agreement pursuant to and in accordance with the merger agreement, which is referred to as a rollover RSU, will be cancelled in exchange for an RSU, which is referred to as a substitute RSU, covering a number of shares of Harris common stock, rounded up to the nearest whole share, equal to the product of (1) the total number of shares of Exelis common stock subject to such award of rollover RSU and (2) the sum of (A) the stock consideration and (B) the cash consideration divided by the Harris average closing price. Each substitute RSU will be subject to the same vesting conditions and payment terms as were applicable to such rollover RSU immediately prior to the effective time of the merger.

Financing of the Merger and Indebtedness Following the Merger (Page 99)

Harris plans to fund the cash consideration and other amounts payable under the terms of the merger agreement from a combination of cash on hand and debt financing, which includes a combination of borrowings under a new senior unsecured term loan facility in an aggregate principal amount of $1.3 billion, which is referred to as the new term loan facility, and the proceeds from the issuance of new debt securities in an aggregate principal amount of $2.4 billion. The new term loan facility reduced the financing commitments for the bridge facility from $3.4 billion to $2.1 billion. Upon the closing of the offering of the new debt securities, $2.1 billion of the proceeds from the new debt securities will be held in an escrow account pursuant to the terms of the merger agreement and will further reduce the commitments under the bridge facility to zero. Further, around the time of the merger, Harris expects to redeem the $400 million outstanding aggregate principal amount of its 5.95% Notes due 2017 and the $350 million outstanding aggregate principal amount of its 6.375% Notes due 2019 with a portion of the proceeds from the issuance of new debt securities, together with cash on hand.

The offering for the new debt securities, which launched on April 22, 2015 and is expected to close on April 27, 2015, consists of $500 million aggregate principal amount of its 1.999% Notes due 2018, $400 million aggregate principal amount of its 2.70% Notes due 2020, $600 million aggregate principal amount of its 3.832% Notes due 2025, $400 million aggregate principal amount of its 4.854% Notes due 2035 and $500 million aggregate principal amount of its 5.054% Notes due 2045.

For more information on the financing of the merger, see the section entitled **The Merger Financing of the Merger and Indebtedness Following the Merger** beginning on page 99 of this proxy statement/prospectus.

Exelis Reasons for the Merger (Page 78)

In reaching its decision to adopt the merger agreement and recommend the approval of the merger agreement to its shareholders, the Exelis board of directors consulted with Exelis management, as well as Exelis legal and financial advisors, and considered a number of factors that it believed supported its decision to enter into the merger agreement and consummate the merger, including, without limitation, those listed in the section entitled **The Merger Recommendation of the Exelis Board; Exelis Reasons for the Merger** beginning on page 78 of this proxy statement/prospectus.

Harris Reasons for the Merger (Page 97**)**

In reaching its decision to approve the merger agreement and the transactions contemplated thereby, the Harris board of directors consulted with Harris management, as well as Harris legal and financial advisors, and

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considered a number of factors it believed supported its decision to enter into the merger agreement and consummate the merger, including, without limitation, those listed in the section entitled **The Merger Harris Reasons for the Merger.**

Opinion of J.P. Morgan (Page 83 and Annex B)

In connection with its consideration of the merger, the Exelis board of directors received on February 5, 2015 from Exelis financial advisor, J.P. Morgan Securities LLC, which is referred to as J.P. Morgan, its oral opinion, subsequently confirmed in writing on the same day and prior to the execution of the merger agreement, that, as of such date and based upon and subject to the factors, procedures, qualifications, limitations and assumptions set forth in its opinion, the consideration to be paid by Harris to the holders of shares of Exelis common stock pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. The full text of the written opinion of J.P. Morgan, dated February 5, 2015, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by J.P. Morgan in connection with rendering its opinion, is attached to this document as Annex B and is incorporated herein by reference. You should read this opinion and the description beginning on page 83 carefully and in their entirety. J.P. Morgan s opinion is addressed to the Exelis board of directors, is directed only to the consideration to be paid to the holders of shares of Exelis common stock pursuant to the merger agreement and does not address any other matter. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote with respect to the merger or any other matter.

Proxy Solicitation Costs (Page 64)

Exelis directors, officers and other employees may solicit proxies in person, by telephone, electronically, by mail or other means, but they will not be specifically compensated for these services. Brokers, banks and other persons will be reimbursed by Exelis for expenses they incur in forwarding proxy materials to obtain voting instructions from beneficial shareholders. Exelis has also hired D.F. King to assist in the solicitation of proxies. The total cost of solicitation of proxies will be borne by Exelis. For a description of the costs and expenses to Exelis of soliciting proxies, see **The Special Meeting Proxy Solicitation Costs** on page 64.

The Special Meeting (Page 62)

The special meeting will be held on May 22, 2015, at 9:00 A.M., local time, at Exelis Inc., 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102. The purposes of the special meeting are as follows:

- to consider and vote on a proposal to approve the merger agreement;
- to consider and vote on a proposal to approve, on an advisory (non-binding) basis, the merger-related named executive officer compensation proposal; and
- to consider and vote on a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders.

Completion of the merger is conditioned on approval of the merger agreement by Exelis shareholders. Approval of the advisory proposal concerning the merger-related compensation arrangements for Exelis named executive officers is not a condition to the obligation of either Exelis or Harris to complete the merger.

Only holders of record of issued and outstanding shares of Exelis common stock as of the close of business on April 14, 2015, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting. You may cast one vote for each share of Exelis common stock that you owned as of that record date.

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The approval of the merger agreement by the shareholders of Exelis requires the affirmative vote of the holders of at least a majority of the shares of Exelis common stock outstanding and entitled to vote at the special meeting. Shares not present, and shares present and not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as votes cast **AGAINST** the proposal to approve the merger agreement.

If a quorum is present at the meeting, the merger-related named executive officer compensation proposal will be approved if more votes are cast in favor of the proposal than are cast against it. Accordingly, an Exelis shareholder s abstention from voting, the failure of an Exelis shareholder who holds his or her shares in street name through a broker, bank or other holder of record to give voting instructions to that broker, bank or other holder of record or an Exelis shareholder s other failure to vote, will have no effect on the proposal.

Interests of Exelis Directors and Executive Officers in the Merger (Page 133)

In considering the Exelis board of directors recommendation to vote for the proposal to approve the merger agreement, Exelis shareholders should be aware that the directors and executive officers of Exelis have interests in the merger that are different from, or in addition to, the interests of Exelis shareholders generally and that may create potential conflicts of interest. These interests, and the estimated aggregate quantification thereof, as applicable, include, among others:

- The cash out of outstanding equity awards (including stock options to purchase Exelis common stock and RSUs, other than rollover RSUs) based on the per share equity award consideration and the cash out of all long-term cash incentive awards, estimated (for unvested awards) at a total of $50,170,627 for all non-employee directors and executive officers as a group.

- The executive officers are participants in the Special Senior Executive Severance Pay Plan, which provides severance and other benefits following an executive officer s termination of employment within the two years following the merger by Exelis without cause or by the executive officer with good reason, estimated at a total of $33,251,154 for all executive officers as a group.

- The payment of certain executive officers non-qualified supplemental retirement plan benefits, normally payable as annuities following retirement, in a lump sum amount within 90 days following the completion of the merger, estimated at a total of $13,175,663 for all executive officers as a group.

- Each executive officer will be entitled to a prorated target bonus under Exelis 2015 annual incentive compensation plan if the executive officer s employment is terminated other than for misconduct during 2015 and after the completion of the merger, estimated at a total of $341,420 for all executive officers as a group.

- Upon the completion of the merger, limitations on Exelis ability to modify its retiree medical plan for salaried retirees, under which certain executive officers will be eligible for coverage upon retirement, will go into effect.

Exelis directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement.

The Exelis board of directors was aware of these interests and considered them, among other matters, in evaluating and negotiating the merger agreement and approving the merger, and in recommending the approval of the merger agreement by Exelis shareholders. For a more detailed discussion of these interests, including amounts received by individual directors and executive officers, see the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133.

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Certain Beneficial Owners of Exelis Common Stock (Page 170)

At the close of business on April 14, 2015, directors and executive officers of Exelis beneficially owned and were entitled to vote approximately 881,729 shares of Exelis common stock, collectively representing 0.469% of the shares of Exelis common stock outstanding on April 14, 2015. Although none of them has entered into any agreement obligating them to do so, Exelis currently expects that all of its directors and executive officers will vote their shares **FOR** the proposal to approve the merger agreement, **FOR** the proposal to adjourn the special meeting, if necessary, and **FOR** the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for Exelis named executive officers in connection with the merger. For more information regarding the security ownership of Exelis directors and executive officers, see the information provided in the section entitled **Certain Beneficial Owners of Exelis Common Stock** beginning on page 170.

Ownership of Harris After the Merger (Page 101)

Based on the number of shares of Exelis common stock outstanding as of April 14, 2015, Harris expects to issue an aggregate of approximately 19.3 million shares of Harris common stock to Exelis shareholders in the merger. The actual number of shares of Harris common stock to be issued pursuant to the merger will be determined at the effective time based on the exchange ratio of 0.1025 and the number of shares of Exelis common stock outstanding at that time. Based on the number of shares of Exelis common stock outstanding as of April 14, 2015, it is expected that after the completion of the merger, there will be outstanding approximately 123.5 million shares of Harris common stock, and that the shares of Harris common stock to be issued to Exelis shareholders in the merger will represent approximately 15.6% of the total issued and outstanding shares of Harris common stock after the merger.

Regulatory Approvals (Page 100)

The completion of the merger is subject to the receipt of antitrust clearance in the United States. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to as the HSR Act, and the rules promulgated thereunder, the merger may not be completed until notification and report forms have been filed with the Federal Trade Commission, which is referred to as the FTC, and the Department of Justice, which is referred to as the DOJ, and the applicable waiting period (or any extensions thereof) has expired or been terminated. Further, the Federal Communications Commission, which is referred to as the FCC, must approve all applications from Exelis to transfer control of its licenses to Harris. As of April 23, 2015, the FCC has consented to all of the transfer of control applications that had been filed in February and March 2015. On April 20, 2015, Exelis received a new FCC license in the ordinary course of business, for which a transfer of control application was filed on April 21, 2015 and is pending. Exelis and Harris expect that the transfer request will be granted expeditiously. Exelis retains the ability to surrender such license if the transfer request is not granted prior to the intended closing date, in which case the FCC s approval of the transfer request would not be required to close the merger.

On February 24, 2015, Exelis and Harris filed with the DOJ and the FTC notification and report forms, which are referred to as the initial filing, under the HSR Act with respect to the proposed merger. On March 20, 2015, Harris withdrew the initial filing, and on March 24, 2015, Harris re-filed the notification and report form with the DOJ and the FTC. On April 23, 2015, Harris and Exelis received a second request from the DOJ for additional information and documentary material. Although this second request extends the waiting period under the HSR Act, Harris and Exelis continue to expect the merger to close in June 2015, subject to customary closing conditions.

Harris and Exelis have agreed to cooperate with each other and use, and cause their respective affiliates to use, their respective reasonable best efforts to obtain all regulatory approvals required to complete the merger prior to the termination date (as defined in the section entitled **The Merger Regulatory Approvals**

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beginning on page 100 of this proxy statement/prospectus). In furtherance of the foregoing, Harris and Exelis have agreed to use their reasonable best efforts to:

- file as promptly as practicable all necessary notices, reports, and other filings with governmental entities in order to consummate the merger or any of the other transactions contemplated by the merger agreement; and
- obtain all consents, registrations, approvals, permits, expirations of waiting periods and authorizations necessary or advisable from any governmental entity in order to complete the merger and the other transactions contemplated by the merger agreement.

Harris is required under the merger agreement to accept or agree to certain limited conditions (as described in the section entitled **The Merger Agreement Antitrust Approval; Further Action** beginning on page 120 of this proxy statement/prospectus) in order to obtain such regulatory approvals.

No Dissenters Rights (Page 167)

Because the Exelis common shares are listed on the NYSE, holders of Exelis common shares may not exercise dissenters rights under Indiana law in connection with the merger.

Conditions to the Completion of the Merger (Page 126)

Each party s obligation to consummate the merger is subject to the satisfaction or waiver, to the extent applicable, of the following conditions:

- approval of the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of Exelis common stock entitled to vote thereon at the special meeting;
- the expiration or termination of the waiting period (and any extension thereof) applicable to the merger under the HSR Act and the obtainment of all requisite FCC consents in connection with the merger, which are collectively referred to as required government consents;
- the absence of any law, order, or other action (whether temporary, preliminary or permanent) that is in effect and makes illegal, restrains, enjoins or otherwise prohibits the closing of the merger and the other transactions contemplated by the merger agreement, which are collectively referred to as restraining orders;
- the shares of Harris common stock to be issued in the merger having been approved for listing on the NYSE, subject to official notice of issuance; and
- the effectiveness of the registration statement of which this proxy statement/prospectus forms a part and the absence of a stop order or proceedings seeking a stop order by the SEC.

In addition, the obligations of Harris and Merger Sub to effect the merger are subject to the satisfaction, or waiver of the following conditions:

the accuracy of the representations and warranties of Exelis to the extent required under the merger agreement;

the receipt by Harris of a certificate signed by the chief executive officer or the chief financial officer of Exelis certifying that the above condition with respect to the accuracy of representations as of the date of the merger agreement and as of the effective time, to the extent required under the merger agreement, has been satisfied;

Exelis performance of, in all material respects, its obligations under the merger agreement required to be performed at or prior to the closing date;

the receipt by Harris of a certificate signed by the chief executive officer or the chief financial officer of Exelis certifying that the above performance of the obligations of Exelis have been satisfied; and

since the date of the merger agreement, there has not occurred any event, change, effect, development, circumstance or occurrence, individually or in the aggregate, that has had or would reasonably be expected to have a material adverse effect on Exelis.

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In addition, the obligations of Exelis to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

- the accuracy of the representations and warranties of Harris and Merger Sub to the extent required under the merger agreement;
- the receipt by Exelis of a certificate signed by an authorized executive officer of Harris certifying that the above condition with respect to the accuracy of representations as of the date of the merger agreement and as of the effective time, to the extent required under the merger agreement, has been satisfied;
- Harris and Merger Sub s performance of, in all material respects, their obligations under the merger agreement required to be performed at or prior to the closing date; and
- the receipt by Exelis of a certificate signed by an executive officer of Harris certifying that the above performance of obligations have been satisfied.

For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see the section entitled **The Merger Agreement Conditions to the Completion of the Merger** beginning on page 126 of this proxy statement/prospectus.

No Solicitation or Negotiation of Acquisition Proposals (Page 116)

Exelis has agreed that neither Exelis, nor any of Exelis subsidiaries, nor any of Exelis or Exelis subsidiaries respective directors, officers, employees, investment bankers, attorneys, accountants and other advisors and representatives, which are collectively referred to as representatives, will, directly or indirectly:

- initiate, solicit, knowingly assist or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, any acquisition proposal (as defined in the section entitled **The Merger Agreement No Solicitation of Acquisition Proposals** beginning on page 116 of this proxy statement/prospectus), including by way of furnishing any non-public information or data concerning Exelis or its subsidiaries or any assets owned (in whole or part) by Exelis or its subsidiaries to any person in furtherance of an acquisition proposal or if it would reasonably be expected to lead to an acquisition proposal;
- enter into any letter of intent, memorandum of understanding, acquisition agreement, merger agreement, joint venture agreement, partnership agreement or other similar agreement (other than a confidentiality agreement entered into in compliance with the merger agreement) relating to, or that is intended to or would reasonably be expected to lead to, any acquisition proposal;

grant any waiver, amendment or release under any standstill or confidentiality agreement concerning an acquisition proposal; provided that notwithstanding the foregoing, Exelis will be permitted to fail to enforce any provision of any confidentiality, standstill or similar obligation of any person entered into after the date of the merger agreement if the board of directors of Exelis determines in good faith, after consultation with its outside legal counsel, that the failure to take such action is necessary in order for the directors to comply with their fiduciary duties under applicable law; or

engage in, continue or otherwise participate in any discussions or negotiations regarding any acquisition proposal.

Notwithstanding the restrictions described above, following the receipt of an acquisition proposal that was made after the date of the merger agreement in circumstances not otherwise involving a breach of the merger agreement and prior to the time the required shareholder vote of Exelis shareholders in favor of the merger and merger agreement is obtained, which is referred to as the required Exelis shareholder vote, Exelis may:

provide information in response to a request therefor by a person that has made an unsolicited bona fide written acquisition proposal if Exelis receives from the person so requesting such information an

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executed confidentiality agreement on terms not less restrictive to the other party than those contained in the confidentiality agreement executed by Harris (provided that any such confidentiality agreement must expressly permit Exelis to provide copies of forms of agreements in respect of such acquisition proposal to Harris and its representatives as contemplated in the merger agreement) and promptly discloses (and, if applicable, promptly provides copies of) any such information to Harris to the extent not previously provided to Harris;

engage or participate in any discussions or negotiations with any person that has made such an unsolicited bona fide written acquisition proposal; and

after having complied with the applicable provisions of the merger agreement related to acquisition proposals, approve, adopt, recommend, or otherwise declare advisable or propose to approve, adopt, recommend or declare advisable (publicly or otherwise) such an acquisition proposal, if and only to the extent that:

prior to taking any action described in this clause and the preceding clauses above, the board of directors of Exelis determines in good faith after consultation with its outside legal counsel that failure to take such action would be inconsistent with the directors fiduciary obligations under applicable law;

in each such case referred to in the first two clauses above, the board of directors of Exelis has determined in good faith based on the information then available and after consultation with its outside legal counsel and with its financial advisor that such acquisition proposal either constitutes a superior proposal (as defined in the section entitled **The Merger Agreement No Solicitation of Acquisition Proposals** beginning on page 116 of this proxy statement/prospectus) or is reasonably likely to result in a superior proposal; and

in the case referred to in the third clause above, the board of directors of Exelis determines in good faith (after consultation with its outside legal counsel and with its financial advisor) that such acquisition proposal is a superior proposal.

An agreement in compliance with the preceding paragraph is referred to as an alternative acquisition agreement.

No Change in Recommendation or Alternative Acquisition Agreement (Page 117**)**

Except as otherwise set forth in the merger agreement, the Exelis board of directors and each committee of the board of directors will not:

withhold, withdraw, qualify or modify (or publicly propose or announce any intention to or resolve to withhold, withdraw, qualify or modify), in a manner adverse to Harris or Merger Sub, the recommendation of the Exelis board of directors to approve the merger agreement;

fail to publicly affirm upon Harris request as promptly as practicable (but in any event within five business days after Harris request) after a public announcement of an acquisition proposal (or if the termination date or scheduled date of the special meeting is less than five business days from the receipt of such request from Harris as promptly as practicable following such request) (other than in the case of an acquisition proposal in the form of a tender offer or exchange offer) the recommendation of the Exelis board of directors to approve the merger agreement (provided that Harris may make such request only once in any seven-day period);

fail to recommend unequivocally against acceptance of any tender offer or exchange that is publicly disclosed (other than by Harris or an affiliate of Harris) prior to the earlier of (A) the day prior to the date of the special meeting and (B) the 11th business day after the commencement of such tender or exchange offer pursuant to Rule 14d-2 under the Exchange Act;

recommend that the shareholders of Exelis tender their shares of Exelis common stock in the tender offer or exchange offer described in the preceding bullet;

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fail to include the recommendation of the Exelis board of directors to approve the merger agreement in the proxy statement/prospectus distributed to Exelis shareholders in connection with the special meeting;

make any other public statement in connection with the special meeting that is inconsistent with the recommendation of the Exelis board of directors to approve the merger agreement; or

approve, adopt, recommend, or resolve or publicly propose to approve, adopt or recommend, any acquisition proposal (any action described in this clause and the ones above being referred to as a change of recommendation).

Notwithstanding anything to the contrary set forth in the merger agreement, but subject to the applicable notice requirements in the merger agreement, prior to the required Exelis shareholder vote, if any acquisition proposal has been made after the date of the merger agreement, the Exelis board of directors may make a change of recommendation in response to such acquisition proposal or terminate the merger agreement if, and only if:

such acquisition proposal did not result from a breach of the merger agreement; and

the board of directors of Exelis determines in good faith after consultation with its outside legal counsel and with its financial advisor that such acquisition proposal constitutes a superior proposal, and in light of such acquisition proposal, failure to make a change of recommendation or to terminate the merger agreement pursuant to the applicable termination provisions in the merger agreement would be inconsistent with the directors fiduciary obligations under applicable law.

Prior to making any change of recommendation in connection with an acquisition proposal and prior to terminating the merger agreement pursuant to the applicable termination provisions in the merger agreement, Exelis is required to deliver a written notice to Harris stating that the board of directors of Exelis intends to take such action pursuant to the terms of the merger agreement and, if applicable, intends to cause Exelis to enter into an alternative acquisition agreement, a copy of which must be delivered with such notice, together with copies of any related documents. During the four business day period commencing on the date of Harris receipt of such written notice of a superior proposal, Exelis is required to make its representatives reasonably available for the purpose of engaging in negotiations with Harris (to the extent Harris desires to negotiate) regarding a possible amendment of the merger agreement so that the acquisition proposal that is the subject of the written notice of a superior proposal ceases to be a superior proposal. Each time the financial or other material terms of such acquisition proposal are amended, Exelis will be required to deliver to Harris a new written notice of a superior proposal and the negotiation period will be extended by an additional two business days from the date of Harris receipt of such new written notice of a superior proposal.

Notwithstanding anything to the contrary set forth in the merger agreement, prior to the required Exelis shareholder vote, the Exelis board of directors may make a change of recommendation in response to an intervening event (as defined in the section entitled **The Merger Agreement Changes in Board Recommendations** beginning on page 117 of this proxy statement/prospectus), if and only if, the Exelis board of directors determines in good faith after consultation with its outside legal counsel and with its financial advisor that a failure to make a change of recommendation in response to such intervening event would be inconsistent with the directors fiduciary obligations under applicable law; provided, however, that Exelis must deliver to Harris a written notice stating that the Exelis board of directors intends to take such action no less than four business days prior to making such change of recommendation.

Termination of the Merger Agreement (Page 128)

Termination by Mutual Consent

The merger agreement may be terminated and the merger and the other transactions contemplated by the merger agreement may be abandoned at any time prior to the effective time, whether before or after the time the

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required Exelis shareholder vote is obtained, by mutual written consent of Exelis and Harris by action of their respective boards of directors.

Termination by Either Harris or Exelis

Either Harris or Exelis may terminate the merger agreement at any time before the effective time if:

- the merger has not been completed by August 5, 2015 (as such date may be extended, which is referred to as the termination date), provided that if on such date any of the conditions to the closing related to required government consents or restraining orders (to the extent that any such restraining order is in respect of any required government consent) has not been fulfilled but all other conditions to the closing either have been fulfilled or are then capable of being fulfilled, then the termination date of the merger agreement will, without any action on the part of the parties, be extended to November 5, 2015;

- the approval of the merger agreement by Exelis shareholders has not been obtained at the special meeting or at any adjournment or postponement of the special meeting taken in accordance with the merger agreement; or

- any restraining order permanently restraining, enjoining or otherwise prohibiting consummation of the merger has become final and non-appealable; provided that the right to terminate the merger agreement pursuant to this paragraph will not be available to any party that has breached in any material respect its obligations under the merger agreement, in any manner that has proximately contributed to the occurrence of the failure of a condition to the consummation of the merger or the failure of the merger to occur by the termination date.

Termination by Exelis

Exelis may terminate the merger agreement and the merger may be abandoned by action of the Exelis board of directors if:

- Harris has breached any of its representations or warranties or failed to perform any of its covenants or agreements set forth in the merger agreement, which breach or failure to perform would give rise to the failure of a condition set forth in the closing conditions provisions of the merger agreement and is not capable of being cured prior to the termination date of the merger agreement or, if capable of being cured, has not been cured by Harris by the 30th day after written notice thereof is given by Exelis to Harris;

- at any time prior to (but not after) obtaining the required Exelis shareholder vote if:

  - the board of directors of Exelis authorizes Exelis, subject to complying with the terms of the merger agreement related to acquisition proposals, to enter into an alternative acquisition agreement with respect to a superior proposal that did not result from a breach of the merger agreement;

concurrently with the termination of the merger agreement Exelis, subject to complying with the terms of the merger agreement related to acquisition proposals, enters into an alternative acquisition agreement with respect to a superior proposal that did not result from a breach of the merger agreement; and

prior to or concurrently with such termination, Exelis pays to Harris the termination fee pursuant to the merger agreement; or

the conditions to closing related to each party s obligation to effect the merger and Harris and Merger Sub s obligations to effect the merger (other than those conditions that by their nature are to be first satisfied at the closing; provided that such conditions are capable of being satisfied as of the date of the termination of the merger agreement) are satisfied, Exelis has confirmed by written notice to Harris that all conditions to closing related to Exelis obligation to effect the merger are satisfied (other than those conditions that by

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their nature are to be first satisfied at the closing; provided that such conditions are capable of being satisfied as of the date of the termination of the merger agreement) or that it irrevocably waives any unsatisfied conditions to closing related to Exelis obligation to effect the merger and Harris and Merger Sub fail to complete the merger and the other transactions contemplated by the merger agreement within three business days after the delivery of such notice and Exelis stood ready, willing and able to consummate the merger and the other transactions contemplated by the merger agreement through the end of such 3-business day period.

Termination by Harris

Harris may terminate the merger agreement and the merger may be abandoned at any time prior to the effective time by action of the board of directors of Harris if any one of the following events has occurred:

the board of directors of Exelis has made a change of recommendation; or

Exelis has materially breached the provisions of the merger agreement related to acquisition proposals; or

Exelis has breached any of its representations or warranties or failed to perform any of its covenants or agreements set forth in the merger agreement, which breach or failure to perform would give rise to the failure of a condition set forth in the closing conditions provisions of the merger agreement and is not capable of being cured prior to the termination date or, if capable of being cured, has not been cured by Exelis by the 30th day after written notice thereof is given by Harris to Exelis.

Termination Fees (Page 129**)**

In the event that the merger agreement is terminated by (i) Harris pursuant to a change in recommendation by the Exelis board of directors or a material breach of the provisions related to acquisition proposals by Exelis or (ii) either Harris or Exelis on account of a failure to obtain the required Exelis shareholder vote at a time when Harris had the right to terminate the merger agreement pursuant to its termination rights in clause (i), then Exelis must promptly, but in no event later than two days after the date of such termination, pay to Harris the termination fee (as described below), payable by wire transfer of same day funds. In the event that the merger agreement is terminated by Exelis on account of Exelis entry into an alternative acquisition agreement with respect to a superior proposal that did not result from a breach of the merger agreement, then, prior to or concurrently with such termination, Exelis must pay to Harris the termination fee, payable by wire transfer of same day funds.

In the event that:

a bona fide acquisition proposal has been made to Exelis or any of its subsidiaries or any person has publicly announced an intention (whether or not conditional) to make an acquisition proposal (and such acquisition proposal has not been publicly withdrawn without qualification at least 15 business days prior to the date of termination if such termination is pursuant to the termination date or an uncured breach of representations, warranties or covenants by Exelis, and at least 10 business days prior to the date of the special meeting, if such termination is pursuant to the failure to obtain the requisite Exelis shareholder approval for the merger and merger agreement;

thereafter the merger agreement is terminated by either Harris or Exelis if the merger has not been completed by the termination date or the required shareholder approval of the merger agreement has not been obtained at the special meeting (other than such failure to obtain approval related to a breach of Exelis obligations regarding acquisition proposals and change of recommendation as provided in the merger agreement), or by Harris on account of an uncured breach by Exelis of its representations, warranties or covenants under the merger agreement; and

within 12 months after such termination Exelis or any of its subsidiaries has entered into an alternative acquisition agreement or has adopted or recommended to Exelis shareholders or otherwise not opposed an acquisition proposal, or an acquisition proposal has been completed, resulting in any person

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becoming the beneficial owner, directly or indirectly, of more than 50% of the assets (on a consolidated basis) of Exelis or more than 50% of the total voting power of the equity securities of Exelis,

then Exelis must pay the termination fee to Harris upon the earliest to occur of such events. If a termination resulting from Exelis entry into an alternative acquisition agreement occurs on or prior to March 7, 2015, Exelis must pay to Harris a non-refundable cash amount equal to $57,675,000, and if a termination due to any of the circumstances discussed above occurs after March 7, 2015, Exelis must pay to Harris a non-refundable cash amount equal to $138,420,000.

In the event the merger agreement is terminated by Exelis on account of Harris and Merger Sub s failure to complete the merger when:

all conditions to closing have been satisfied (other than those conditions that by their nature are to be first satisfied at the closing; provided that such conditions are capable of being satisfied as of the date of the termination of the merger agreement);

Exelis has confirmed by written notice to Harris that all conditions to closing have been satisfied; and

Exelis has stood ready, willing and able to complete the merger for the three business day period after the delivery of such notice,

then Harris must promptly, but in no event later than two days after the date of such termination, pay to Exelis a non-refundable cash amount equal to $300,000,000, which is referred to as the reverse termination fee.

Accounting Treatment (Page 101)

Harris prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which is referred to as GAAP. The merger will be accounted for using the acquisition method of accounting. Harris will be treated as the acquiror for accounting purposes.

Material U.S. Federal Income Tax Consequences (Page 144)

Subject to the discussion in the paragraph immediately below, the receipt of the per share merger consideration pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. Generally, for U.S. federal income tax purposes, if you are a U.S. holder (as defined in the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus), you will recognize gain or loss equal to the difference between (i) the sum of cash you receive and the fair market value (as of the effective time) of the Harris common stock you receive and (ii) your adjusted tax basis in the Exelis common stock you exchange pursuant to the merger. If you are a non-U.S. holder (as defined in the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus), the merger will generally not result in tax to you under U.S. federal income tax laws unless you have certain connections to the United States. We encourage you to seek tax advice regarding such matters.

As described under the section entitled **Material U.S. Federal Income Tax Consequences U.S. Holders Tax Consequences of the Merger** , as a result of certain restructuring transactions that Harris may undertake (a determination in respect of which has not been made), the merger, together with any such restructuring, may instead

be treated as a reorganization within the meaning of Section 368(a) of the Code. The applicability of such treatment depends on whether the merger, together with the restructuring transactions (if undertaken by Harris), satisfies the continuity of interest requirement set forth in U.S. Treasury Regulations. Based on the per share merger consideration, Harris and Exelis intend to take the position that the continuity of interest requirement is not satisfied, but this determination depends in part on statutory, judicial and administrative authorities that are unclear. Accordingly, it is possible that the merger, together with the restructuring transactions (if undertaken by Harris), could be treated as a reorganization within the meaning of

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Section 368(a) of the Code. If the merger is so treated, and if you are a U.S. holder, you would generally recognize gain (but not loss) on the exchange of Exelis common stock for the per share merger consideration.

Because individual circumstances may differ, we recommend that you consult your own tax advisor to determine the particular tax effects of the merger to you.

You should read the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus for a more complete discussion of the material U.S. federal income tax consequences of the merger.

Comparison of Shareholders and Stockholders Rights (Page 148)

The rights of Exelis shareholders are governed by Exelis articles of incorporation, which is referred to as the Exelis charter, by Exelis amended and restated bylaws, which is referred to as the Exelis bylaws, and by Indiana corporate law. Your rights as a stockholder of Harris will be governed by Harris amended and restated certificate of incorporation, which is referred to as the Harris charter, by Harris amended and restated bylaws, which is referred to as the Harris bylaws, and by Delaware corporate law. Your rights under the Harris charter and the Harris bylaws will differ in some respects from your rights under the Exelis charter and the Exelis bylaws. For more detailed information regarding a comparison of your rights as a shareholder of Exelis and a stockholder of Harris, see the section entitled **Comparison of Shareholders and Stockholders Rights** beginning on page 148 of this proxy statement/prospectus.

Delisting and Deregistration of Exelis Common Stock (Page 101)

If the merger is completed, Exelis common stock will no longer be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, which is referred to as the Exchange Act.

Litigation Related to the Merger (Page 102)

To date, two putative class action lawsuits, captioned *McGill v. Hake et al.*, Case No. 1:15-cv-00217, and *The George Leon Family Trust, et al. v. Exelis Inc., et al.*, Case No. 1:15-cv-00466, which are referred to collectively as the shareholder litigation, have been filed by purported Exelis shareholders in the United States District Court for the Southern District of Indiana against Exelis, the members of Exelis board of directors, Harris and Merger Sub in connection with the announcement of the merger. The two actions were consolidated by order of the court dated April 20, 2015. The operative complaint alleges, among other things, that the directors of Exelis have breached their fiduciary duties owed to shareholders by approving the proposed acquisition of Exelis by Harris, that Exelis, Harris and Merger Sub have aided and abetted the directors of Exelis in breaching their fiduciary duties, and that Exelis and its directors have made untrue statements of material fact and omitted material facts in the Registration Statement filed in connection with the merger, in violation of federal securities laws. Among other things, the shareholder litigation seeks to enjoin the merger. Exelis, Harris, Merger Sub, and their respective directors believe that the shareholder litigation and the underlying claims are without merit.

Risk Factors (Page 45)

In evaluating the merger agreement, the merger or the issuance of Harris common stock in the merger, you should carefully read this proxy statement/prospectus and give special consideration to the factors discussed in the section entitled **Risk Factors** beginning on page 45 of this proxy statement/prospectus.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF EXELIS

The following table presents selected historical consolidated financial data for Exelis as of and for the fiscal years ended December 31, 2014, 2013, 2012, 2011 and 2010, which have been adjusted to reflect the spinoff of Vectrus, Inc., which is referred to as Vectrus, from Exelis and the related classification of its assets, liabilities, results of operations and cash flows as discontinued operations. The statement of operations data for the fiscal years ended December 31, 2014, 2013 and 2012 and the balance sheet data as of December 31, 2014 and 2013 have been obtained from Exelis audited consolidated financial statements included in Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015), which is incorporated by reference into this proxy statement/prospectus. The statement of operations data for the fiscal years ended December 31, 2011 and 2010 and the balance sheet data as of December 31, 2012, 2011 and 2010 have been derived from Exelis audited consolidated financial statements (excluding Vectrus) for such years, which have not been incorporated into this document by reference.

The information set forth below is not necessarily indicative of future results and should be read together with the other information contained in Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes therein. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

	Year Ended December 31				
(in millions, except per share data)	**2014**	**2013**	**2012**	**2011**	**2010**
Product and service revenue	$ 3,277	$ 3,341	$ 3,730	$ 4,054	$ 4,803
Operating income	$ 397	$ 328	$ 432	$ 430	$ 644
Income from continuing operations	$ 230	$ 178	$ 246	$ 264	$ 417
Cash dividends declared per common share	$ 0.41	$ 0.41	$ 0.41	$ 0.10	
Basic income from continuing operations per common share (a)(b)	$ 1.22	$ 0.94	$ 1.31	$ 1.42	$ 2.24
Diluted income from continuing operations per common share (a)(b)	$ 1.19	$ 0.93	$ 1.30	$ 1.41	$ 2.23
Total assets	$ 4,878	$ 4,884	$ 5,212	$ 5,099	$ 4,295
Long-term debt	$ 649	$ 649	$ 649	$ 649	

(a) Net income for the year ended December 31, 2010 includes $139 of income from discontinued operations, net of taxes, related to Exelis sale of CAS, Inc., a component of Exelis Information and Technical Services segment.

(b) On October 31, 2011, 184.6 shares of Exelis common stock were distributed to ITT Corporation s shareholders in connection with Exelis spin-off from ITT Corporation. For comparative purposes, and to provide a more meaningful calculation of weighted average shares, Exelis has assumed this amount to be outstanding for each period presented prior to the ITT spin-off in Exelis calculation of basic weighted average shares. In addition, for Exelis dilutive weighted average share calculations, Exelis has assumed the dilutive securities outstanding at October 31, 2011 were also outstanding for each of the prior periods presented.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF HARRIS

The following table presents selected historical consolidated financial data for Harris as of and for the fiscal years ended June 27, 2014, June 28, 2013, June 29, 2012, July 1, 2011 and July 2, 2010 and as of and for the two quarters ended January 2, 2015 and December 27, 2013. The statement of income data for the fiscal years ended June 27, 2014, June 28, 2013 and June 29, 2012 and the balance sheet data as of June 27, 2014 and June 28, 2013 have been derived from Harris audited consolidated financial statements included in Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014, which is incorporated by reference into this proxy statement/prospectus. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference herein. The statement of income data for the fiscal years ended July 1, 2011 and July 2, 2010 and the balance sheet data as of June 29, 2012, July 1, 2011 and July 2, 2010 have been derived from Harris audited consolidated financial statements for such years, which have not been incorporated into this document by reference. The financial data as of January 2, 2015 and December 27, 2013, and for the two quarters ended January 2, 2015 and December 27, 2013, have been derived from Harris unaudited condensed consolidated financial statements included in Harris Quarterly Report on Form 10-Q for the two quarters ended January 2, 2015 and December 27, 2013, which is incorporated by reference into this proxy statement/prospectus. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference herein.

The information set forth below is not necessarily indicative of future results and should be read together with the other information contained in Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014 and Harris Quarterly Report on Form 10-Q for the two quarters ended January 2, 2015 and December 27, 2013, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes therein. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

(in millions, except per share data)	Two Quarters ended January 2, 2015	Two Quarters ended December 27, 2013	Fiscal Year Ended 2014	2013 (1)	2012 (2)	2011 (3)	2010 (4)
Revenue from product sales and services	$ 2,361.7	$ 2,415.1	$ 5,012.0	$ 5,111.7	$ 5,451.3	$ 5,418.4	$ 4,725.0
Income from continuing operations	264.6	264.5	$ 539.2	$ 461.9	$ 555.9	$ 598.7	$ 581.0
Basic net income per common share attributable to Harris Corporation common shareholders	$ 2.52	$ 2.47	$ 5.05	$ 4.19	$ 4.83	$ 4.73	$ 4.46
Diluted net income per common share attributable to Harris Corporation common shareholders	$ 2.50	$ 2.45	$ 5.00	$ 4.16	$ 4.80	$ 4.69	$ 4.42
Cash dividends per share	$ 0.94	$ 0.84	$ 1.68	$ 1.48	$ 1.22	$ 1.00	$ 0.88
Total assets	$ 4,798.2	$ 4,884.1	$ 4,931.2	$ 4,858.4	$ 5,592.8	$ 6,172.8	$ 4,743.6
Long-term debt	$ 1,575.8	$ 1,577.1	$ 1,575.8	$ 1,577.1	$ 1,883.0	$ 1,887.2	$ 1,176.6

(1) Results for fiscal 2013 included an $83.0 million after-tax ($.74 per diluted share) charge, net of government cost reimbursement, for Harris-wide restructuring and other actions, including prepayment of long-term debt, asset impairments, a write-off of capitalized software, facility consolidation, workforce reductions and other associated costs.

(2) Results for fiscal 2012 included a $46.3 million after-tax ($.40 per diluted share) charge for integration and other costs in Harris Integrated Network Solutions segment associated with Harris acquisitions of CapRock Holdings, Inc. and its subsidiaries, including CapRock Communications, Inc., which is collectively referred to as CapRock, Schlumberger group s Global Connectivity Services business, which is referred to as Schlumberger GCS, and Carefx Corporation, which is referred to as Carefx.

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(3) Results for fiscal 2011 included a $36.8 million after-tax ($.29 per diluted share) charge for integration and other costs in Harris Integrated Network Solutions segment associated with Harris acquisitions of CapRock, Schlumberger GCS, the terrestrial network infrastructure assets of the government business of Core180, Inc. and Carefx.

(4) Results for fiscal 2010 included a $14.5 million after-tax ($.11 per diluted share) charge for integration and other costs in Harris RF Communications segment associated with Harris acquisition of substantially all of the assets of the Tyco Electronics wireless systems business.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements have been prepared to illustrate the effect of the merger. Each share of Exelis common stock issued and outstanding immediately prior to the effective time will be canceled and converted automatically into the right to receive, in accordance with the terms of the merger agreement, the per share merger consideration, which consists of (1) $16.625 in cash, without interest, and (2) 0.1025 shares of Harris common stock.

Harris plans to fund the cash consideration and other amounts payable under the terms of the merger agreement from a combination of cash on hand and debt financing, which includes a combination of borrowings under a new senior unsecured term loan facility in an aggregate principal amount of $1.3 billion, which is referred to as the new term loan, and the proceeds from the issuance of new debt securities in an aggregate principal amount of $2.4 billion. Further, around the time of the merger, Harris expects to redeem $750 million of its existing notes with a portion of the proceeds from the issuance of new debt securities, together with cash on hand.

The following unaudited pro forma condensed combined financial statements give effect to the merger under the acquisition method of accounting in accordance with Financial Accounting Standards Board, which is referred to as FASB, Accounting Standard Codification, which is referred to as ASC, Topic 805, Business Combinations, which is referred to as ASC 805, with Harris treated as the legal and accounting acquirer. The historical consolidated financial information in the unaudited pro forma condensed combined financial statements has been adjusted to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results of Harris and Exelis. Although Harris and Exelis have entered into the merger agreement, there is no guarantee that the merger will be completed. The unaudited pro forma condensed combined balance sheet as of January 2, 2015 is based on the individual historical consolidated balance sheets of Harris and Exelis, and has been prepared to reflect the merger as if it occurred on January 2, 2015, which was the end of Harris second fiscal quarter. The unaudited pro forma condensed combined statements of income for the two quarters ended January 2, 2015 and the year ended June 27, 2014 combine the historical results of operations of Harris and Exelis, and have been prepared to reflect the merger as if it occurred on June 29, 2013, the first day of Harris fiscal 2014.

Harris fiscal year ends on the Friday nearest June 30, and Exelis fiscal year ends on December 31. As a consequence of Harris and Exelis different fiscal years:

- The unaudited pro forma condensed combined balance sheet as of January 2, 2015 combines Harris historical unaudited condensed consolidated balance sheet as of January 2, 2015, which was the end of Harris second fiscal quarter, and Exelis historical audited consolidated balance sheet as of December 31, 2014.

- The unaudited pro forma condensed combined statement of income for the two quarters ended January 2, 2015 combines Harris historical unaudited results of operations for the two quarters ended January 2, 2015, which was the end of Harris second fiscal quarter, and Exelis historical unaudited results of operations for the two quarters ended December 31, 2014.

The unaudited pro forma condensed combined statement of income for the year ended June 27, 2014 combines Harris historical audited results of operations for the year ended June 27, 2014, which was the end of Harris fiscal year, and Exelis historical unaudited results of operations for the four quarters ended June 30, 2014.

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On September 27, 2014, Exelis completed a previously announced spin-off of Vectrus (formerly referred to as Mission Systems), and Exelis began reporting Vectrus as discontinued operations beginning in the fourth quarter of its fiscal year ended December 31, 2014. Consequently, the unaudited pro forma condensed combined statements of income for the two quarters ended January 2, 2015 and the year ended June 27, 2014 reflect separately the historical results of operations for Exelis (as reported), Vectrus and Exelis (as adjusted to exclude Vectrus results of operations). The unaudited pro forma condensed combined balance sheet as of January 2, 2015 reflects the historical audited consolidated balance sheet of Exelis as of December 31, 2014, which excludes Vectrus.

The unaudited pro forma condensed combined statements of income do not reflect future events that may occur after the merger, including, but not limited to, the anticipated realization of ongoing savings from operating synergies; and certain one-time charges Harris expects to incur in connection with the transaction, including, but not limited to, costs in connection with integrating the operations of Harris and Exelis.

The following unaudited pro forma condensed combined financial statements are for informational purposes only and do not purport to indicate the results that actually would have been obtained had the merger been completed on the assumed dates or for the periods presented, or which may be realized in the future. To prepare the unaudited pro forma condensed combined financial statements, Harris adjusted Exelis assets and liabilities to their estimated fair values based on preliminary valuation work. As of the date of this proxy statement/prospectus, Harris has not completed the detailed valuation work necessary to finalize the required estimated fair values of the Exelis assets to be acquired and liabilities to be assumed and the related allocation of purchase price, nor has Harris identified all adjustments necessary to conform Exelis accounting policies to Harris accounting policies. A final determination of the fair value of Exelis assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Exelis that exist as of the date of completion of the merger and, therefore, cannot be made prior to that date. Additionally, the value of the portion of the per share merger consideration to be paid in shares of Harris common stock will be determined based on the trading price of Harris common stock at the time of the completion of the merger. Consequently, the purchase price allocation included in the unaudited pro forma condensed combined financial statements is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. Further, the preliminary purchase price allocation has been made solely for the purpose of preparing the unaudited pro forma condensed combined financial statements. The preliminary purchase price allocation was based on reviews of publicly disclosed allocations for other acquisitions in the industry, Harris historical experience, data that was available through the public domain and Harris due diligence review of Exelis business. Until the merger is completed, Harris and Exelis are limited in their ability to share information with each other. Upon completion of the merger, incremental valuation work will be performed and any increases or decreases in the fair value of relevant statement of financial position amounts will result in adjustments to the statement of financial position and/or statements of income until the purchase price allocation is finalized. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the unaudited pro forma condensed combined financial statements.

The following unaudited pro forma condensed combined financial statements should be read in conjunction with:

- The accompanying notes to the unaudited pro forma condensed combined financial statements;

- Harris audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the year ended June 27, 2014 and Harris Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2015; and

Exelis audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015) and Exelis Quarterly Reports on Form 10-Q for the quarterly periods ended September 30, 2013, March 31, 2014, June 30, 2014 and September 30, 2014.

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Unaudited Pro Forma Condensed Combined Balance Sheet

As of January 2, 2015

(In millions)

	Historical Harris	Historical Exelis	Pro Forma Adjustments	Note References	Pro Forma Combined
Assets					
Current Assets					
Cash and cash equivalents	$ 469	$ 510	$ (3,309)	2a, 2b, 2c	$ 415
			(35)	2a	
			(26)	2f	
			2,950	3c	
			(29)	3c	
			(72)	3c	
			(13)	3c	
			(30)	3c	
Receivables	582	824	(259)	3b	1,147
Inventories	650	225	259	3b	1,134
Income taxes receivable	22				22
Current deferred income taxes	116	56			172
Other current assets	107	47	3	3c	157
Total current assets	1,946	1,662	(561)		3,047
Non-current Assets					
Property, plant and equipment	725	437			1,162
Goodwill	1,676	1,976	(1,976)	2g	6,207
			4,531	2k	
Intangible assets	224	150	(150)	2g	1,914
			1,690	2h	
Non-current deferred income taxes	69	566	209	2g	238
			(617)	2j	
			11	3c	
Other non-current assets	158	87	22	3c	259
			(5)	3c	
			(3)	2g	
Total non-current assets	2,852	3,216	3,712		9,780
	$ 4,798	$ 4,878	$ 3,151		$ 12,827
Liabilities and Equity					
Current Liabilities					
Short-term debt	$ 74	$	$		$ 74

Accounts payable	292	238			530
Compensation and benefits	151	170			321
Other accrued items	257	124	(6)	2g	375
Advance payments and unearned income	253	242			495
Current portion of long-term debt	1		130	3c	130
			(1)	3c	
Total current liabilities	1,028	774	123		1,925
Non-current Liabilities					
Defined benefit plans		2,072			2,072
Non-current deferred income taxes		2			2
Long-term debt	1,576	649	39	2i	5,081
			1,300	3c	
			2,400	3c	
			(750)	3c	
			(130)	3c	
			(3)	3c	
Long-term contract liability	77				77
Other long-term liabilities	306	134	(7)	2g	433
Total non-current liabilities	1,959	2,857	2,849		7,665
Equity					
Shareholders Equity:					
Preferred stock					
Common stock	104	2	(2)	2e	123
			19	2d	
Other capital	499	2,607	(2,607)	2e	2,042
			1,551	2d	
			(8)	2a	
Treasury stock		(128)	128	2e	
Retained earnings	1,286	645	(645)	2e	1,169
			(27)	2a	
			(77)	3c	
			(13)	3c	
Accumulated other comprehensive loss	(78)	(1,879)	1,879	2e	(97)
			(19)	3c	
Total shareholders equity	1,811	1,247	179		3,237
Noncontrolling interests					
Total equity	1,811	1,247	179		3,237
	$ 4,798	$ 4,878	$ 3,151		$ 12,827

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 34 of this proxy statement/prospectus.

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Unaudited Pro Forma Condensed Combined Statement of Income

For the Two Quarters Ended January 2, 2015

(In millions, except per share amounts)

	Historical Harris A	Historical Exelis (As Reported) B	Vectrus C	Exelis (As Adjusted to Exclude Vectrus) D=B+C	Pro Forma Adjustments E	Note References	Pro Forma Combined A+D+E
Revenue from product sales and services	$ 2,362	$ 2,001	$ (288)	$ 1,713	$ (2)	3a	$ 4,073
Cost of product sales and services	(1,570)	(1,520)	260	(1,260)	1	3a	(2,797)
					39	3g	
					(7)	3d	
Engineering, selling and administrative expenses	(383)	(204)	24	(180)	(35)	3b	(643)
					(5)	3b	
					(46)	3d	
					1	3b	
					5	3g	
Research and development expenses		(35)		(35)	35	3b	
Restructuring charges		(5)		(5)	5	3b	
Other income, net		1		1	(1)	3b	
Interest income	1						1
Interest expense	(45)	(19)		(19)	(31)	3e	(93)
					(2)	3c	
					4	3f	
Income from continuing operations before income taxes	365	219	(4)	215	(39)		541
Income taxes	(100)	(83)	3	(80)	15	3i	(165)
Income from continuing operations	265	136	(1)	135	(24)		376
Noncontrolling interest, net of income taxes							
Income from continuing operations attributable to Harris Corporation	$ 265	$ 136	$ (1)	$ 135	$ (24)		$ 376

common shareholders			
Income from continuing operations per basic common share attributable to Harris Corporation common shareholders	2.52	0.72	3.03
Income from continuing operations per diluted common share attributable to Harris Corporation common shareholders	2.50	0.70	3.01
Basic weighted average common shares outstanding	104.3		123.3
Diluted weighted average common shares outstanding	105.3		124.4

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 34 of this proxy statement/prospectus.

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Unaudited Pro Forma Condensed Combined Statement of Income

For the Fiscal Year Ended June 27, 2014

(In millions, except per share amounts)

	Historical Harris A	Historical Exelis (As Reported) B	Vectrus C	Exelis (As Adjusted to Exclude Vectrus) D=B+C	Pro Forma Adjustments E	Note References	Pro Forma Combined A+D+E
Revenue from product sales and services	$ 5,012	$ 4,542	$ (1,261)	$ 3,281	$ (6)	3a	$ 8,287
Cost of product sales and services	(3,310)	(3,551)	1,108	(2,443)	4	3a	(5,675)
					89	3g	
					(15)	3d	
Engineering, selling and administrative expenses	(820)	(445)	65	(380)	(51)	3b	(1,357)
					(28)	3b	
					(90)	3d	
					1	3b	
					11	3g	
Research and development expenses		(51)		(51)	51	3b	
Restructuring and asset impairment charges		(28)		(28)	28	3b	
Other income, net		1		1	(1)	3b	
Non-operating income	4						4
Interest income	3						3
Interest expense	(94)	(37)		(37)	(63)	3e	(189)
					(4)	3c	
					1	3h	
					8	3f	
Income from continuing operations before income taxes	795	431	(88)	343	(65)		1,073
Income taxes	(256)	(159)	28	(131)	25	3i	(362)
Income from continuing operations	539	272	(60)	212	(40)		711
Noncontrolling interests, net of income	1						1

taxes

Income from continuing operations attributable to Harris Corporation common shareholders	$ 540	$ 272	$ (60)	$ 212	$ (40)	$ 712
Income from continuing operations per basic common share attributable to Harris Corporation common shareholders	5.05			1.12		5.64
Income from continuing operations per diluted common share attributable to Harris Corporation common shareholders	5.00			1.09		5.60
Basic weighted average common shares outstanding	106.1					125.2
Diluted weighted average common shares outstanding	107.3					126.3

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 34 of this proxy statement/prospectus.

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1: Description of Transaction and Basis of Presentation

On February 5, 2015, Harris, Merger Sub (a wholly owned subsidiary of Harris) and Exelis entered into the merger agreement pursuant to which Merger Sub will be merged with and into Exelis, with Exelis surviving the merger as a wholly owned subsidiary of Harris. The accompanying unaudited pro forma condensed combined financial statements have been prepared to illustrate the effect of the merger. Each share of Exelis common stock issued and outstanding immediately prior to the effective time will be canceled and converted automatically into the right to receive, in accordance with the terms of the merger agreement, the per share merger consideration, which consists of (1) $16.625 in cash, without interest, and (2) 0.1025 shares of Harris common stock. This consideration represented a value of $23.75 per share for Exelis common stock, or an enterprise value of approximately $4.75 billion, based on the closing price of Harris common stock as of February 5, 2015 of $69.49 per share and approximately 186 million shares of Exelis common stock outstanding as of February 5, 2015.

Harris plans to fund the cash consideration and other amounts payable under the terms of the merger agreement from a combination of cash on hand and debt financing, which includes a combination of borrowings under the new term loan and the proceeds from the issuance of new debt securities in an aggregate principal amount of $2.4 billion. Further, around the time of the merger, Harris expects to redeem $750 million of its existing notes with a portion of the proceeds from the issuance of new debt securities, together with cash on hand.

The accompanying unaudited pro forma condensed combined financial statements give effect to the merger under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*, with Harris treated as the legal and accounting acquirer. The historical consolidated financial information in the unaudited pro forma condensed combined financial statements has been adjusted to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results of Harris and Exelis. Although Harris and Exelis have entered into the merger agreement, there is no guarantee that the merger will be completed. The unaudited pro forma condensed combined balance sheet as of January 2, 2015 is based on the individual historical consolidated balance sheets of Harris and Exelis, and has been prepared to reflect the merger as if it occurred on January 2, 2015, which was the end of Harris second fiscal quarter. The unaudited pro forma condensed combined statements of income for the two quarters ended January 2, 2015 and the year ended June 27, 2014 combine the historical results of operations of Harris and Exelis, and have been prepared to reflect the merger as if it occurred on June 29, 2013, the first day of Harris fiscal 2014.

The unaudited pro forma condensed combined statements of income do not reflect future events that may occur after the merger, including, but not limited to, the anticipated realization of ongoing savings from operating synergies, and certain one-time charges Harris expects to incur in connection with the transaction, including, but not limited to, costs in connection with integrating the operations of Harris and Exelis. The unaudited pro forma condensed combined financial statements are for informational purposes only and do not purport to indicate the results that actually would have been obtained had the merger been completed on the assumed dates or for the periods presented, or which may be realized in the future.

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To prepare the unaudited pro forma condensed combined financial statements, Harris adjusted Exelis assets and liabilities to their estimated fair values based on preliminary valuation work. As of the date of this proxy statement/prospectus, Harris has not completed the detailed valuation work necessary to finalize the required estimated fair values of the Exelis assets to be acquired and liabilities to be assumed and the related allocation of purchase price. A final determination of the fair value of Exelis assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Exelis that exist as of the date of completion of the merger and, therefore, cannot be made prior to that date.

Also, as of the date of this proxy statement/prospectus, Harris has not identified all adjustments necessary to conform Exelis accounting policies to Harris accounting policies. However, during preparation of the unaudited pro forma condensed combined financial statements, Harris has performed a preliminary analysis and is not aware of any material differences, and accordingly, the accompanying unaudited pro forma condensed combined financial statements assume no material differences in accounting policies between Harris and Exelis. Harris will conduct a final review of Exelis accounting policies as of the date of the completion of the merger in an effort to determine if differences in accounting policies require adjustment or reclassification of Exelis results of operations or reclassification of assets or liabilities to conform to Harris accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on the accompanying unaudited pro forma condensed combined financial statements.

Additionally, the value of the portion of the per share merger consideration to be paid in shares of Harris common stock will be determined based on the trading price of Harris common stock at the time of completion of the merger. Consequently, the purchase price allocation included in the accompanying unaudited pro forma condensed combined financial statements is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. A change of 10 percent in the price of Harris common stock from the closing price of Harris common stock as of April 22, 2015 of $82.46 per share would change the value of merger consideration to be paid by approximately $168 million.

NOTE 2: Preliminary Consideration Transferred and Preliminary Fair Value of Net Assets Acquired

The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the estimated fair values of the Exelis identifiable assets acquired and liabilities assumed, and the excess of the consideration over these fair values is recorded to goodwill. The preliminary purchase price allocation was based on reviews of publicly disclosed allocations for other acquisitions in the industry, Harris historical experience, data that was available through the public domain and Harris due diligence review of Exelis business. Until the merger is completed, Harris and Exelis are limited in their ability to share information with each other. Upon completion of the merger, incremental valuation work will be performed and any increases or decreases in the fair value of relevant statement of financial position amounts will result in adjustments to the statement of financial position and/or statements of income until the purchase price allocation is finalized. The preliminary consideration transferred and preliminary fair value of Exelis assets acquired and liabilities assumed as if the merger occurred on January 2, 2015 is presented as follows:

(in millions)	Note	Amount
Calculation of estimated consideration to be transferred:		
Cash consideration to be paid for Exelis outstanding common stock	a	$ 3,089
Cash consideration to be paid for Exelis outstanding stock options	b	154
Cash consideration to be paid for Exelis outstanding restricted stock units	c	66

Total cash consideration paid		3,309
Less cash acquired		(510)
Net cash consideration paid		$ 2,799
Fair value of Harris common stock to be issued for Exelis outstanding common stock	d	1,570
Total estimated consideration transferred		$ 4,369

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(in millions)	Note	Amount
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Net book value of assets, excluding cash, acquired as of January 2, 2015	e	$ 737
Less transaction costs expected to be incurred by Exelis	f	(26)
Less elimination of pre-existing Exelis goodwill, intangible assets and certain non-current deferred income taxes, other non-current assets, other accrued items and other long-term liabilities	g	(1,907)
Adjusted net book value of assets acquired		(1,196)
Identifiable intangible assets at fair value	h	1,690
Increase long-term debt assumed to fair value	i	(39)
Deferred tax impact of fair value adjustments	j	(617)
Goodwill	k	4,531
Net assets acquired at fair value		$ 4,369

a. Cash consideration to be paid for Exelis outstanding common stock is computed as follows (for information regarding the source of funding for this cash consideration, see Note 3c):

(in millions, except per share amounts)	Amount
Outstanding shares of Exelis common stock (as of February 5, 2015)	185.8
Cash consideration to be paid per Exelis share	$ 16.625
Cash consideration to be paid to Exelis shareholders	$ 3,089

Additional adjustments in the unaudited pro forma condensed combined balance sheet include $45 million ($35 million after-tax) in acquisition-related costs, including fees paid in connection with a new bridge term loan facility that is expected to be terminated, as a reduction in cash with a corresponding decrease to Retained Earnings ($27 million) and Other Capital ($8 million) reflecting the mix of cash and equity consideration to be paid.

b. Each Exelis stock option that is outstanding and unexercised immediately prior to the effective time, whether or not vested, will be canceled, and converted into the right of the option holder to receive an amount in cash, with respect to each share of Exelis common stock subject to such option, equal to the excess, if any, of the per share equity award consideration over the applicable per share exercise price for each such stock option, less any required withholding taxes. The amount shown represents the estimated cash to be paid based on approximately 10.7 million Exelis stock options outstanding as of February 5, 2015.

c. For each Exelis RSU that is outstanding immediately prior to the effective time, other than any rollover RSU, any vesting conditions or restrictions applicable to such RSU will lapse, the RSU will be canceled and converted into the right of the holder to receive an amount in cash, without interest, for each share of Exelis common stock subject to such RSU, equal to the sum of (i) the per share equity award consideration plus (ii) any accrued per share dividend payments by Exelis in respect of such RSU, and less any required withholding taxes. The amount shown represents the estimated cash to be paid, without reduction for withholding taxes, based on approximately 2.6 million Exelis RSUs outstanding as of February 5, 2015.

d. The fair value of Harris common stock to be issued for Exelis outstanding common stock is computed as follows:

(in millions, except per share amounts)	Amount
Outstanding shares of Exelis common stock (as of February 5, 2015)	185.8
Exchange ratio	0.1025
Shares of Harris common stock to be issued for Exelis outstanding common stock ($1.00 par value)	19.0
Price per share of Harris common stock as of April 22, 2015	$ 82.46
Fair value of Harris common stock to be issued for Exelis outstanding common stock	$ 1,570

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e. Reflects the historical book value of the net book value of assets, net of cash, as of December 31, 2014 acquired from Exelis. The unaudited pro forma condensed combined balance sheet reflects the elimination of Exelis historical common stock, additional paid-in capital, treasury stock, retained earnings and accumulated other comprehensive loss as part of purchase accounting.

f. Represents estimated transaction costs to be incurred by Exelis, which will reduce net assets acquired.

g. Reflects the elimination of certain previously recorded assets and liabilities by Exelis as part of purchase accounting. The historical book value as of December 31, 2014 is as follows:

(in millions)	**Amount**
Goodwill	$ (1,976)
Intangible assets	(150)
Non-current deferred income taxes (deferred tax liabilities related to eliminated goodwill and intangible assets)	209
Other non-current assets (debt issuance costs)	(3)
Other accrued items (related to current portion of deferred rent)	6
Other long-term liabilities (related to non-current portion of deferred rent)	7
Net eliminations	$ (1,907)

h. Identifiable intangible assets expected to be acquired consist of the following:

(in millions)	**Amount**
Acquired customer relationships	$ 1,400
Acquired developed technology	160
Acquired trade names and trademarks	120
Acquired in-process research and development	10
Estimated fair value of identifiable intangible assets	$ 1,690

i. The fair value of Exelis long-term debt was determined using prices in secondary markets for identical and similar securities obtained from external pricing sources.

j. Represents estimated deferred tax liabilities associated with identifiable intangible assets expected to be acquired.

k. Goodwill is calculated as the difference between the fair value of the consideration transferred and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. The amount of goodwill presented in the above table reflects the estimated goodwill as if the acquisition of Exelis occurred on January 2, 2015.

NOTE 3: Pro Forma Adjustments

a. Reflects the elimination of revenue from product sales and services and cost of product sales and services for sales between Harris and Exelis.

b. Certain balances from the historical financial information of Exelis were reclassified to conform their presentation to that of Harris. These include:

1. Unbilled costs on fixed-price contracts reclassified from Receivables to Inventories.

2. Research and development expenses reclassified to Engineering, selling and administrative expenses of $35 million for the two quarters ended January 2, 2015 and $51 million for the year ended June 27, 2014.

3. Restructuring and asset impairment charges reclassified to Engineering, selling and administrative expenses of $5 million for the two quarters ended January 2, 2015 and $28 million for the year ended June 27, 2014.

4. Other income reclassified to Engineering, selling and administrative expenses of $1 million for each of the two quarters ended January 2, 2015 and the year ended June 27, 2014.

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c. Harris plans to fund the cash consideration and other amounts payable under the terms of the merger agreement from a combination of cash on hand and debt financing, which includes a combination of borrowings under the new term loan and the proceeds from the issuance of new debt securities in an aggregate principal amount of $2.4 billion. Further around the time of the merger, Harris expects to redeem $750 million of its existing notes with a portion of the proceeds from the issuance of new debt securities.

The unaudited pro forma condensed combined balance sheet as of January 2, 2015 has been adjusted to reflect the merger as if it occurred on January 2, 2015, and consequently, in connection with obtaining the committed debt financing on such date, approximately $29 million of financing costs were recorded in the unaudited pro forma condensed combined balance sheet ($3 million in Other Current Assets, $22 million in Other Non-current Assets, $1 million as a discount on Current Portion of Long-Term Debt and $3 million as a discount on Long-term Debt). Additionally, $130 million of borrowings under the new term loan are reflected in Current Portion of Long-term Debt to reflect quarterly principal amortization payments equal to 2.50 percent of the initial principal amount of the new term loan for each tranche.

The unaudited pro forma condensed combined statements of income for the two quarters ended January 2, 2015 and the year ended June 27, 2014 have been adjusted to reflect the merger as if it occurred on June 29, 2013, the first day of Harris fiscal 2014. In connection with obtaining the committed debt financing on such date, approximately $29 million of financing costs were recognized over the life of the underlying debt. This amortization is recorded as interest expense and resulted in charges of approximately $2 million for the two quarters ended January 2, 2015 and approximately $4 million for the year ended June 27, 2014.

In connection with the redemption of the Harris notes described above, the unaudited pro forma condensed combined balance sheet as of January 2, 2015 reflects a $77 million decrease in Retained Earnings representing the after-tax loss on a $125 million pre-tax loss on extinguishment of this debt. The $125 million pre-tax loss consists of $120 million of make-whole redemption prices paid and a write-off of $5 million of unamortized debt issue costs related to these notes. As a result of the redemption of the Harris notes, the unaudited pro forma condensed combined balance sheet as of January 2, 2015 reflects a net decrease to Cash and Cash Equivalents of $72 million (reflecting the $120 million of make-whole redemption prices paid, net of a $48 million tax benefit on the $125 million net loss on extinguishment of this debt). Additionally, in connection with the redemption of the Harris notes described above, the unaudited pro forma condensed combined balance sheet as of January 2, 2015 reflects (i) a $13 million decrease in Retained Earnings representing the after-tax amount related to accrued but unpaid interest of $21 million on these notes and (ii) a $30 million decrease in Cash and Cash Equivalents, a $19 million increase in Accumulated Other Comprehensive Loss and an $11 million increase in Non-current Deferred Income Taxes related to the termination of four interest rate swap agreements previously put in place to hedge against interest-rate risk associated with our issuance of the new debt securities.

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d. Reflects the net increase in amortization expense related to the fair value of acquired finite-lived identifiable intangible assets and the elimination of historical amortization expense recognized by Exelis for the two quarters ended January 2, 2015 and the year ended June 27, 2014. Assumptions and details are as follows:

(in millions)	Charged To	Weighted Average Useful Lives (Years)	Fair Value	Two Quarters Ended January 2, 2015	Year Ended June 27, 2014
Acquired intangible assets Developed technology	(1)	11	$ 160	$ 7	$ 15
Acquired intangible assets Other	(2)	13	$ 1,530	$ 58	$ 116
Less historical Exelis amortization	(2)			12	26
Net adjustment to amortization expense	(2)			$ 46	$ 90

(1) Cost of product sales and services
(2) Engineering, selling and administrative expenses

e. Reflects an increase in interest expense related to new debt to finance a portion of the acquisition and the redemption of certain Harris notes (as described at Note 3c), as presented below:

(in millions)	Two Quarters Ended January 2, 2015	Fiscal Year Ended June 27, 2014
Interest expense on term loans	$ 10	$ 21
Interest expense on new public debt	45	90
Interest expense on debt to be redeemed(1)	(24)	(48)
Total	$ 31	$ 63

(1) Includes amortization of debt issue costs and debt discounts.

A 0.125 percent variance in the variable interest rate for the term loans would change interest expense for the two quarters ended January 2, 2015 and for the year ended June 27, 2014 by approximately $0.7 million and $1.6 million, respectively.

f. Reflects amortization of the increase to Exelis long-term debt based on a preliminary $39 million fair value adjustment (see also Note 2i).

g. Reflects the elimination of amortization of net actuarial losses from accumulated comprehensive loss related to Exelis post-retirement benefit plans due to the accumulated comprehensive loss being eliminated as part of purchase accounting.

h. Reflects the elimination of amortization of debt issuance costs related to Exelis issuance of its two senior notes due to the debt issuance costs being eliminated as part of purchase accounting.

i. Represents the tax effects of all pro forma adjustments above using Harris statutory rate of 35 percent for federal income taxes and approximately 3 percent for state income taxes.

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COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA

The following selected unaudited pro forma per share information for the year ended June 27, 2014 and the two quarters ended January 2, 2015, reflects the merger and related transactions as if they had occurred on June 29, 2013. The book value per share amounts in the table below reflect the merger as if it had occurred on June 27, 2014 or January 2, 2015. The information in the table is based on, and should be read together with, the historical financial information that Harris and Exelis have presented in their respective filings with the SEC. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

The unaudited pro forma combined per share data is presented for illustrative purposes only and is not necessarily indicative of actual or future financial position or results of operations that would have been realized if the proposed merger had been completed as of the dates indicated or will be realized upon the completion of the proposed merger. The summary pro forma information is preliminary, based on initial estimates of the fair value of assets acquired (including intangible assets) and liabilities assumed, and is subject to change as more information regarding the fair values are obtained, which changes could be materially different than the initial estimates.

Both Harris and Exelis declared and paid dividends during the periods presented. For more information on dividends of Harris and Exelis, see the section entitled **Comparative Per Share Market Price and Dividend Information** beginning on page 41 of this proxy statement/prospectus.

	Historical Harris	Exelis (As Adjusted to Exclude Vectrus)	Pro Forma Combined	Equivalent Basis Pro Forma Combined (1)
Income from continuing operations per basic common share attributable to common shareholders				
Fiscal year ended June 27, 2014	$ 5.05	$ 1.12	$ 5.64	$ 0.58
Two quarters ended January 2, 2015	$ 2.52	$ 0.72	$ 3.03	$ 0.31
Income from continuing operations per diluted common share attributable to common shareholders				
Fiscal year ended June 27, 2014	$ 5.00	$ 1.09	$ 5.60	$ 0.57
Two quarters ended January 2, 2015	$ 2.50	$ 0.70	$ 3.01	$ 0.31
Cash dividends per share				
Fiscal year ended June 27, 2014	$ 1.68	$ 0.41	$ 1.68 (2)	$ 0.17
Two quarters ended January 2, 2015	$ 0.94	$ 0.21	$ 0.94 (2)	$ 0.10
Book value per share				
As of June 27, 2014	$ 17.30	$ 9.20	$ 27.08	$ 2.78
As of January 2, 2015	$ 17.40	$ 6.72	$ 27.28	$ 2.80

(1) The per share amounts are calculated by multiplying the pro forma combined per share amounts by the exchange ratio of 0.1025.

(2) Pro forma combined amounts are the same as Harris historical cash dividends per share since Harris is not expected to change its dividend policy as a result of the merger.

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COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

Harris Market Price and Dividend Information

Harris common stock is listed on the NYSE under the symbol HRS. The following table sets forth the high and low prices per share for Harris common stock and the cash dividends declared for the periods indicated, each rounded to the nearest whole cent. Harris fiscal year ends on the Friday closest to June 30.

	High ($)	Low ($)	Dividend ($)
2012:			
First Quarter	45.46	34.13	0.28
Second Quarter	39.92	32.68	0.28
Third Quarter	45.42	35.98	0.33
Fourth Quarter	45.79	38.33	0.33
2013:			
First Quarter	51.68	39.02	0.37
Second Quarter	52.23	45.62	0.37
Third Quarter	50.53	43.70	0.37
Fourth Quarter	51.46	41.08	0.37
2014:			
First Quarter	59.75	48.75	0.42
Second Quarter	70.73	57.21	0.42
Third Quarter	75.33	66.34	0.42
Fourth Quarter	79.32	68.63	0.42
2015:			
First Quarter	76.50	66.85	0.47
Second Quarter	74.27	60.78	0.47
Third Quarter	79.52	66.15	0.47
Fourth Quarter (through April 22, 2015)	82.46	78.55	

You should obtain current market quotations for shares of Harris common stock, as the market price of Harris common stock will fluctuate between the date of this proxy statement/prospectus and the date on which the merger is completed, and thereafter. You can obtain these quotations from publicly available sources.

Following the completion of the merger, the declaration of dividends will be at the discretion of Harris board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of Harris, the Delaware General Corporation Law, which is referred to as the DGCL, government regulations and other factors deemed relevant by Harris board of directors.

Exelis Market Price and Dividend Information

Exelis common stock is listed on the NYSE under the symbol XLS. The following table sets forth the high and low prices per share for Exelis common stock and the cash dividends declared for the periods indicated, each rounded to the nearest whole cent. Exelis fiscal year ends on December 31.

	High ($)	Low ($)	Dividend ($)
2012:			
First Quarter	12.88	8.99	0.10
Second Quarter	12.32	9.25	0.10
Third Quarter	11.37	9.01	0.10
Fourth Quarter	11.94	10.29	0.10
2013:			
First Quarter	11.74	10.08	0.10
Second Quarter	13.99	10.19	0.10
Third Quarter	16.15	13.55	0.10
Fourth Quarter	19.43	15.07	0.10

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	High ($)	Low ($)	Dividend ($)
2014:			
First Quarter	21.44	18.19	0.10
Second Quarter	19.44	15.91	0.10
Third Quarter	18.85	16.15	0.10
Fourth Quarter	18.22	15.30	0.10
2015:			
First Quarter	24.49	16.59	0.10
Second Quarter (through April 22, 2015)	24.73	24.35	

Exelis board of directors periodically reviews the Exelis dividend policy based upon Exelis financial results and cash flow projections. Decisions regarding whether or not to pay dividends and the amount of any dividends are determined after consideration of various factors, including earnings, cash requirements, the financial condition of Exelis, limitations under Exelis credit facility, the merger agreement, the IBCL, government regulations and other factors deemed relevant by Exelis board of directors.

Under the merger agreement, Exelis has agreed that, until the completion of the merger, it will not declare, set aside, make or pay any dividend or other distribution in respect of any of its capital stock, except for regular quarterly cash dividends in the calendar year 2015 in an amount per share not to exceed $0.1033 per quarter.

Comparison of Harris and Exelis Market Prices and Implied Value of Merger Consideration

The following table sets forth the closing sale price per share of Harris common stock and Exelis common stock as reported on the NYSE as of February 5, 2015, the last trading day prior to the public announcement of the merger, and on April 22, 2015, the last practicable trading day before the filing of this proxy statement/prospectus with the SEC. The table also shows the estimated implied value of the per share consideration proposed for each share of Exelis common stock as of the same two dates. This implied value was calculated by multiplying the closing price of a share of Harris common stock on the relevant date by the exchange ratio of 0.1025 shares of Harris common stock for each share of Exelis common stock, and adding the cash portion of the merger consideration, which is $16.625.

	Harris Common Stock	Exelis Common Stock	Implied Per Share Value of Merger Consideration
February 5, 2015	$ 69.49	$ 17.71	$ 23.75
April 22, 2015	$ 82.46	$ 24.73	$ 25.08

The market prices of Harris common stock and Exelis common stock have fluctuated since the date of the announcement of the merger agreement and will continue to fluctuate prior to the completion of the merger. No assurance can be given concerning the market prices of Harris common stock or Exelis common stock before completion of the merger or Harris common stock after completion of the merger. The exchange ratio is fixed in the merger agreement, but the market price of Harris common stock (and therefore the value of the merger consideration) when received by Exelis shareholders after the merger is completed could be greater than, less than or the same as shown in the table above. Accordingly, these comparisons may not provide meaningful information to Exelis shareholders in determining whether to approve the merger agreement. Exelis shareholders are encouraged to obtain current market quotations for Harris common stock and Exelis common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy

statement/prospectus. For more information, see the section entitled **Where You Can Find More Information** beginning on page 173.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This registration statement on Form S-4, of which this proxy statement/prospectus forms a part, and the documents to which Exelis and Harris refer you to in this registration statement, of which this proxy statement/prospectus forms a part, as well as oral statements made or to be made by Exelis and Harris, include certain forward-looking statements within the meaning of, and subject to the safe harbor created by, Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, which is referred to as the Safe Harbor Provisions with respect to the businesses, strategies and plans of Exelis and Harris, their expectations relating to the merger and their future financial condition and performance. Statements included in or incorporated by reference into this registration statement, of which this proxy statement/prospectus forms a part, that are not historical facts, including statements about the beliefs and expectations of the management of each of Exelis and Harris, are forward-looking statements. Harris and Exelis use words such as anticipates, believes, plans, expects, projects, future, intends, may, will, should, c predicts, potential, continue, guidance, and similar expressions to identify these forward-looking statements that are intended to be covered by the Safe Harbor Provisions. Harris and Exelis caution investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements. Among the risks and uncertainties that could cause actual results to differ from those described in forward-looking statements are the following: the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the possibility that Exelis shareholders may not approve the merger agreement; the risk that the parties may not be able to obtain the necessary regulatory approvals or to satisfy any of the other conditions to the proposed transaction in a timely manner or at all; the risk that financing for the proposed transaction may not be obtained on anticipated terms or at all; risks related to disruption of management time from ongoing business operations due to the proposed transaction; the risk that Harris may fail to realize the benefits expected from the proposed transaction; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of Harris common stock; the risk that the proposed transaction and its announcement could have an adverse effect on the ability of Harris and Exelis to retain customers and retain and hire key personnel and maintain relationships with their suppliers and customers, including the U.S. Government; and the risks to their operating results and businesses generally. These factors also include, but are not limited to, risks and uncertainties detailed in Harris periodic public filings with the SEC, including those discussed in the sections entitled Risk Factors in Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014 and Harris Quarterly Reports on Form 10-Q for the quarterly periods ended January 2, 2015 and September 26, 2014 and in Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015), factors contained or incorporated by reference into such documents and in subsequent filings by Harris and Exelis with the SEC, and the following factors:

- the occurrence of any change, event, series of events or circumstances that could give rise to the termination of the merger agreement, including a termination of the merger agreement under circumstances that could require Exelis to pay a termination fee to Harris or require Harris to pay a termination fee to Exelis;

- uncertainties related to the timing of the receipt of required regulatory approvals for the merger and the possibility that Harris and Exelis may be required to accept conditions that could reduce the anticipated benefits of the merger as a condition to obtaining regulatory approvals;

Harris stock price could change, before closing of the merger, including as a result of broader stock market movements;

the inability to complete the merger due to the failure to obtain the Exelis shareholders approval or the failure to satisfy other conditions to the closing of the merger;

the failure of the merger to close for any reason could negatively impact Exelis;

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risks that the merger and the other transactions contemplated by the merger agreement disrupt current plans and operations;

the potential difficulties in retention of any members of senior management of Exelis and any other key employees that Harris desires to retain after the closing of the merger;

the outcome of any legal proceedings that have been or may be instituted against Exelis and/or others relating to the merger agreement;

diversion of the attention of Exelis and Harris management from ongoing business concerns;

the effect of the announcement of the merger on Exelis and Harris business relationships, employees, customers, suppliers, vendors, other partners, standing with regulators, operating results and businesses generally;

the amount of any costs, fees, expenses, impairments and charges related to the merger;

the potential dilution of Harris stockholders ownership percentage as a result of the merger;

the inability of Harris to obtain financing to pay the cash portion of the merger consideration; and

the potential dilution of Harris stockholders earnings per share as a result of the merger.

Consequently, all of the forward-looking statements Exelis or Harris make in this document are qualified by the information contained or incorporated by reference into this proxy statement/prospectus, including, but not limited to (i) the information contained under this heading and (ii) the information discussed under the sections entitled Risk Factors in Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014 and Harris Quarterly Reports on Form 10-Q for the quarterly periods ended January 2, 2015 and September 26, 2014 and in Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015). See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

Neither Harris nor Exelis is under any obligation, and each expressly disclaims any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise, except as may be required by law. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

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RISK FACTORS

In deciding whether to vote for the approval of the merger agreement, we urge you to carefully consider all of the information included or incorporated by reference in this proxy statement/prospectus, which are listed in the section entitled ***Where You Can Find More Information*** *beginning on page 173 of this proxy statement/prospectus. You should also read and consider the risks associated with each of the businesses of Harris and Exelis because these risks will also affect the combined company. The risks associated with the business of Harris can be found in the Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014, which is incorporated by reference in this proxy statement/prospectus. The risks associated with the business of Exelis can be found in the Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015), which is incorporated by reference in this proxy statement/prospectus. In addition, we urge you to carefully consider the following material risks relating to the merger, the business of Harris, the business of Exelis and the business of the combined company.*

Risks Relating to the Merger

Because the exchange ratio is fixed and the market price of Harris common stock has fluctuated and will continue to fluctuate, you cannot be sure of the value of the merger consideration you will receive.

Upon completion of the merger, each share of Exelis common stock outstanding immediately prior to the merger, other than shares of Exelis common stock owned by Harris or its direct or indirect wholly owned subsidiaries or Exelis or its direct or indirect wholly owned subsidiaries (in each case not held on behalf of third parties), will be converted into the right to receive (i) an amount in cash equal to $16.625, without interest, and (ii) 0.1025 shares of Harris common stock. Because the exchange ratio is fixed, the value of the stock portion of the merger consideration will depend on the market price of Harris common stock at the time the merger is completed. The value of the stock portion of the merger consideration has fluctuated since the date of the announcement of the merger agreement and will continue to fluctuate from the date of this proxy statement/prospectus to the date of the Exelis special meeting, the date the merger is completed and thereafter. Accordingly, at the time of the Exelis special meeting, Exelis shareholders will not know or be able to determine the market value of the merger consideration they would receive upon completion of the merger. Stock price changes may result from a variety of factors, including, among others:

- general market and economic conditions;
- changes in Harris and Exelis respective businesses, operations and prospects;
- market assessments of the likelihood that the merger will be completed;
- interest rates, general market, industry and economic conditions and other factors generally affecting the respective prices of Harris and Exelis common stock;
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which Exelis and Harris operate; and

the timing of the merger and regulatory considerations.

Many of these factors are beyond Harris and Exelis control. You are urged to obtain current market quotations for Harris common stock in determining whether to vote for the approval of the merger agreement. In addition, see the section entitled **Comparative Per Share Market Price and Dividend Information** beginning on page 41 of this proxy statement/prospectus.

The market price for shares of Harris common stock may be affected by factors different from, or in addition to, those affecting Exelis common stock, and the market value of shares of Harris common stock may decrease after the closing date of the merger.

The businesses of Harris and Exelis differ in some respects and, accordingly, the results of operations of the combined company and the market price of the shares of Harris common stock after the merger may be affected

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by factors different from those currently affecting the independent results of operations of each of Harris and Exelis. In addition, the market value of the shares of Harris common stock that Exelis shareholders receive in the merger could decrease following the closing date of the merger. For a discussion of the business of each of Harris and Exelis and some important factors to consider in connection with those businesses, please see the section entitled **The Parties to the Merger** beginning on page 67 of this proxy statement/prospectus and the documents and information included elsewhere in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus and listed under the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

Sales of shares of Harris common stock before and after the completion of the transaction, and other market conditions or factors, may cause the market price of Harris common stock to fall.

As of February 3, 2015, Harris had approximately 104,111,821 shares of common stock outstanding and approximately 5,498,767 additional shares of Harris common stock issuable upon the vesting or exercise of stock options and other outstanding stock-based compensation awards. Harris currently expects that it will issue between 19,114,343 and 19,655,114 shares of Harris common stock in connection with the transaction. The issuance of these new shares of Harris common stock could have the effect of depressing the market price for Harris common stock, through dilution of earnings per share or otherwise.

In addition, many Exelis shareholders may decide not to hold the shares of Harris common stock they will receive in the merger. Other Exelis shareholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of Harris common stock that they receive in the merger. Such sales of Harris common stock could have the effect of depressing the market price for Harris common stock and may take place promptly following the merger.

Also, future events and conditions could increase the dilution that is currently projected, including adverse changes in market conditions, additional transaction and integration related costs and other factors such as the failure to realize some or all of the benefits anticipated in the merger. Any dilution of, or delay of any accretion to, Harris earnings per share could cause the price of shares of Harris common stock to decline or grow at a reduced rate.

Harris may not be able to obtain financing to pay the cash portion of the merger consideration.

In addition to the issuance of common stock, Harris plans to fund the cash consideration and other amounts payable under the terms of the merger agreement from a combination of cash on hand and debt financing, which may include some combination of replacement financing, such as borrowings under a new senior unsecured term loan facility and the issuance of debt securities, or, to the extent necessary, borrowings under the bridge facility described in the section entitled **The Merger Agreement Financing of the Merger** beginning on page 125 of this proxy statement/prospectus. The availability of any debt financing is subject to certain conditions precedent. Therefore, Harris cannot assure you that the financing pursuant to the bridge facility or such replacement financing described above will be available. There can be no assurance that Harris will be able to obtain financing on commercially reasonable terms, or at all.

The shares of Harris common stock to be received by Exelis shareholders as a result of the merger will have rights different from the shares of Exelis common stock.

Upon consummation of the merger, the rights of Exelis shareholders, who will become Harris stockholders, will be governed by the certificate of incorporation and bylaws of Harris, and by Delaware state law rather than Indiana state law. The rights associated with Exelis common stock are different from the rights associated with the Harris common stock. See the section entitled **Comparison of Shareholders and Stockholders Rights** beginning on page 148 of this

proxy statement/prospectus for a discussion of these rights.

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Harris stockholders ownership percentage after the merger will be diluted and the merger could result in dilution to Harris earnings per share.

In connection with the merger, Harris will issue to Exelis shareholders shares of Harris common stock. As a result of this stock issuance, Harris stockholders will own a smaller percentage of the combined company. It is estimated that, upon completion of the merger, Harris stockholders will own approximately 84.4% of the outstanding stock of the combined company and Exelis shareholders will own approximately 15.6% of the outstanding stock of the combined company. If the combined company is unable to realize the strategic and financial benefits currently anticipated to result from the merger, then Harris stockholders could experience dilution of their economic interest in Harris without receiving a commensurate benefit. The merger could also result in dilution to Harris earnings per share.

Exelis shareholders will have less influence, as a group, as stockholders of Harris than as shareholders of Exelis.

Immediately after completion of the merger, former Exelis shareholders, who collectively own 100% of Exelis, will own approximately 15.6% of outstanding Harris common stock, based on the number of shares of Exelis common stock outstanding as of April 14, 2015, and the number of shares of Harris common stock outstanding as of April 3, 2015, the latest practicable calculation date prior to the filing of this registration statement. Consequently, Exelis shareholders, as a group, will exercise less influence over the management and policies of Harris than they currently may have over the management and policies of Exelis.

Obtaining required approvals and satisfying closing conditions may prevent or delay completion of the merger.

The merger is subject to customary conditions to closing. These closing conditions include, among others, the receipt of required approval of the shareholders of Exelis, the receipt of certain governmental consents and approvals, the declaration by the SEC of the effectiveness of the registration statement on Form S-4 filed by Harris in respect of the shares of Harris common stock to be issued in the merger, of which this proxy statement/prospectus forms a part, and the approval of the listing on NYSE of the shares of Harris common stock to be issued in the merger. No assurance can be given that the required shareholder, governmental and regulatory consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. The closing of the merger is also dependent on the accuracy of representations and warranties made by the parties to the merger agreement (subject to customary materiality qualifiers and other customary exceptions) and the performance in all material respects by the parties of obligations imposed under the merger agreement. For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see the section entitled **The Merger Agreement Conditions to the Completion of the Merger** beginning on page 126 of this proxy statement/prospectus.

Regulatory approval could prevent, or substantially delay, consummation of the merger.

Under the provisions of the HSR Act, the merger may not be completed until the expiration of a statutory waiting period, or the early termination of that waiting period, following the parties filing of their respective notification and report forms. Further, the FCC must approve all applications from Exelis to transfer control of its licenses to Harris. On February 24, 2015, Exelis and Harris filed with the DOJ and the FTC the initial filing under the HSR Act with respect to the proposed merger. On March 20, 2015, Harris withdrew the initial filing, and on March 24, 2015, Harris re-filed the notification and report form with the DOJ and the FTC. On April 23, 2015, Harris and Exelis received a second request from the DOJ for additional information and documentary material. The DOJ or the FTC could also seek to enjoin completion of the merger or impose conditions on its approval such as requiring the divestiture of assets, businesses or product lines of Exelis or Harris. The transfer of control applications were submitted to the FCC

on February 25, 2015. As of April 23, 2015, the FCC has consented to all of

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the transfer of control applications that had been filed in February and March 2015. On April 20, 2015, Exelis received a new FCC license in the ordinary course of business, for which a transfer of control application was filed on April 21, 2015 and is pending. Exelis and Harris expect that the transfer request will be granted expeditiously. Exelis retains the ability to surrender such license if the transfer request is not granted prior to the intended closing date, in which case the FCC s approval of the transfer request would not be required to close the merger.

If the statutory waiting period is extended the completion of the merger could be substantially delayed. The vote on the proposal to approve the merger agreement could therefore occur substantially in advance of obtaining regulatory approval. A delay could, among other things, increase the chance that: an event occurs that constitutes a material adverse effect with respect to Exelis and thereby may cause the failure of a Harris closing condition; other adverse effects with respect to Exelis could occur, such as the loss of key personnel, potentially affecting the success of the combined entities; or an event could occur that causes a failure of an Exelis closing condition or that adversely impacts the value of Harris common stock, and thus has a negative impact on the per share consideration.

Under the merger agreement, Harris and Exelis generally must use their respective reasonable best efforts to obtain all regulatory approvals required to complete the merger, including the expiration or early termination of the waiting period under the HSR Act. However, Harris is not required under the merger agreement to accept or agree to limitations on its right to control or operate its business or assets (including the business or assets of Exelis and its subsidiaries after the effective time, with certain exceptions) or to agree to sell or otherwise dispose of, hold (through the establishment of a trust or otherwise) or divest itself of all or any portion of its business, assets or operations (including the business, assets or operations of Exelis and its subsidiaries after the effective time, with certain exceptions) in order to obtain such regulatory approvals.

Failure to attract, motivate and retain executives and other key employees could diminish the anticipated benefits of the merger.

The success of the merger will depend in part on the retention of personnel critical to the business and operations of the combined company due to, for example, their technical skills or management expertise. Competition for qualified personnel can be intense.

Current and prospective employees of Harris and Exelis may experience uncertainty about their future role with Exelis and Harris until strategies with regard to these employees are announced or executed, which may impair Harris and Exelis ability to attract, retain and motivate key management, sales, marketing, technical and other personnel prior to and following the merger. Employee retention may be particularly challenging during the pendency of the merger, as employees of Harris and Exelis may experience uncertainty about their future roles with the combined company. If Exelis and Harris are unable to retain personnel, including Exelis key management, who are critical to the successful integration and future operations of the companies, Exelis and Harris could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs. In addition, the loss of key personnel could diminish the anticipated benefits of the merger.

In addition, pursuant to change-in-control provisions in Exelis severance plans, certain key employees of Exelis are entitled to receive severance payments upon a qualifying termination of employment. Certain key Exelis employees potentially could terminate their employment following specified circumstances set forth in the applicable severance plan, including certain changes in such key employees duties, title, reporting relationship, compensation or primary office location and collect severance. Such circumstances could occur in connection with the merger as a result of changes in roles and responsibilities. See the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133 of this proxy statement/prospectus for a further discussion of some of these issues. If key employees of Harris or Exelis depart, the integration of the companies may be more difficult and the combined

company s business following the merger may be harmed. Furthermore, Harris may have to incur significant costs in identifying, hiring and retaining replacements for

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departing employees and may lose significant expertise and talent relating to the business of each of Harris or Exelis, and Harris ability to realize the anticipated benefits of the merger may be adversely affected. In addition, there could be disruptions to or distractions for the workforce and management associated with activities of labor unions or integrating employees into Harris. Accordingly, no assurance can be given that Harris will be able to attract or retain key employees of Harris and Exelis to the same extent that those companies have been able to attract or retain their own employees in the past.

Uncertainty regarding the merger may cause customers, suppliers or strategic partners to delay or defer decisions concerning Harris and Exelis and adversely affect each company s ability to effectively manage their respective businesses.

The merger will happen only if stated conditions are met, including the approval of the merger proposal by Exelis shareholders, the receipt of regulatory approvals, and the absence of any material adverse effect in the business of Exelis. Many of the conditions are outside the control of Exelis and Harris, and both parties also have stated rights to terminate the merger agreement. Accordingly, there may be uncertainty regarding the completion of the merger. This uncertainty may cause customers, suppliers, vendors, strategic partners or others that deal with Harris and Exelis to delay or defer entering into contracts with Harris and Exelis or making other decisions concerning Harris and Exelis or seek to change or cancel existing business relationships with Harris and Exelis, which could negatively affect their respective businesses. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on the respective businesses of Exelis and Harris, regardless of whether the merger is ultimately completed.

In addition, the merger agreement restricts Exelis, Harris and their respective subsidiaries from making certain acquisitions and taking other specified actions until the merger occurs without the consent of the other parties. These restrictions may prevent Harris and Exelis from pursuing attractive business opportunities that may arise prior to the completion of the merger. See the section entitled **The Merger Agreement Conduct of Business Prior to the Effective Time** beginning on page 111 of this proxy statement/prospectus for a description of the restrictive covenants to which each of Harris and Exelis is subject.

The fairness opinion obtained by Exelis from its financial advisor will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.

Exelis has not obtained, and will not obtain, an updated opinion regarding the fairness of the merger consideration as of the date of this proxy statement/prospectus or prior to the completion of the merger from J.P. Morgan Securities LLC, Exelis financial advisor, which is referred to as J.P. Morgan. J.P. Morgan s opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to J.P. Morgan only as of the date of the merger agreement and does not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. Changes in the operations and prospects of Harris or Exelis, general economic, monetary, market and other conditions and other factors that may be beyond the control of Harris and Exelis, and on which the fairness opinion was based, may alter the value of Harris or Exelis or the prices of shares of Harris common stock or Exelis common stock by the time the merger is completed. The recommendation of the Exelis board that Exelis shareholders vote **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for Exelis named executive officers in connection with the merger, however, are made as of the date of this proxy statement/prospectus. For a description of the opinion that Exelis received from its financial advisor, please see the section entitled **The Merger Opinion of J.P. Morgan** beginning on page 83 of this proxy statement/prospectus.

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Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in the businesses of Harris and Exelis, which could have an adverse effect on their respective businesses and financial results.

Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in the businesses of Harris and Exelis. Specifically:

- current and prospective employees of Exelis will experience uncertainty about their future roles with the combined company, which might adversely affect Harris and Exelis ability to retain key managers and other employees; and
- the attention of management of each of Harris and Exelis may be directed toward the completion of the merger.

In addition, Harris and Exelis have each diverted significant management resources in an effort to complete the merger and are each subject to restrictions contained in the merger agreement on the conduct of their respective businesses. If the merger is not completed, Harris and Exelis will have incurred significant costs, including the diversion of management resources, for which they will have received little or no benefit.

The merger agreement may be terminated in accordance with its terms and the merger may not be consummated.

Either Exelis or Harris may terminate the merger agreement under certain circumstances, including, among other reasons, if the merger is not completed by August 5, 2015 (which date may, under certain circumstances, be extended for three months). In addition, if the merger agreement is terminated under certain circumstances specified in the merger agreement, Exelis may be required to pay Harris a termination fee of either $138,420,000 or $57,675,000, including in the event Exelis terminates the merger agreement to enter into an agreement with respect to a superior proposal. In addition, if the merger agreement is terminated under certain circumstances specified in the merger agreement relating to the failure of Harris to obtain financing and provided certain other conditions are met, Harris may be required to pay Exelis a termination fee of $300,000,000. See the section entitled **The Merger Agreement Termination of the Merger Agreement** beginning on page 128 of this proxy statement/prospectus and the section entitled **The Merger Agreement Termination Fee; Reverse Termination Fee** beginning on page 129 of this proxy statement/prospectus for a more complete discussion of the circumstances under which the merger agreement could be terminated and when a termination fee may be payable by Exelis or Harris.

The termination of the merger agreement could negatively impact Exelis.

If the merger is not completed for any reason, including as a result of Exelis shareholders failing to approve the merger agreement, the ongoing business of Exelis may be adversely affected and, without realizing any of the benefits of having completed the merger, Exelis would be subject to a number of risks, including the following:

- Exelis may experience negative reactions from the financial markets, including negative impacts on its stock price;

Exelis may experience negative reactions from its customers, regulators and employees;

Exelis will be required to pay certain investment banking, legal, financing and accounting costs and associated fees and expenses relating to the merger, whether or not the merger is completed;

the merger agreement places certain restrictions on the conduct of Exelis business prior to completion of the merger and such restrictions, the waiver of which is subject to the consent of Harris (not to be unreasonably withheld, conditioned or delayed), may prevent Exelis from making certain acquisitions or taking certain other specified actions during the pendency of the merger (see the section entitled **The Merger Agreement Conduct of Business Prior to the Effective Time** beginning on page 111 of this proxy statement/prospectus for a description of the restrictive covenants applicable to Exelis); and

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matters relating to the merger (including integration planning) will require substantial commitments of time and resources by Exelis management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to Exelis as an independent company.

If the merger agreement is terminated and the Exelis board seeks another merger or business combination, Exelis shareholders cannot be certain that Exelis will be able to find a party willing to offer equivalent or more attractive consideration than the per share merger consideration Harris has agreed to provide in the merger.

The directors and executive officers of Exelis have interests and arrangements that may be different from, or in addition to, those of Exelis shareholders generally.

When considering the recommendation of the Exelis board of directors with respect to the approval of the merger agreement, Exelis shareholders should be aware that the directors and executive officers of Exelis have interests in the merger that may be different from, or in addition to, their interests as Exelis shareholders and the interests of Exelis shareholders generally. These interests include, among others, vesting of equity, equity-based and incentive awards, severance arrangements, other compensation and benefit arrangements and the right to continued indemnification and insurance coverage by Harris for acts or omissions occurring prior to the merger.

As a result of these interests, the directors and executive officers may be more likely to support and to vote to approve the merger agreement than if they did not have these interests. Exelis shareholders should consider whether these interests may have influenced the directors and executive officers to support or recommend approval of the merger agreement. As of the close of business on April 14, 2015, Exelis directors and executive officers were entitled to vote 0.469% of the Exelis common stock outstanding on April 14, 2015. For more information, see the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133 of this proxy statement/prospectus and the section entitled **Proposal 2: Advisory Vote on Merger-Related Compensation for Exelis Named Executive Officers** beginning on page 132 of this proxy statement/prospectus.

An adverse judgment in a lawsuit challenging the merger may prevent the merger from becoming effective or from becoming effective within the expected timeframe.

Two lawsuits have been filed against Harris and Exelis challenging the merger, and one or more adverse rulings may prevent the merger from being completed. One of the conditions to the closing of the merger is that no order, injunction or decree or other legal restraint or prohibition that makes illegal, restrains, enjoins or otherwise prohibits consummation of the merger be in effect. If any plaintiff were successful in obtaining an injunction prohibiting Exelis or Harris from completing the merger on the agreed-upon terms, then such injunction may prevent the merger from becoming effective or from becoming effective within the expected timeframe. See **The Merger Litigation Related to the Merger** on page 102.

The merger agreement contains provisions that could discourage a potential competing acquirer that might be willing to pay more to acquire or merge with Exelis.

The merger agreement contains no shop provisions that restrict Exelis ability to, among other things (each as described under the section entitled **The Merger Agreement No Solicitation of Acquisition Proposals** beginning on page 116 of this proxy statement/prospectus):

initiate, solicit, knowingly assist or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, a proposal by a third party in respect of

certain alternative transactions, each referred to as an acquisition proposal, including by way of furnishing any non-public information or data concerning Exelis or its subsidiaries or any assets owned (in whole or part) by Exelis or its subsidiaries to a third party in furtherance of an acquisition proposal or if it would reasonably be expected to lead to an acquisition proposal;

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enter into any letter of intent, memorandum of understanding, acquisition agreement, merger agreement, joint venture agreement, partnership agreement or other similar agreement relating to, or that is intended to or would reasonably be expected to lead to, an acquisition proposal;

grant any waiver, amendment or release under any standstill or confidentiality agreement concerning an acquisition proposal (unless taking such action is necessary for the Exelis board of directors to comply with their fiduciary duties); or

engage in, continue or otherwise participate in any discussions or negotiations regarding an acquisition proposal.

Furthermore, there are only limited exceptions to the requirement under the merger agreement that Exelis board of directors will not adversely withhold, withdraw, qualify or modify its recommendation regarding the approval of the merger agreement. Although Exelis board of directors is permitted to terminate the merger agreement in response to a superior proposal if it determines in good faith that a failure to do so would be inconsistent with its fiduciary duties, its doing so would entitle Harris to collect a termination fee from Exelis in the amount of $57,675,000, if the merger agreement is terminated on or before March 7, 2015, or $138,420,000, if the merger agreement is terminated thereafter. For more information, see the sections titled **The Merger Agreement Termination of the Merger Agreement** beginning on page 128 of this proxy statement/prospectus and **The Merger Agreement Termination Fee; Reverse Termination Fee** beginning on page 129 of this proxy statement/prospectus.

These provisions could discourage a potential competing acquirer from considering or proposing an acquisition or merger, even if it were prepared to pay consideration with a higher value than that proposed to be paid in the merger, or might result in a potential competing acquirer proposing to pay a lower per share price than it might otherwise have proposed to pay because of the added expense of the termination fee. There is also a risk that the requirement to pay the termination fee to Harris in certain circumstances may result in a potential acquiror proposing to pay a lower per share price to acquire Exelis than it might otherwise have proposed to pay.

Each of Harris and Exelis will incur significant transaction, merger-related and restructuring costs in connection with the merger.

Harris and Exelis have incurred and expect to incur a number of non-recurring costs associated with combining the operations of the two companies, as well as transaction fees and other costs related to the merger. These costs and expenses include fees paid to financial, legal and accounting advisors, facilities and systems consolidation costs, severance and other potential employment-related costs, including payments that may be made to certain Exelis executives, filing fees, printing expenses and other related charges. Some of these costs are payable by Harris and Exelis regardless of whether the merger is completed. Excluding expenses related to the amounts payable described in the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133, Harris currently estimates the aggregate amount of these expenses to range between $195 million and $225 million, and Exelis currently estimates the aggregate amount of these expenses to equal $26.3 million.

The combined company also will incur restructuring and integration costs in connection with the merger. The costs related to restructuring will be expensed as a cost of the ongoing results of operations of either Harris or Exelis or the combined company. Although Harris and Exelis expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, any net benefit may not be achieved in the near term or at all. Many of these costs will be borne by Harris and/or Exelis even if the merger is not completed. While both Harris and Exelis

have assumed that a certain level of expenses would be incurred in connection with the merger and the other transactions contemplated by the merger agreement, there are many factors beyond their control that could affect the total amount or the timing of the integration and implementation expenses.

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The tax treatment of the merger to Exelis shareholders may be affected by certain restructuring transactions that Harris may undertake (a determination in respect of which has not been made).

For U.S. federal income tax purposes, the merger is intended to be treated as a sale by Exelis shareholders of Exelis common stock in exchange for the per share merger consideration, the receipt of which will be a taxable transaction to Exelis shareholders. However, as a result of certain restructuring transactions that Harris may undertake (a determination in respect of which has not been made), the merger, together with any such restructuring, may instead be treated as a reorganization within the meaning of Section 368(a) of the Code. The applicability of such treatment depends on whether, based on the value, as of the last business day before the date on which the merger agreement was executed, of the Harris common stock that you receive as part of the per share merger consideration, the merger, together with the restructuring transactions (if undertaken by Harris), satisfies the continuity of interest requirement set forth in U.S. Treasury Regulations. The date on which the merger agreement was executed is referred to as the signing date. Based on the per share merger consideration, Harris and Exelis intend to take the position that the continuity of interest requirement is not satisfied, but this determination depends in part on statutory, judicial and administrative authorities that are unclear. Accordingly, it is possible that the merger, together with the restructuring transactions (if undertaken by Harris), could be treated as a reorganization within the meaning of Section 368(a) of the Code. If the merger is so treated, and if you are a U.S. holder (as defined in the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus), you would generally recognize gain (but not loss) on the exchange of Exelis common stock for the per share merger consideration.

We recommend that you consult your own tax advisor to determine the particular tax consequences to you if the merger, together with the restructuring transactions (if undertaken by Harris), is treated as a reorganization within the meaning of Section 368(a) of the Code.

You should read the section entitled **Material U.S. Federal Income Tax Consequences** beginning on page 144 of this proxy statement/prospectus for a more complete discussion of the material U.S. federal income tax consequences of the merger.

Risks Relating to the Combined Company

The failure to successfully combine the businesses of Harris and Exelis may adversely affect the combined company s future results.

The success of the merger will depend, in part, on the ability of the combined company to realize anticipated benefits from combining the businesses of Harris and Exelis. To realize these anticipated benefits, the businesses of Harris and Exelis must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

The combined company may not be able to retain customers or suppliers or customers or suppliers may seek to modify contractual obligations with the combined company, which could have an adverse effect on the combined company s business and operations.

As a result of the merger, the combined company may experience strain in relationships with customers and suppliers that may harm the combined company s business and results of operations. Certain customers or suppliers may seek to terminate or modify contractual obligations following the merger whether or not contractual rights are triggered as a result of the merger. There can be no guarantee that customers and suppliers will remain with or continue to have a relationship with the combined company or remain with or continue to have a relationship with the combined company on the same or similar contractual terms following the merger. If any of the customers or suppliers seek to

terminate or modify contractual obligations or discontinue the relationship with the combined company, then the combined company s business and results of operations may be harmed. Furthermore, the combined company will not have long-term arrangements with many of its significant suppliers. If the combined company s suppliers were to seek to terminate or modify an arrangement

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with the combined company, including as a result of bankruptcy of any such suppliers due to poor economic conditions, then the combined company may be unable to procure necessary supplies from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

The combined company is expected to undergo internal restructurings and reorganizations that may cause disruption or could have an adverse effect on the combined company s business and operations.

The combined company is expected to undergo certain internal restructurings and reorganizations in order to realize certain of the potential synergies of the merger. There can be no assurance that such internal restructurings and reorganizations will be successful or properly implemented. If any of such internal restructurings or reorganizations are not successful or properly implemented, the combined company may fail to realize the potential synergies of the merger, which may harm the combined company s business and results of operations or cause disruptions to the combined company s operations, including disruption in the combined company s supply chain.

The combined company may be exposed to increased litigation, which could have an adverse effect on the combined company s business and operations.

The combined company may be exposed to increased litigation from stockholders, customers, suppliers, consumers and other third parties due to the combination of Harris business and Exelis business following the merger. Such litigation may have an adverse impact on the combined company s business and results of operations or may cause disruptions to the combined company s operations.

Combining the businesses of Harris and Exelis may be more difficult, costly or time-consuming than expected and Harris may fail to realize the anticipated benefits of the merger, which may adversely affect Harris business results and negatively affect the value of Harris common stock following the merger.

The success of the merger will depend on, among other things, Harris ability to combine its business with that of Exelis in a manner that facilitates growth opportunities and realizes cost savings. Harris and Exelis have entered into the merger agreement because each believes that the merger will be in the best interests of its respective stockholders and shareholders and that combining the businesses of Harris and Exelis will produce benefits and cost savings.

However, Harris must successfully combine the businesses of Harris and Exelis in a manner that permits these benefits to be realized. In addition, Harris must achieve the anticipated growth and cost savings without adversely affecting current revenues and investments in future growth. If Harris is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

An inability to realize the full extent of the anticipated benefits of the merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, level of expenses and operating results of Harris, which may adversely affect the value of Harris common stock after the completion of the merger.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual growth and cost savings, if achieved, may be lower than what Harris expects and may take longer to achieve than anticipated. If Harris is not able to adequately address integration challenges, Harris may be unable to successfully integrate Harris and Exelis operations or to realize the anticipated benefits of the integration of the two companies.

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The failure to integrate successfully the business and operations of Exelis in the expected time frame may adversely affect Harris future results.

Harris and Exelis have operated and, until the completion of the merger, will continue to operate independently. There can be no assurances that their businesses can be integrated successfully. It is possible that the integration process could result in the loss of key Harris or Exelis employees, the loss of customers, the disruption of either company s or both companies ongoing businesses or in unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. See the risk factors entitled **Harris may be unable to retain Exelis personnel successfully after the merger is completed** below and **Uncertainty regarding the merger may cause customers, suppliers or strategic partners to delay or defer decisions concerning Harris and Exelis and adversely affect each company s ability to effectively manage their respective businesses** above. Specifically, the following issues, among others, must be addressed in integrating the operations of Harris and Exelis in order to realize the anticipated benefits of the merger so the combined company performs as expected:

- combining the companies operations and corporate functions;
- combining the businesses of Harris and Exelis and meeting the capital requirements of the combined company, in a manner that permits Harris to achieve the cost savings or revenue synergies anticipated to result from the merger, the failure of which would result in the anticipated benefits of the merger not being realized in the time frame currently anticipated or at all;
- integrating the companies technologies;
- integrating and unifying the offerings and services available to customers;
- identifying and eliminating redundant and underperforming functions and assets;
- harmonizing the companies operating practices, employee development and compensation programs, internal controls and other policies, procedures and processes;
- maintaining existing agreements with customers, distributors, providers and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers and vendors;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- consolidating the companies administrative and information technology infrastructure;

coordinating distribution and marketing efforts;

managing the movement of certain positions to different locations;

coordinating geographically dispersed organizations; and

effecting actions that may be required in connection with obtaining regulatory approvals.

In addition, at times the attention of certain members of either company s or both companies management and resources may be focused on completion of the merger and the integration of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt each company s ongoing business and the business of the combined company.

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The Exelis and Harris prospective financial information is inherently subject to uncertainties, the unaudited pro forma financial data for Harris included in this document is preliminary and Harris actual financial position and operations after the merger may differ materially from these estimates and the unaudited pro forma financial data included in this proxy statement/prospectus. Specifically, the unaudited pro forma combined financial data does not reflect the effect of any divestitures that may be required in connection with the merger.

The unaudited pro forma combined financial statements and unaudited pro forma per share data for Harris included in this proxy statement/prospectus are presented for illustrative purposes only, contain a variety of adjustments, assumptions and preliminary estimates and are not necessarily indicative of what Harris actual financial position or results of operations would have been had the merger been completed on the dates indicated. Harris actual results and financial position after the merger may differ materially and adversely from the unaudited pro forma financial data included in this proxy statement/prospectus. Specifically, the unaudited pro forma combined financial information does not reflect the effect of any divestitures that may be required in connection with the merger. For more information, see the sections entitled **Unaudited Pro Forma Condensed Combined Financial Statements** beginning on page 29 and **Comparative Historical and Unaudited Pro Forma Per Share Data** beginning on page 40 of this proxy statement/prospectus.

While presented with numeric specificity, the Exelis and Harris prospective financial information provided in this proxy statement/prospectus is based on numerous variables and assumptions (including, but not limited to, those related to industry performance and competition and general business, defense industry, economic, market and financial conditions and additional matters specific to Exelis or Harris business, as applicable) that are inherently subjective and uncertain and are beyond the control of the respective management. As a result, actual results may differ from the prospective financial information. Important factors that may affect actual results and cause these projected financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to Exelis or Harris business, as applicable (including each company s ability to achieve strategic goals, objectives and targets over applicable periods), defense industry performance, general business and economic conditions. For more information see the section titled **The Merger Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus.

Harris and Exelis will incur significant transaction and merger-related costs in connection with the merger.

Harris and Exelis have incurred and expect to incur a number of non-recurring costs associated with the merger. These costs and expenses include fees paid to financial, legal and accounting advisors, facilities and systems consolidation costs, severance and other potential employment-related costs, including payments that may be made to certain Exelis executives, filing fees, printing expenses and other related charges. Some of these costs are payable by Harris and Exelis regardless of whether the merger is completed. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the merger and the integration of the two companies businesses. While both Harris and Exelis have assumed that a certain level of expenses would be incurred in connection with the merger and the other transactions contemplated by the merger agreement, there are many factors beyond their control that could affect the total amount or the timing of the integration and implementation expenses.

There may also be additional unanticipated significant costs in connection with the merger that Harris may not recoup. These costs and expenses could reduce the realization of efficiencies, strategic benefits and additional income Harris expects to achieve from the merger. Although Harris expects that these benefits will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all.

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If the merger is consummated, Harris will materially reduce its cash balances and incur a substantial amount of debt to finance the cash consideration and pay related fees and expenses in connection with the merger, which could, among other things, restrict its ability to engage in additional transactions or incur additional indebtedness.

To fund the cash consideration to be paid to Exelis shareholders and other amounts payable pursuant to the terms of the merger agreement and related fees and expenses, Harris expects to use a combination of cash and the proceeds of the new debt financings. Harris will need additional cash to pay fees and expenses, and is planning to redeem $750 million of Harris existing Notes (the outstanding $400 million principal amount of 5.95% Notes due December 1, 2017 and the outstanding $350 million principal amount of 6.375% Notes due June 15, 2019) at or shortly after completion of the merger. Following the completion of the merger, the combined company will have a significant amount of outstanding indebtedness. The consolidated indebtedness of Harris as of January 2, 2015 was approximately $1.7 billion. Harris pro forma indebtedness as of January 2, 2015, after giving effect to the merger, would be approximately $5.3 billion. This substantial level of indebtedness could have the effect, among other things, of reducing Harris flexibility to respond to changing business and economic conditions and increasing Harris interest expense, as well as making it more difficult to satisfy Harris debt obligations and to pursue certain business opportunities or strategic acquisitions.

The amount of cash required to pay interest on Harris increased indebtedness levels following completion of the merger and thus the demands on Harris cash resources will be greater than the amount of cash flows required to service the indebtedness of Harris prior to the transaction. The increased levels of indebtedness following completion of the merger could also reduce funds available for Harris investments in product development as well as capital expenditures, share repurchases, dividend payments and other activities and may create competitive disadvantages for Harris relative to other companies with lower debt levels. Harris funds on hand will be further constrained by issuing shares of Harris common stock, because of Harris annual dividend payments per share of Harris common stock, which, as of the date of this proxy statement/prospectus, equal $1.88 per share of Harris common stock.

In addition, the significant additional indebtedness Harris will incur in connection with the acquisition may result in a downgrade to Harris debt ratings, and there are no assurances that Harris debt ratings will not be downgraded further in the future. Harris debt ratings impact the cost and availability of future borrowings and, accordingly, Harris cost of capital. Harris ratings reflect each rating organization s opinion of Harris financial strength, operating performance and ability to meet Harris debt obligations. If Harris debt ratings are lowered below investment grade, Harris may not be able to issue short-term commercial paper, but may instead need to borrow under its credit facility or pursue other options. In addition, if Harris debt ratings are lowered to below investment grade, Harris may also be required to provide collateral to support a portion of its outstanding performance bonds.

A downgrade may negatively impact Harris ability to successfully compete in the marketplace and may negatively impact the willingness of counterparties to deal with Harris, either of which could adversely affect the business, financial condition and results of operations of the combined company and the market value of Harris common stock. In addition, the trading market for Harris common stock depends in part on the research and reports that third-party securities analysts publish about Harris and its industry. In connection with the consummation of the merger and the other transactions contemplated by the merger agreement, one or more of these analysts could downgrade Harris common stock or issue other negative commentary about Harris or its industry, which could cause the trading price of Harris common stock to decline.

In connection with executing Harris business strategies following the merger, Harris expects to continue to evaluate the possibility of acquiring additional assets and making further strategic investments, and Harris may elect to finance these endeavors by incurring additional indebtedness. Moreover, to respond to competitive challenges, Harris may be required to raise substantial additional capital to finance new product or service offerings. Harris ability to arrange

additional financing will depend on, among other factors, Harris and,

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following the merger, the combined company s financial position and performance, as well as prevailing market conditions and other factors beyond Harris control. Harris cannot assure you that it will be able to obtain additional financing on terms acceptable to Harris or at all. If Harris is able to obtain additional financing, Harris credit ratings could be further adversely affected, which could further raise Harris borrowing costs and further limit its future access to capital and its ability to satisfy its obligations under its indebtedness.

The revenue of the combined company depend on Harris and Exelis ability to maintain levels of government business. The loss of contracts with domestic and non-U.S. government agencies could adversely affect the combined company s revenue.

Both Harris and Exelis derive the substantial majority of their revenues from contracts or subcontracts with various U.S. government agencies, including the U.S. Department of Defense. A significant reduction in the purchase of Harris or Exelis products by these agencies could have a material adverse effect on the businesses of Harris following the merger. For the fiscal years ended June 27, 2014, June 28, 2013 and June 29, 2012, approximately 67%, 67% and 70%, respectively, of Harris revenues were derived directly or indirectly from contracts with the U.S. government and its agencies. Additionally, for the fiscal years ended December 31, 2014, 2013 and 2012, approximately 78%, 85% and 85%, respectively, of Exelis revenues were derived directly or indirectly from contracts with the U.S. government and its agencies. Therefore, the development of the combined company s business in the future will depend upon the continued willingness of the U.S. government and its prime contractors to commit substantial resources to government programs and, in particular, upon the continued purchase of the combined company s products and other products which incorporate the combined company s products, by the U.S. government. In particular, the current funding demands on the U.S. government combined with recent cuts to the U.S. defense budget may lead to sustained lower levels of government defense spending.

The risk that governmental purchases of the combined company s products may decline stems from the nature of the combined company s business with the U.S. government, in which the U.S. government may:

terminate contracts at its convenience;

terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change;

cancel multi-year contracts and related orders if funds become unavailable;

shift its spending priorities;

adjust contract costs and fees on the basis of audits done by its agencies; and

inquire about and investigate business practices and audit compliance with applicable rules and regulations.

In addition, Harris and Exelis are subject to the following risks in connection with government contracts:

the frequent need to bid on programs prior to completing the necessary design, which may result in unforeseen technological difficulties and/or cost overruns;

the difficulty in forecasting long-term costs and schedules and the potential obsolescence of products related to long-term fixed-price contracts;

the risk of fluctuations or a decline in government expenditures due to any changes in the U.S. defense budget or appropriation of funds;

when Harris or Exelis acts as a subcontractor, the failure or inability of the primary contractor to perform its prime contract may result in an inability to obtain payment of fees and contract costs;

restriction or potential prohibition on the export of products based on licensing requirements; and

government contract wins can be contested by other contractors.

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Third parties may terminate or alter existing contracts or relationships with Exelis or Harris.

Exelis has contracts with customers, suppliers, vendors, landlords, licensors and other business partners which may require Exelis to obtain consent from these other parties in connection with the merger. If these consents cannot be obtained, Exelis may suffer a loss of potential future revenue and may lose rights that are material to its business and the business of the combined company. In addition, third parties with whom Exelis or Harris currently have relationships may terminate or otherwise reduce the scope of their relationship with either party in anticipation of the merger. Any such disruptions could limit Harris ability to achieve the anticipated benefits of the merger. The adverse effect of such disruptions could also be exacerbated by a delay in the completion of the merger or the termination of the merger agreement.

Harris may be unable to retain Exelis personnel successfully after the merger is completed.

The success of the merger will depend in part on Harris ability to retain the talents and dedication of the professionals currently employed by Exelis. It is possible that these employees may decide not to remain with Exelis while the merger is pending or with the combined company after the merger is consummated. If key employees terminate their employment, or if an insufficient number of employees are retained to maintain effective operations, the combined company s business activities may be adversely affected and management s attention may be diverted from successfully integrating Exelis to hiring suitable replacements, all of which may cause the combined company s business to suffer. In addition, Harris and Exelis may not be able to locate suitable replacements for any key employees that leave either company or offer employment to potential replacements on reasonable terms.

Harris cannot assure you that it will be able to continue paying dividends at its current rates, and may change its practices with respect to share repurchases.

Harris currently expects to continue paying dividends to its stockholders following the merger. However, you should be aware that Harris stockholders may not receive the same amount of dividends following the merger. In addition, Harris has stated that it plans to curtail its share repurchase programs for at least one year, and such determination may change at any time, in Harris sole discretion. Reasons for these practices may include any of the following factors:

- Harris may not have enough cash to pay such dividends due to the increased number of outstanding shares of Harris common stock after the closing;
- Harris may not have enough cash to pay such dividends or to repurchase such shares due to changes in Harris cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the Harris board, which reserves the right to change Harris dividend and share repurchase practices at any time and for any reason;
- Harris desire to maintain or improve the credit ratings on its debt;

the amount of dividends that Harris may distribute to its stockholders is subject to restrictions under Delaware law and is limited by restricted payment and leverage covenants in Harris credit facilities and, potentially, the terms of any future indebtedness that Harris may incur; and

certain limitations on the amount of dividends Harris subsidiaries can distribute to Harris, as imposed by state law, regulators or agreements.

Stockholders should be aware that they have no contractual or other legal right to dividends that have not been declared.

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Exelis could be subject to tax liabilities if the merger or subsequent transactions were to cause the spin-off of Exelis from ITT Corporation (which is referred to as ITT, and which spin-off is referred to as the 2011 Distribution) or the spin-off of Vectrus, Inc. (which is referred to as Vectrus) from Exelis (which spin-off is referred to as the 2014 Distribution) to fail to qualify for the expected tax treatment.

In connection with the 2011 Distribution, ITT received a private letter ruling from the Internal Revenue Service, which is referred to as the IRS, to the effect that, among other things, the 2011 Distribution, together with certain related transactions, will be tax-free to ITT and ITT s shareholders under Sections 355 and 368(a)(1)(D) of the Code, and an opinion of tax counsel as to the satisfaction of certain requirements necessary for the 2011 Distribution, together with certain related transactions, to receive tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code upon which the IRS will not rule. In connection with the 2014 Distribution, Exelis received an opinion of tax counsel to the effect that 2014 Distribution will qualify as a tax-free distribution under Section 355 of the Code. Such treatment of the 2011 Distribution and the 2014 Distribution (each of which is referred to as a Prior Distribution) as described in the immediately preceding two sentences is referred to as the Expected Treatment. Although a private letter ruling generally is binding on the IRS, ITT would not be able to rely on the private letter ruling if the factual representations or assumptions made in the private letter ruling and related submissions are untrue or incomplete in any material respect, or any material forward-looking covenants or undertakings are not complied with. Additionally, the opinion of tax counsel is not binding on the IRS or the courts, and there can be no assurance that the IRS or the courts will not challenge the conclusions stated in the opinion or that any such challenge would not prevail.

Events subsequent to a Prior Distribution could cause such distribution (or certain related transactions) to fail to qualify for their Expected Treatment. Although it is not expected that the merger will cause any of the Prior Distributions (or certain related transactions) to fail to qualify for their Expected Treatment, such an expectation is based in part on a factual determination of the circumstances related to the Prior Distributions (and certain related transactions) and the merger. This determination is not binding on the IRS or the courts, and they could have a different (and potentially adverse) determination or opinion of the facts and circumstances. Accordingly, there can be no assurance that the IRS will not assert a contrary position or that any such assertion would not prevail. Under the tax matters agreements entered into by ITT, Exelis and Xylem Inc. in connection with the 2011 Distribution, and by Exelis and Vectrus in connection with the 2014 Distribution, Exelis is liable for, and must indemnify ITT, Vectrus and their affiliates, as applicable, against any taxes (and any related amounts or losses) imposed or incurred as a result of the applicable Prior Distribution (or certain related transactions) failing to qualify for the Expected Treatment, to the extent that such taxes (and any related amounts or losses) are caused by Exelis. Exelis could be subject to substantial liabilities in the event that any of the Prior Distributions (or certain related transactions) fail to qualify for their Expected Treatment.

Risks Relating to Harris Business

You should read and consider the risk factors specific to Harris business that will also affect the combined company after the merger. These risks are described in the sections entitled Risk Factors in Harris Annual Report on Form 10-K for the fiscal year ended June 27, 2014, Harris Quarterly Reports on Form 10-Q for the quarterly periods ended January 2, 2015 and September 26, 2014, and in other documents incorporated by reference into this proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus for the location of information incorporated by reference into this proxy statement/prospectus.

Risks Relating to Exelis Business

The risks associated with the business of Exelis can be found in the Exelis Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (as amended by Annual Report on Form 10-K/A filed on April 6, 2015), which is incorporated by reference in this proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus for the location of information incorporated by reference into this proxy statement/prospectus.

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RECENT DEVELOPMENTS

Harris, Merger Sub, Exelis and the members of Exelis board of directors have been named as defendants in two lawsuits involving the merger and other transactions contemplated by the merger agreement. The material facts surrounding these lawsuits are discussed in the section entitled **The Merger Litigation Related to the Merger** beginning on page 102.

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THE SPECIAL MEETING

This proxy statement/prospectus is being mailed on or about April 24, 2015, to holders of record of Exelis common stock as of the close of business on April 14, 2015, and constitutes notice of the special meeting in conformity with the requirements of the IBCL. It is accompanied by a proxy furnished in connection with the solicitation of proxies by the Exelis board of directors for use at the special meeting and at any adjournments or postponements of the special meeting.

Date, Time and Place of the Special Meeting

The special meeting is scheduled to be held at Exelis Inc., 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102, on May 22, 2015, beginning at 9:00 A.M., unless postponed to a later date.

Matters to be Considered at the Special Meeting

The purposes of the special meeting are as follows, each as further described in this proxy statement/prospectus:

- to consider and vote on a proposal to approve the merger agreement;
- to consider and vote on a proposal to approve, on an advisory (non-binding) basis, the executive officer compensation that will or may be paid to Exelis named executive officers in connection with the merger, which is referred to as the merger-related named executive officer compensation proposal; and
- to consider and vote on a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders.

Exelis does not expect that any matter other than the proposals listed above will be brought before the special meeting. If, however, other matters are properly brought before the special meeting, or any adjournment or postponement of the special meeting, the persons named as proxies will vote in accordance with their judgment.

Record Date for the Special Meeting and Voting Rights

Exelis board of directors has fixed the close of business on April 14, 2015 as the record date to determine who is entitled to receive notice of and to vote at the special meeting or any adjournments or postponements thereof. As of the close of business on the record date, there were 188,019,364 shares of Exelis common stock issued and outstanding, each entitled to vote at the special meeting. Shareholders will have one vote for any matter properly brought before the special meeting for each share of Exelis common stock they owned at the close of business on the record date. Only shareholders of record at the close of business on the record date are entitled to receive notice of and to vote at the special meeting and any and all adjournments or postponements thereof.

Quorum; Required Votes; Abstentions and Broker Non-Votes

A quorum of shareholders is necessary to hold a valid meeting. The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Exelis common stock entitled to vote at the special meeting is necessary to constitute a quorum. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee holds shares for a beneficial owner but cannot vote on a proposal because the nominee does not have the discretionary power to do so and has not received instructions from the beneficial owner. If you hold shares of Exelis common stock in street name and you provide your bank, brokerage firm or other nominee with instructions as to how to vote your shares or obtain a legal proxy from such bank, brokerage firm or other nominee to vote your shares in person at the special

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meeting, then your shares will be counted as part of the quorum. If a quorum is not present, the special meeting will be postponed until the holders of the number of shares of Exelis common stock required to constitute a quorum attend.

If you submit a properly executed proxy card, even if you abstain from voting or vote against the approval of the merger agreement, your shares of Exelis common stock will be counted for purposes of calculating whether a quorum is present at the special meeting. Executed but unvoted proxies will be voted in accordance with the recommendations of the Exelis board of directors. If additional votes must be solicited to approve the merger agreement, it is expected that the meeting will be adjourned to solicit additional proxies.

Approval of the merger agreement requires the affirmative vote of a majority of the shares of Exelis common stock outstanding as of the record date and entitled to vote. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the proposal to approve the merger agreement. If a quorum is not present at the special meeting, the special meeting will be adjourned. If there are not sufficient votes at the time of the special meeting to approve the merger agreement, Exelis shareholders will be asked to consider and vote upon a proposal to adjourn the special meeting to solicit additional proxies. If a quorum is present, adjournment of the special meeting requires the affirmative vote of the holders of a majority of the shares of Exelis common stock present, in person or by proxy, and entitled to vote on the proposal. In addition, if a quorum is present, approval of the merger-related named executive officer compensation proposal will occur if more votes are cast in favor of the proposal than are cast against it. Abstentions and broker non-votes will not be counted for purposes of, and will have no effect on, determining approval of the merger-related named executive officer compensation. For purposes of a proposal to adjourn the special meeting, abstention from voting will have the same effect as a vote **AGAINST** the proposal to adjourn. Broker non-votes will not be counted for purposes of, and will have no effect on, the proposal to adjourn.

If you have any questions about how to vote or direct a vote in respect of your shares of Exelis common stock, you may contact our proxy solicitor at:

D.F. King & Co., Inc.	
Mail:	48 Wall Street, 22nd Floor, New York, NY 10038
Phone:	Toll-Free (800) 487-4870
	Collect (212) 269-5550
Email:	exelis@dfking.com

Methods of Voting

Registered shareholders, whether holding shares directly as shareholder of record or beneficially in street name, may vote (i) through the Internet by logging onto the website indicated on the enclosed proxy card and following the prompts using the control number located on the proxy card; (ii) by telephone (from the United States, Puerto Rico and Canada) using the toll-free telephone number listed on the enclosed proxy card; or (iii) by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. If your shares are held in the name of a bank, brokerage firm or other nominee, follow the instructions you receive from your bank, brokerage firm or other nominee on how to vote your shares. Registered shareholders who attend the special meeting may vote their shares personally even if they previously have voted their shares.

Voting in Person

Shares held directly in your name as shareholder of record may be voted in person at the special meeting. If you choose to vote your shares in person at the special meeting, please bring your enclosed proxy card and proof of identification. Even if you plan to attend the special meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the special meeting.

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Shares held in street name may be voted in person by you only if you obtain a signed legal proxy from your bank, brokerage firm or other nominee giving you the right to vote the shares.

Voting by Proxy

Whether you hold your shares directly as the shareholder of record or beneficially in street name, you may direct your vote by proxy without attending the special meeting. You can vote by proxy over the Internet, or by telephone or by mail by following the instructions provided in the enclosed proxy card.

Revocability of Proxies

Any shareholder giving a proxy has the right to revoke it before the proxy is voted at the special meeting by any of the following actions: (a) subsequently submitting a new proxy (including by Internet or telephone) that is received by the deadline specified on the accompanying proxy card; (b) giving written notice of your revocation to the Exelis Corporate Secretary; or (c) voting in person at the special meeting. Execution or revocation of a proxy will not in any way affect the shareholder s right to attend the special meeting and vote in person. Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows: Exelis Inc., Attn: Corporate Secretary, 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102.

Proxy Solicitation Costs

The enclosed proxy card is being solicited on behalf of Exelis board of directors. In addition to solicitation by mail, Exelis directors, officers and employees may solicit proxies in person, by telephone or by electronic means. These persons will not be specifically compensated for doing this.

Exelis has retained D.F. King to assist in the solicitation process. Exelis will pay D.F. King a fee of approximately $25,000. Exelis also has agreed to indemnify D.F. King against various liabilities and expenses that relate to or arise out of its solicitation of proxies (subject to certain exceptions).

Exelis will ask banks, brokers and other custodians, nominees and fiduciaries to forward the proxy solicitation materials to the beneficial owners of shares of Exelis common stock held of record by such nominee holders. Exelis will reimburse these nominee holders for their customary clerical and mailing expenses incurred in forwarding the proxy solicitation materials to the beneficial owners.

Exchange Procedures

All shares of Exelis common stock are held in book-entry form. Exelis shareholders are not required to take any action to exchange their shares of Exelis common stock for shares of Harris common stock. After the completion of the merger, shares of Exelis common stock held in book-entry form will automatically be exchanged for shares of Harris common stock in book-entry form and cash to be paid in lieu of any fractional share of Harris common stock. See **The Merger Agreement Exchange of Shares Exchange Procedures** beginning on page 105.

Householding

Some brokers, banks and other nominees may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this proxy statement/prospectus may have been sent to multiple shareholders in your household. Exelis will promptly deliver a separate copy of either or both documents to you if you write or call Exelis at the following email address or phone number: D.F. King at exelis@dfking.com (email),

(800) 487-4870 (toll-free) or (212) 269-5550 (collect).

Vote of Exelis Directors and Executive Officers

As of the record date, Exelis directors and executive officers, and their affiliates, as a group, owned and were entitled to vote 881,729 shares of Exelis common stock, or approximately .469% of the total outstanding

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shares of Exelis common stock. Although none of them has entered into any agreement obligating them to do so, Exelis currently expects that all of its directors and executive officers will vote their shares **FOR** the proposal to approve the merger agreement, **FOR** the proposal to adjourn the special meeting, if necessary, and **FOR** the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for Exelis named executive officers in connection with the merger.

Attending the Exelis Special Meeting

You are entitled to attend the Exelis special meeting only if you are a shareholder of record of Exelis at the close of business on April 14, 2015 or you hold your shares of Exelis beneficially in the name of a broker, bank or other nominee as of the record date, or you hold a valid proxy for the Exelis special meeting.

If you are a shareholder of record of Exelis at the close of business on April 14, 2015 and wish to attend the Exelis special meeting, please so indicate on the appropriate proxy card or as prompted by the Internet or telephone voting system. Your name will be verified against the list of shareholders of record prior to your being admitted to the Exelis special meeting.

If a broker, bank or other nominee is the record owner of your shares of Exelis common stock, you will need to have proof that you are the beneficial owner as of the record date to be admitted to the Exelis special meeting. A recent statement or letter from your broker, bank or other nominee confirming your ownership as of the record date, or presentation of a valid proxy from a broker, bank or other nominee that is the record owner of your shares, would be acceptable proof of your beneficial ownership.

You should be prepared to present photo identification for admittance. If you do not provide photo identification or comply with the other procedures outlined above upon request, you might not be admitted to the Exelis special meeting.

Results of the Exelis Special Meeting

The preliminary voting results will be announced at the Exelis special meeting. In addition, within four business days following the Exelis special meeting, Exelis intends to file the final voting results with the SEC on a Current Report on Form 8-K. If the final voting results have not been certified within that four-business-day period, Exelis will report the preliminary voting results on a Current Report on Form 8-K at that time and will file an amendment to the Current Report on Form 8-K to report the final voting results within four days of the date that the final results are certified.

Recommendation of the Exelis Board of Directors

The Exelis board of directors recommends that shareholders vote:

1. **FOR** the proposal to approve the merger agreement (Proposal 1);

2. **FOR** the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Exelis named executive officers that is based on or otherwise relates to the merger (Proposal 2); and

3. **FOR** the proposal to approve the adjournment of the Exelis special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger agreement at the time of the Exelis special meeting or to ensure that any supplement or amendment to this proxy statement/prospectus is timely provided to the Exelis shareholders (Proposal 3).

EXELIS SHAREHOLDERS SHOULD CAREFULLY READ THIS PROXY STATEMENT/PROSPECTUS IN ITS ENTIRETY FOR MORE DETAILED INFORMATION CONCERNING THE MERGER AGREEMENT AND THE MERGER. IN PARTICULAR, EXELIS SHAREHOLDERS ARE DIRECTED TO THE MERGER AGREEMENT, WHICH IS ATTACHED AS ANNEX A HERETO.

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PROPOSAL 1: APPROVAL OF THE MERGER AGREEMENT

This proxy statement/prospectus is being furnished to you as a shareholder of Exelis as part of the solicitation of proxies by the Exelis board of directors for use at the special meeting to consider and vote upon a proposal to approve the merger agreement, which is attached as Annex A to this proxy statement/prospectus.

The Exelis board of directors, after due and careful discussion and consideration, unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of Exelis and its shareholders and unanimously adopted the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Exelis board of directors accordingly unanimously recommends that Exelis shareholders approve the following resolution:

RESOLVED, that the shareholders of Exelis Inc. approve the merger and the merger agreement, as disclosed in the proxy statement/prospectus and related narrative disclosures in the sections of the proxy statement/prospectus entitled The Merger and The Merger Agreement and as attached as Annex A to the proxy statement/prospectus.

The merger between Merger Sub and Exelis cannot be completed without the affirmative vote of the holders of a majority of the outstanding shares of Exelis common stock entitled to vote on the matter at the special meeting of the proposal to approve the merger agreement. If you do not vote, the effect will be the same as a vote **AGAINST** the proposal to approve the merger agreement.

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THE PARTIES TO THE MERGER

Exelis Inc.

1650 Tysons Boulevard

Suite 1700

McLean, Virginia 22102

Phone: (703) 790-6300

Exelis, an Indiana corporation, is a diversified aerospace, defense, information and services company that leverages a greater than 50-year legacy of deep customer knowledge and technical expertise to deliver affordable mission-critical solutions to military, government and commercial customers in the United States and globally. Exelis is focused on strategic growth in the areas of critical networks; intelligence, surveillance, reconnaissance, which is referred to as ISR, and analytics; electronic warfare; and composite aerostructures. Exelis operates in two segments: (1) Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance, which is referred to collectively as C4ISR, Electronics and Systems, and (2) Information and Technical Services. Exelis customers include the U.S. Department of Defense, which is referred to as the DoD, and its prime contractors, U.S. government intelligence agencies, the U.S. National Aeronautics and Space Administration, the U.S. Federal Aviation Administration, allied foreign governments and domestic and foreign commercial customers. As a prime contractor, subcontractor, or preferred supplier, Exelis participates in many high priority defense and civil government programs in the United States and internationally. Exelis conducts most of its business with the U.S. government, principally the DoD. For the year ended December 31, 2014, Exelis revenue was $3.3 billion.

Exelis employs approximately 10,000 people on four continents, led by an experienced management team with a proven ability to execute on existing programs, win new contracts, enter adjacent markets, drive operating efficiency, and lead development of advanced technologies and solutions.

Exelis common stock is listed on the New York Stock Exchange, which is referred to as the NYSE, under the ticker symbol XLS.

For more information about Exelis, please visit Exelis Internet website at http://www.exelisinc.com. Exelis Internet website address is provided as an inactive textual reference only. The information contained on Exelis Internet website is not incorporated into, and does not form a part of, this proxy statement/prospectus or any other report or document on file with or furnished to the SEC. Additional information about Exelis is included in the documents incorporated by reference into this proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

Harris Corporation

1025 West NASA Boulevard

Melbourne, Florida 32919

(321) 727-9100

Harris, a Delaware corporation, is an international communications and information technology company serving government and commercial markets in more than 125 countries. It is dedicated to developing best-in-class *assured communications*® products, systems and services for global markets, including RF communications, integrated network solutions and government communications systems. Harris annual revenue for its fiscal year 2014 was greater than $5 billion and it employs about 13,000 employees, including 6,000 engineers and scientists. Harris is headquartered in Melbourne, Florida.

Harris common stock is listed on the NYSE, under the ticker symbol HRS.

For more information about Harris, please visit Harris Internet website at http://harris.com. Harris Internet website address is provided as an inactive textual reference only. The information contained on Harris Internet

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website is not incorporated into, and does not form a part of, this proxy statement/prospectus or any other report or document on file with or furnished to the SEC. Additional information about Harris is included in the documents incorporated by reference into this proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 173 of this proxy statement/prospectus.

Harris Communication Solutions (Indiana), Inc.

c/o Harris Corporation

1025 West NASA Boulevard

Melbourne, Florida 32919

(321) 727-9100

Merger Sub, an Indiana corporation and a wholly owned subsidiary of Harris, was formed solely for the purpose of facilitating the merger. Merger Sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the merger and the other transactions contemplated by the merger agreement. By operation of the merger, Merger Sub will be merged with and into Exelis, with Exelis surviving the merger as a wholly owned subsidiary of Harris.

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THE MERGER

The following is a description of the material aspects of the merger. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement/prospectus, including the text of the merger agreement attached to this proxy statement/prospectus as Annex A, for a more complete understanding of the merger.

General

Harris and Exelis have entered into a merger agreement which provides for the merger of Merger Sub, an Indiana corporation and a wholly owned subsidiary of Harris, with and into Exelis, with Exelis as the surviving corporation and a wholly owned subsidiary of Harris at the effective time. Pursuant to the terms of the merger agreement, each share of Exelis common stock issued and outstanding immediately prior to the effective time will automatically be converted into the right to receive: (i) $16.625 in cash, without interest, and (ii) 0.1025 shares of Harris common stock.

Per Share Merger Consideration

At the effective time, each share of Exelis common stock issued and outstanding immediately prior to the effective time will be canceled and converted automatically into the right to receive, in accordance with the terms of the merger agreement, the per share merger consideration, which consists of (i) $16.625 in cash, without interest, and (ii) 0.1025 shares of Harris common stock.

Background of the Merger

In the ordinary course of business and independently of each other, the senior management and board of directors of each of Exelis and Harris regularly review and assess developments in their respective industry segments, as well as strategic options available to their respective businesses in light of economic and market conditions. In addition, on a regular basis, the senior management and board of directors of Exelis assess whether the continued execution of its strategy as a stand-alone company or the possible sale to, or combination with, a third party offers the best avenue to achieve Exelis long-term strategic goals and enhance shareholder value. In connection with these reviews and assessments, the Exelis board of directors and senior management enlist the assistance of financial advisors and outside legal counsel.

The following chronology sets forth a summary of the material events leading up to the execution of the merger agreement:

On September 17, 2014, David F. Melcher, Chief Executive Officer and President of Exelis, and William M. Brown, Chairman, President and Chief Executive Officer of Harris, attended a regularly scheduled meeting of the Business Roundtable, an industry organization. Mr. Melcher and Mr. Brown engaged in a brief, unscheduled discussion of areas of mutual interest for possible teaming and subcontracting opportunities but did not engage in any discussion regarding a potential business combination between their respective companies.

On September 24, 2014, Mr. Melcher attended a meeting with NAV Canada (the company that owns and operates Canada s civil air navigation service) in Ottawa, Canada arranged by the Aerospace Industries Association, which is referred to as AIA. AIA had also asked Mr. Brown to participate in the meeting with NAV Canada concerning air traffic management operations. While at the meeting, Mr. Brown asked Mr. Melcher if he would be available to meet to follow up on the topics discussed with NAV Canada the following week when Mr. Brown planned to be in

Washington, D.C. Mr. Melcher indicated that he was available to meet the following week but no time was fixed during this conversation. Mr. Melcher and Mr. Brown did not engage in any discussion regarding a potential business combination between their respective companies.

On September 25, 2014, Mr. Brown emailed Mr. Melcher to set up a dinner meeting the following week in Washington D.C. Mr. Brown and Mr. Melcher agreed via email to have a dinner meeting on September 30, 2014. Mr. Melcher and Mr. Brown did not engage in any discussion regarding a potential business combination between their respective companies.

On September 30, 2014, Mr. Melcher and Mr. Brown met for a dinner meeting. During the meeting, Mr. Brown first expressed interest in a potential combination of Exelis and Harris and asked if Mr. Melcher would be receptive to Harris acquiring Exelis. Mr. Melcher stated that Exelis was not for sale and that it had a robust strategic plan with significant upside. He also indicated that he would notify the Exelis board of directors of Mr. Brown s expression of interest at its next regularly scheduled meeting on October 10, 2014. No price or other terms were mentioned or discussed between Mr. Melcher and Mr. Brown at that time.

Immediately after the meeting, on the evening of September 30, 2014, Mr. Melcher telephoned Ralph Hake, Chairman of Exelis, to inform Mr. Hake of his September 30, 2014 discussion with Mr. Brown.

On October 1, 2014, Mr. Melcher telephoned a representative of J.P. Morgan Securities LLC, which is referred to as J.P. Morgan. J.P. Morgan has from time to time in the past provided Exelis with financial and investment banking advice. The purpose of Mr. Melcher s call was to inform J.P. Morgan of Harris interest in acquiring Exelis and to request that J.P. Morgan develop a preliminary view of this interest.

On October 10, 2014, Exelis held a regularly scheduled meeting of its board of directors. In executive session during the meeting, Mr. Melcher reviewed his recent conversation with Mr. Brown, including that Mr. Brown expressed Harris interest in considering an acquisition of Exelis. Mr. Melcher noted that he had informed Mr. Brown that Exelis was not for sale, and that no price or structure had been provided or discussed. Representatives of J.P. Morgan participated in the meeting and provided the Exelis board of directors with its preliminary views on a potential acquisition of Exelis by Harris.

On October 14, 2014, Mr. Brown contacted Mr. Melcher and asked him to provide the reaction of the Exelis board of directors to Harris expression of interest to acquire Exelis. Mr. Melcher indicated that he would not discuss this topic before October 16, 2014, as he was fully engaged in other business activities prior to that time.

On October 16, 2014, Mr. Melcher and Mr. Brown held a discussion via telephone in which Mr. Brown expressed the seriousness of Harris intent to make an offer for Exelis and indicated that he would prefer to do so in a face-to-face meeting. Mr. Melcher again informed Mr. Brown that Exelis was not for sale. The discussion was concluded with Mr. Melcher and Mr. Brown agreeing to meet in person on November 11, 2014.

On October 17, 2014, Mr. Melcher informed Mr. Hake of the discussions Mr. Melcher had with Mr. Brown on October 16, 2014. At Mr. Hake s request, Mr. Melcher sent a short note to the other Exelis directors notifying them that there was no update other than the planned follow-up discussion with Mr. Brown on November 11, 2014.

On October 28, 2014, Mr. Brown contacted Mr. Melcher via email to arrange for a dinner meeting in Reston, Virginia on Tuesday, November 11, 2014.

On November 4, 2014, the senior management of Exelis met in New York City, New York with representatives from J.P. Morgan and Jones Day, Exelis legal counsel, in order to discuss the planned next meeting between Mr. Melcher and Mr. Brown.

On November 11, 2014, Mr. Brown and Mr. Melcher had a dinner meeting in Herndon, Virginia. Mr. Brown indicated that Harris was prepared to offer $22.00 per share for all of the issued and outstanding shares of Exelis common stock. Mr. Brown indicated that he and Harris board of directors believed that Exelis would be a great strategic fit with Harris with significant synergies, and that he wanted to move quickly to begin

due diligence on Exelis. Mr. Brown also indicated that while Harris preferred an all cash transaction due to its simplicity, he contemplated that the $22.00 per share offer would consist of mostly cash with some portion in Harris stock. Mr. Melcher responded that he appreciated the sincerity of the overture but that $22.00 per share was not a value at which Exelis would consider transacting or commencing due diligence. However, Mr. Melcher informed Mr. Brown that he would notify the Exelis board of directors of the proposal and then respond to Harris.

On November 15, 2014, Mr. Melcher held a telephonic meeting to update the members of the Exelis board of directors. Attending the meeting were all board members except Dr. John J. Hamre, representatives from Jones Day and J.P. Morgan and certain of Exelis senior management. The Exelis board of directors received from Jones Day instruction regarding its fiduciary duties in connection with the receipt of an unsolicited proposal. During the meeting, Mr. Melcher described his November 11, 2014 meeting with Mr. Brown. The Exelis board of directors engaged in an extensive discussion with management and its financial and legal advisors about Harris proposal. The Exelis board of directors also consulted J.P. Morgan and Jones Day as to its potential response to Mr. Brown s proposed offer, including the factors that the board of directors should consider in connection with its review of the proposal, and the potential ramifications for Exelis depending on the response. After thoroughly considering Harris offer, and after taking into account the views of J.P. Morgan and Jones Day, the Exelis board of directors determined that the proposed offer price was inadequate and not in the best interests of the Exelis shareholders. The Exelis board of directors authorized Mr. Melcher to convey these points to Mr. Brown and to continue the dialogue with Mr. Brown.

On November 17, 2014, Mr. Melcher held a telephone call with Dr. Hamre and provided him with substantially the same briefing he provided to the other Exelis directors on the November 15, 2014 telephonic meeting. Dr. Hamre concurred with the view of the other directors in support of a continuation of the dialogue with Harris, including communicating to Mr. Brown the need for a higher price per share for the Exelis shareholders.

On November 19, 2014, while in Scottsdale, Arizona attending a regularly scheduled meeting of the Executive Committee of AIA, of which both CEOs were members, Mr. Melcher and Mr. Brown met privately. Mr. Melcher stated that while he appreciated Harris interest, $22.00 per share was not a price at which the Exelis board of directors was willing to complete a transaction, or to commence due diligence, and Harris offer would need to meaningfully increase in order for Exelis to move forward with Harris. Mr. Melcher reiterated his confidence in Exelis strategic plan to deliver shareholder value that was greater than the current value proposed by Mr. Brown. Mr. Brown stated that he would review Exelis position with the Harris board of directors and get back to him in the near future. No date was set for the follow-up discussion.

On November 22, 2014, Mr. Melcher had a telephone conversation with Mr. Hake in which he described his meeting with Mr. Brown on November 19, 2014. They discussed the anticipated but not yet scheduled follow-up call between Exelis and Harris and Exelis planned response. Shortly thereafter, Mr. Brown contacted Mr. Melcher and arranged a follow-up call for November 25, 2014.

On November 25, 2014, Mr. Brown called Mr. Melcher and stated that he had reviewed his previous discussion with Mr. Melcher with the Harris board of directors and that Harris was prepared to increase its offer to $23.00 per share, with a preferred structure of 70% cash and 30% Harris common stock. Mr. Melcher indicated that this was not a sufficient value to proceed to due diligence. Mr. Brown indicated that he would contact Harris lead director to discuss Mr. Melcher s response and determine if there was a further increase in the proposed share price that Harris might be prepared to make.

Following the call on November 25, 2014, Mr. Melcher called Mr. Hake and summarized his conversation with Mr. Brown.

On November 29, 2014, Mr. Brown called Mr. Melcher and indicated that he had authority from the Harris board of directors to increase the offer to $23.50 per share, paid with 70% cash and 30% Harris common stock.

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Mr. Brown indicated that the increase in the per share offer price would require the parties to proceed quickly with due diligence. Mr. Melcher indicated that he considered this a meaningful increase and that he would review the increased proposed offer with the Exelis board of directors. Mr. Melcher also stated that even if Exelis did determine to agree to proceed to diligence at this value, the price at which Exelis would be willing to engage in a transaction would need to be higher.

Following the call on November 29, 2014, Mr. Melcher called Mr. Hake to discuss the increased offer from Harris. Mr. Melcher and Mr. Hake agreed that they would hold a call with the other Exelis directors to discuss the updated offer.

On November 30, 2014, Mr. Melcher held a telephonic meeting to update the members of the Exelis board of directors. Attending the call were all board members except Herman E. Bulls, representatives from Jones Day and J.P. Morgan and certain of Exelis senior management. Mr. Melcher summarized the contacts with Harris since the last board update call on November 15, 2014. He described his conversations with Mr. Brown, including the updated proposed offer of $23.50 per share, paid with 70% cash and 30% Harris common stock. The Exelis board of directors determined that this increased value was sufficient to proceed to due diligence, and required that prior to providing due diligence information to Harris, Harris would be required to enter into a customary confidentiality agreement containing a standstill provision. At the conclusion of the call, the Exelis board of directors instructed Mr. Melcher to convey these points to representatives of Harris.

Following the November 30, 2014 discussion, Mr. Melcher held a call with Mr. Bulls and provided him with substantially the same update as had been provided to the other Exelis directors. Mr. Bulls concurred with the view of the other directors regarding the proposed offer and the direction provided by the Exelis board of directors to Mr. Melcher.

On December 1, 2014, Mr. Melcher had a telephone discussion with Mr. Brown. Mr. Melcher informed Mr. Brown that the proposed offer of $23.50 per share was not one at which Exelis would transact, but that the Exelis board of directors had agreed to proceed to commence with due diligence at a high level and with a limited scope, subject to Exelis and Harris entering into a confidentiality agreement with a standstill provision. Mr. Brown provided an overview of the scope of diligence, including his desire for a management presentation to include the senior management of Exelis. Mr. Brown stated that the Harris board of directors viewed due diligence sessions with the Exelis business leaders as an important facet of due diligence. Mr. Brown asked for management meetings as early as the following week. Mr. Melcher and Mr. Brown agreed that next steps were for Ann Davidson, Senior Vice President, Chief Legal Officer and Corporate Secretary of Exelis and Scott Mikuen, Senior Vice President, General Counsel and Secretary of Harris, to negotiate and enter into a confidentiality agreement and for Morgan Stanley & Co. LLC, the investment bank representing Harris, which is referred to as Morgan Stanley, to engage with J.P. Morgan to scope and plan the due diligence effort.

On December 1, 2014, Ms. Davidson called Mr. Mikuen to discuss entering into a confidentiality agreement, including a standstill provision, with respect to exchanging information relevant to a potential transaction with Harris.

From December 1, 2014 to December 4, 2014, Exelis and Harris, and Jones Day and Sullivan & Cromwell LLP, counsel to Harris and which is referred to as Sullivan & Cromwell, negotiated terms of a confidentiality agreement. Following negotiations, on December 4, 2014, Harris and Exelis entered into a confidentiality agreement with a standstill provision. Harris also requested that Exelis enter into an exclusivity agreement at that time. Exelis declined to enter into an exclusivity agreement at that time.

Also on December 4, 2014, Morgan Stanley delivered a due diligence request list to J.P. Morgan.

Commencing on December 7, 2014, Exelis provided responses to requested due diligence information that were posted to an electronic data room.

On December 8, 2014, the parties held a management discussion session with key corporate leaders from Harris and Exelis. Also from December 8, 2014 to December 11, 2014, various meetings were held telephonically and at the New York City offices of Jones Day with Harris and Exelis representatives on due diligence topics.

On December 11, 2014, Exelis business unit leaders made presentations for Harris senior management team.

Exelis continued to provide information requested by Harris through the weekend of December 13 and 14, 2014.

On December 14, 2014, Mr. Melcher and Mr. Brown held a brief telephone conversation to touch base prior to the meeting of the Exelis board of directors planned for December 16, 2014. Mr. Brown confirmed Harris proposed offer of $23.50 per share but expressed concerns about the valuation of the pension plan and the excess pension plans.

On December 16, 2014, the Exelis board of directors held their regularly scheduled board meeting. At the meeting, Jones Day provided an overview of the fiduciary duties of directors in connection with a potential sale of the company, the terms of the confidentiality agreement with Harris, an illustrative merger timeline and likely merger agreement terms, as well as other legal considerations. Mr. Melcher provided a summary of his recent conversations with Mr. Brown. J.P. Morgan provided an update of activities since the last board update call including contacts with Mr. Brown and a summary of due diligence activities, a description of the current proposed offer of $23.50 per share, paid with 70% cash and 30% Harris common stock, together with financing and ratings considerations, an analysis of the relative merits of the proposed offer and other matters relevant to the board of directors consideration of Harris proposed offer. The Exelis board of directors, with the assistance of J.P. Morgan and Jones Day, also discussed the potential advantages and risks associated with contacting other potential acquirors to solicit interest for an acquisition of Exelis. Such discussions included J.P. Morgan s and Jones Day s assessment of the potential impact making calls to other parties would have on the timing and certainty of the Harris transaction, J.P. Morgan s belief that it was unlikely that contacting a third party would lead to a superior proposal in the near term and other factors that the Exelis board of directors determined appropriate. The Exelis board of directors held a private discussion with only the directors present and instructed Mr. Melcher to inform Mr. Brown that the board of directors expected that Harris offer would improve in order for the Exelis board of directors to move forward.

On December 19, 2014, Mr. Melcher called Mr. Brown to inform him that the Exelis board of directors maintained its expectation that Harris would improve its offer in order for the Exelis board of directors to move forward toward a potential transaction. Mr. Brown indicated that Harris would continue to undertake diligence and hold a meeting of the Harris board of directors shortly after the first of the year to address the results of the diligence and further consider the proposed offer.

Between December 19, 2014 and January 2, 2015, there were various discussions held between J.P. Morgan and Morgan Stanley and information provided by Exelis to Harris to assist Harris in due diligence.

On January 7, 2015, Mr. Brown called Mr. Melcher to update him on the outcome of the January 6, 2015 Harris board meeting. Mr. Brown reconfirmed that Harris proposed offer was $23.50 per share, with a structure of 70% cash and 30% Harris common stock. Mr. Brown also indicated that Harris wanted to move forward expeditiously with a target announcement date of February 3, 2015 to coincide with the preliminary timing of Harris planned earnings call. He stated that the Harris board of directors was not willing to increase its offer and that they considered maintaining the $23.50 per-share proposal to be the equivalent of a price increase in light of an increase in Exelis pension liability due to a reduction in interest rates at the end of year.

Later that same day, Mr. Brown sent Mr. Melcher a written proposal whereby Harris proposed to acquire 100% of the issued and outstanding shares of Exelis common stock for $23.50 per share, with a structure of 70%

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cash and 30% Harris common stock. Other material terms in the written proposal included fully committed debt financing from Morgan Stanley, a 30-day exclusivity period and a modification of the discount rate for Exelis excess pension plans.

On January 10, 2015, Exelis held a telephonic board of directors meeting. Attending the meeting were all board members except David Yost, representatives from Jones Day and J.P. Morgan and certain of Exelis senior management. Mr. Melcher described his telephone call with Mr. Brown on January 7, 2015. J.P. Morgan provided the Exelis board of directors with an update on the activities between Harris and Exelis since the last board meeting, a description of the current proposed offer of $23.50 per share, consisting of 70% cash and 30% Harris common stock, updated information on financing and ratings considerations, analysis of the relative merits of the proposed offer and other matters relevant to the board of directors consideration of the proposed offer. Jones Day reviewed the material items anticipated to be addressed in the merger agreement should the parties get to that stage. The Exelis board of directors determined to respond to Harris in writing with a counterproposal of $24.50 per share.

On January 11, 2015, Mr. Melcher called Mr. Yost and provided substantially the same information to him as had been provided to the other directors in the board meeting the day before. Mr. Yost stated that he supported the outcome of the board meeting the day before.

Later the same day, Mr. Melcher called Mr. Brown to inform him that the Exelis board of directors had considered Harris January 7, 2015 written proposal and expected a higher price, indicating that Exelis was going to send a letter indicating that Exelis would be willing to move forward with confirmatory diligence and the negotiation of a merger agreement if Harris increased its offer price to $24.50 per share. Mr. Melcher also stated that the letter would contain a few key transaction terms. Mr. Brown indicated that he did not think the Harris board of directors would agree to the price but indicated that he would discuss it with the other Harris directors and promptly respond to Mr. Melcher.

As follow up to the call on January 11, 2015 between Mr. Melcher and Mr. Brown, Mr. Melcher sent Mr. Brown a letter on January 11, 2015 with terms whereby Harris would acquire 100% of the outstanding shares of Exelis for $24.50 per share, with a structure of 70% cash and 30% Harris common stock. The letter also indicated that Exelis would require a two-tiered breakup fee in lieu of Exelis having the right to conduct a go-shop after the execution of a definitive merger agreement.

On January 12, 2015, Mr. Brown called Mr. Melcher and stated that the Harris board of directors had agreed to increase its offer price to $23.75 per share. He did not discuss the other terms that Exelis had included in its January 11, 2015 letter in response to the Harris January 7, 2015 offer letter.

Following this call on January 12, 2015, Mr. Melcher informed Mr. Hake of the call with Mr. Brown. Exelis then scheduled a telephonic meeting of the board of directors for the following morning.

Later the same day, Mr. Melcher held telephone discussions with Paul J. Kern and Mark L. Reuss, directors of Exelis, because Messrs. Kern and Reuss were unavailable for the telephonic update meeting to be held on January 13, 2015. In each discussion, Mr. Melcher described his discussion with Mr. Brown, including that Harris increased its offer price to $23.75 per share and that Harris wanted to announce the transaction on February 3, 2015.

On January 13, 2015, Mr. Melcher held a telephonic meeting to update the directors on the discussions he had with Mr. Brown subsequent to the January 10, 2015 telephonic board meeting. All directors except Messrs. Kern and Reuss attended this call, as well as certain Exelis senior executives, and representatives of J.P. Morgan and Jones Day. Mr. Melcher described the call the day before with Mr. Brown and that Harris increased its offer price to $23.75 per share. He noted that Mr. Brown had stated that Harris wanted to announce the transaction on February 3, 2015, the

preliminary date of its planned earnings release. In consultation with J.P. Morgan and Jones Day, the Exelis board of directors agreed that the increased price was sufficient to proceed to completing due diligence and negotiating a merger agreement.

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Later that same day, Mr. Melcher called Mr. Brown and stated that Exelis was prepared to move forward at a price of $23.75 per share, with a structure of 70% cash and 30% Harris common stock, subject to Exelis completing satisfactory reverse due diligence on Harris and Harris (i) acceptance of a two-tiered breakup fee, (ii) agreement to perform only confirmatory due diligence and (iii) agreement to execute a definitive merger agreement by February 3, 2015. Mr. Melcher and Mr. Brown agreed to move forward on such terms, including a two-tiered breakup fee of 1.25% of the transaction consideration for the first 30 days after the execution of the definitive merger agreement, and 3.0% of the transaction consideration thereafter.

Following the call between Mr. Melcher and Mr. Brown, Mr. Brown sent Mr. Melcher a letter on January 13, 2015 confirming that Harris was prepared to move forward with a transaction with price and structure as discussed, a two-tier breakup fee of 1.25% of the transaction consideration in the event of termination by Exelis to enter into a definitive agreement in respect of a superior proposal during the 30-day period after announcement and 3% of the transaction consideration thereafter, as well as other customary terms and conditions.

During the week of January 13, 2015, and in response to the increased offer by Harris to $23.75 per share, Exelis and Harris began negotiating an exclusivity agreement. The parties also began discussions on the merger agreement.

On January 15, 2015, Mr. Melcher and Mr. Brown held a telephone discussion to discuss progress on responding to each company s additional due diligence requests and the plan for completing due diligence. Exelis expanded the information made available in the electronic data room made available to Harris and its advisors, and updated it on an ongoing basis between January 15, 2015 and February 5, 2015 to respond to due diligence requests from Harris.

On January 15, 2015, Jones Day, on behalf of Exelis, sent Sullivan & Cromwell a draft merger agreement.

Later that same day, representatives of Harris informed representatives of Exelis that Harris had already begun a draft merger agreement and that Harris legal counsel believed it was important to utilize Harris draft agreement.

Between January 15, 2015 and January 18, 2015, representatives from Harris and Exelis discussed the plan for the preparation of the draft merger agreement and the parties agreed to allow Harris to prepare the initial draft of the merger agreement.

On January 18, 2015, Sullivan & Cromwell, on behalf of Harris, sent Jones Day a draft merger agreement.

From January 19, 2015 to January 22, 2015, representatives of Exelis and Harris met in New York City, New York for in-person meetings to conduct Harris confirmatory due diligence of Exelis, and Exelis confirmatory due diligence of Harris. These meetings included a Harris management presentation on January 22, 2015. Exelis due diligence review included information that would partly form the basis for Exelis management s evaluation of Harris stock as part of the consideration for the transaction. Mr. Melcher and Mr. Brown met to discuss their views on the progress of due diligence and identified key due diligence topics that required more comprehensive exchanges of information. Mr. Melcher and Mr. Brown also discussed each party s goal to negotiate and announce a transaction as soon as practicable, but it was agreed that the target date would shift to February 6, 2015.

On January 20, 2015, the parties executed an exclusivity agreement, which provided Harris the exclusive right to negotiate an acquisition of Exelis through February 3, 2015. The exclusivity agreement included customary fall-away provisions and permitted Exelis to respond to unsolicited superior proposals.

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On January 22, 2015, Peter J. Milligan, Senior Vice President and Chief Financial Officer of Exelis, Robert E. Durbin, Senior Vice President of Strategy and Corporate Development of Exelis, Miguel Lopez, Senior Vice President and Chief Financial Officer of Harris, and Greg Taylor, Vice President of Corporate Strategy and Business Development of Harris, met in New York City, New York. Harris committed to provide its second quarter financial results on all key financials and confirmed its estimates for its fiscal year 2015.

Later that day, Harris provided Exelis with its preliminary second quarter financial results. Messrs. Milligan, Durbin, Lopez and Taylor held detailed discussions on financial matters affecting both companies.

On January 23, 2015, Mr. Durbin and Mr. Taylor coordinated on, prioritized and set a plan to complete all open due diligence and reverse due diligence items.

On January 24 and 25, 2015, several detailed due diligence discussions were held by telephone between Exelis and Harris to address open due diligence requests and questions.

On January 25, 2015, Jones Day provided a markup of the merger agreement to Sullivan & Cromwell.

On January 27, 2015, Jones Day and Sullivan & Cromwell held several telephonic conversations to discuss the open items in the merger agreement and to discuss Harris proposed financing of the transaction.

On January 28, 2015, Sullivan & Cromwell provided a markup of the merger agreement to Jones Day, in which Harris reverted to its original positions on several important items.

Also on January 28, 2015, Mr. Melcher sent Mr. Brown an email about completing due diligence and engaging in discussions to close out all open items under the merger agreement prior to Exelis board meeting on February 1, 2015.

On January 29, 2015, Mr. Melcher and Mr. Brown held a telephonic discussion regarding due diligence and reverse due diligence, the merger agreement and the outstanding issues on each side. Mr. Melcher indicated that because the Exelis board of directors was prepared to consider the proposed transaction at its next board meeting on February 1, 2015, he wanted Mr. Brown to provide Harris views on all key open items with respect to the proposed transaction. Mr. Melcher noted that Exelis needed more information to assess Harris forecast and strategic plan. Mr. Brown committed to work with Exelis representatives to ensure that they would have sufficient information to complete their due diligence. Mr. Melcher reinforced Exelis view on the transaction price, the date of announcement of the transaction and the structure of the transaction, and Mr. Brown concurred.

On January 30, 2015, Jones Day and Sullivan & Cromwell held several telephonic conversations to discuss the open items in the merger agreement.

On January 31, 2015, Jones Day provided a mark-up of the merger agreement to Sullivan & Cromwell, in which Exelis reverted back to its positions on certain items.

Also on January 31, 2015, Jones Day and Sullivan & Cromwell held several telephonic conversations to discuss the open items in the merger agreement.

On February 1, 2015, Exelis held an in-person meeting of its board of directors to review the transaction. Attending the meeting were all board members, representatives from Jones Day and J.P. Morgan and certain of Exelis senior management. Representatives of Jones Day discussed a number of aspects of the proposed transaction and related matters, including an overview of the process and discussions with Harris to date, the material terms of the proposed

merger agreement based on the negotiations as of January 31, 2015 and the background of negotiations over those terms including the amount of the termination fees, as well as other legal considerations, including certain employee benefits matters. Jones Day also reviewed with the directors their fiduciary duties in the

context of the proposed transaction. Mr. Melcher and J.P. Morgan provided the Exelis board of directors with an update on the activities between Harris and Exelis since the last board meeting. J.P. Morgan provided a description of the current proposed offer of $23.75 per share, paid with 70% cash and 30% Harris common stock, updated information on financing and ratings considerations, analysis of the relative merits of the proposed offer and other matters relevant to the Exelis board of directors consideration of the proposed offer. The Exelis board of directors, with the assistance of J.P. Morgan and Jones Day, also discussed the potential advantages and risks associated with contacting other potential acquirors to solicit interest for an acquisition of Exelis. Such discussions included J.P. Morgan s and Jones Day s assessment of the potential impact making calls to other parties would have on the timing and certainty of the Harris transaction, J.P. Morgan s belief that it was unlikely that contacting a third party would lead to a superior proposal in the near term and other factors that the Exelis board of directors determined appropriate.

Also on February 1, 2015, Sullivan & Cromwell provided a mark-up of the merger agreement to Jones Day, in which Harris reverted back to its positions on certain items.

On February 3, 2015, Jones Day delivered its mark-up of the merger agreement to Sullivan & Cromwell, in which Exelis reverted back to its position on certain items.

Also on February 3, 2015, Mr. Melcher and Mr. Brown held a telephonic conversation. Mr. Brown indicated that the Harris board of directors remained interested in the transaction and that the strategic rationale remained compelling. However, Mr. Brown noted that certain financial aspects of the transaction had changed and he did not want to discuss the path forward towards a transaction until he had reviewed Exelis comments to the merger agreement and spoke to Mr. Mikuen and Sullivan & Cromwell.

From February 3, 2015 until February 5, 2015, Jones Day and Sullivan & Cromwell continued to negotiate the terms of the merger agreement, telephonically and by the exchange of drafts, while the parties continued their due diligence review of each other. During the negotiations of the merger agreement, Exelis proposed a reverse break fee of $600 million if Harris were to fail to close the transaction due to lack of financing. After extensive negotiations, Harris agreed to the concept of a reverse break fee and the parties agreed to $300 million for the amount of the fee. Harris and Exelis were also able to agree on all other key open issues and finalize the terms of the merger agreement on February 5, 2015.

On February 5, 2015, the Exelis board of directors convened a special meeting to consider the proposed transaction with Harris. Members of Exelis senior management and representatives of J.P. Morgan and Jones Day participated in the meeting. Representatives of Jones Day discussed a number of aspects of the proposed transaction and related matters, including an overview of the process and discussions with Harris to date, the material terms of the proposed merger agreement, the background of negotiations over those terms including the amount of the termination fees and the terms of the committed financing and certain employee benefits matters. Jones Day also reviewed with the directors their fiduciary duties in the context of the proposed transaction. Jones Day summarized certain merger agreement obligations, conditions and termination rights relating to obtaining regulatory approvals, the termination fee applicable in situations in which the transaction was made the subject of competitive bids from third parties or in which the directors withdrew the board of directors recommendation supporting the transaction and the reverse termination fee applicable in situations where Harris is unable to obtain financing. The directors discussed the terms of the proposed merger agreement and engaged in a discussion regarding the risks and potential upsides for Exelis in executing its strategic plan in a situation where it remained independent. As part of the discussion, the Exelis board of directors and its advisors further discussed the proposed two-tiered termination fee. After consultation with Exelis legal advisors, the Exelis board of directors believed that the two-tiered termination fee included in the merger agreement was reasonable, consistent with termination fees in similar transactions and not likely to preclude an

alternative superior proposal for a business combination with Exelis, especially during the first 30 days after the execution of the definitive merger agreement.

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At the request of the Exelis board of directors, representatives of J.P. Morgan then reviewed and discussed its financial analyses of the consideration to be paid to Exelis shareholders in the proposed merger and delivered J.P. Morgan s oral opinion, confirmed by delivery of a written opinion dated February 5, 2015, to the effect that, as of the date of the opinion and based upon and subject to the various assumptions and limitations set forth in such written opinion, the consideration to be paid to holders of Exelis common stock in the proposed merger was fair, from a financial point of view, to such holders. The full text of the written opinion of J.P. Morgan, which describes, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B.

Following an extensive and thorough discussion of the factors relevant to this transaction during the course of the Exelis board of directors meeting, the Exelis directors unanimously determined that the merger, the merger agreement and the transactions contemplated thereby were fair to and in the best interests of Exelis shareholders, declared that the merger was advisable, adopted the merger agreement and the transactions contemplated thereby, directed that the approval of the merger agreement be submitted to a vote at a meeting of Exelis shareholders and resolved to recommend to Exelis shareholders that they approve the merger agreement.

On February 5, 2015, Exelis and Harris executed and delivered the merger agreement.

On February 6, 2015, Exelis and Harris announced the execution of the merger agreement.

Recommendation of the Exelis Board; Exelis Reasons for the Merger

The Exelis board of directors, at a special meeting held on February 5, 2015, unanimously:

- determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement were advisable, fair to and in the best interests of Exelis and its shareholders;
- adopted the merger agreement, the merger and the other transactions contemplated by the merger agreement;
- directed that the merger agreement be submitted to a vote of Exelis shareholders; and
- voted to recommend that Exelis shareholders vote in favor of the approval of the merger agreement.

ACCORDINGLY, THE EXELIS BOARD OF DIRECTORS HAS ADOPTED THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT EXELIS SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE MERGER AGREEMENT AND FOR ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY.

In reaching its determination to recommend the approval of the merger agreement by its shareholders, the Exelis board of directors consulted with management as well as J.P. Morgan, Exelis financial advisor, and Jones Day, Exelis legal counsel. Exelis board of directors also considered various material factors that are discussed below.

The Exelis board of directors considered the following factors as generally supporting its decision to recommend that Exelis shareholders vote to approve the merger agreement:

the merger provides Exelis with a unique strategic opportunity to combine two businesses with complementary products, services, and customer solutions which should enable the combined company to benefit from strengthened capabilities;

the Exelis board of directors assessment that Harris operating strategy is consistent with Exelis long-term operating strategy to grow its business by expanding the scope, platform coverage, and depth and breadth of product offerings;

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the importance of scale in the increasingly competitive market environments in which Harris and Exelis operate, and the potential for the merger to enhance Exelis ability to compete effectively in those environments;

historical and current information concerning Harris and Exelis respective businesses, financial performance and condition, results of operations, management, earnings, technology positions, competitive positions and prospects, before and after giving effect to the merger and the merger s potential effect on shareholder value

review of Harris business operations, financial condition, earnings and prospects;

the potential impact of the merger on Exelis customer relationships, employees and other business partners;

the adequacy of the merger consideration and the other value provided to Exelis shareholders which the Exelis board of directors views as favorable to Exelis shareholders, including:

its belief, based on discussions and negotiations by Exelis management and advisors with the Harris management and advisors, that $23.75 per share was the highest price Harris would be willing to pay;

its belief that the price of Exelis common stock in the short or medium term was highly unlikely to exceed the future value equivalent of $23.75 per share;

the current and historical market prices of Exelis common stock, including the fact that the $23.75 per share merger consideration represented a premium of approximately 34.1% over the closing price of Exelis common stock on the NYSE on February 5, 2015 (the last full trading day immediately prior to the time the Exelis board of directors adopted the merger agreement and merger);

the implied value of the merger consideration, based on the closing price of Harris common stock of $69.49 on February 5, 2015 (the last full trading day immediately prior to the time the Exelis board of directors adopted the merger agreement and merger), as well as the value of the merger consideration that would be implied at various other Harris common stock share prices;

the cash component of the merger consideration, which would allow Exelis shareholders to diversify a portion of their current exposure to the industries in which Exelis and its subsidiaries operate;

the stock component of the merger consideration and the valuation of that component;

based on the closing prices of Harris and Exelis common stock on February 5, 2015, the Harris dividend yield, which is 2.71%, is higher than the Exelis dividend yield, which is 2.32%; and

the current market price of the Harris common stock, as well as the historical, present, and anticipated future earnings of Harris, and the anticipated future earnings of the combined company;

the current and prospective business environment in which Exelis and its subsidiaries operate, including international, national and local economic conditions, the competitive and regulatory environment, and in light of the financial and competitive challenges facing the businesses, the likelihood that the combined company would be better positioned to overcome these challenges if the expected strategic and financial benefits of the transaction were fully realized;

the ongoing evaluation by the Exelis board of directors of Exelis standalone strategic plan, as well as the execution risks related to achieving that plan, compared to the risks and benefits of the merger and, based on the Exelis board of directors consideration and evaluation of the benefits, risks, and uncertainties associated with Exelis standalone strategic plan, the Exelis board of directors belief that the merger offers a unique and valuable strategic opportunity representing the best opportunity for long-term value creation for Exelis shareholders reasonably available at the current time;

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the Exelis board of directors view that the merger agreement and the transactions contemplated by the merger agreement were more favorable to Exelis shareholders than other strategic alternatives reasonably available to Exelis and its shareholders;

the Exelis board of directors considered that, as a result of the merger, Exelis shareholders would own approximately 15.5% of the combined company, based on the number of shares issued and outstanding as of February 3, 2015, and, therefore, would benefit from the future performance of the combined company, the run rate synergies of approximately $115 million that Exelis management estimated could potentially result from the merger and the other strengths of the combined company as described above;

the fact that shares of Harris common stock issued to Exelis shareholders will be registered on Form S-4 and will be freely tradable for Exelis shareholders;

the financial analyses, information and perspectives provided to the Exelis board of directors by Exelis management and financial advisors;

J.P. Morgan s opinion, dated as of February 5, 2015, that, as of such date and based upon and subject to the assumptions made, matters considered, and qualifications and limitations on the review set forth in its opinion, the merger consideration to be paid by Harris to the holders of Exelis common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders, see the section entitled **The Merger Opinion of J.P. Morgan** beginning on page 83 of this proxy statement/prospectus and the full text of the written opinion of J.P. Morgan, which is attached as Annex B to this proxy statement/prospectus;

the discussions with representatives of Jones Day regarding the terms and conditions of the merger agreement and the fiduciary duties of the Exelis board of directors in considering the merger;

the extensive efforts made by Exelis and its advisors to negotiate and execute a merger agreement favorable to Exelis and its shareholders;

the likelihood that the merger would be consummated based on, among other things:

- the fact that Harris had obtained committed debt financing, the limited number and nature of the conditions to the debt, the reputation of the financing sources and the obligation of Harris to use its reasonable best efforts to obtain the debt financing, each of which, in the reasonable judgment of the Exelis board of directors, increased the likelihood of such financing being consummated; and

- the likelihood and anticipated timing of consummating the merger in light of the scope of the conditions to closing;

the financial and other terms and conditions of the merger agreement, as reviewed by the Exelis board of directors, which include the following, and are the product of extensive arm s-length negotiations between the parties:

subject to compliance with the terms and conditions of the merger agreement, Exelis ability, at any time prior to (but not after) obtaining approval of the merger agreement by Exelis shareholders, to consider and respond to an unsolicited written acquisition proposal (as defined in **The Merger Agreement No Solicitation of Acquisition Proposals**), to furnish non-public information to the person making such a proposal and to engage in discussions or negotiations with the person making such an acquisition proposal, if the Exelis board of directors, prior to taking any such actions, determines in good faith and after consultation with its outside legal and financial advisors that such takeover proposal either constitutes a superior proposal (as defined in **The Merger Agreement No Solicitation of Acquisition Proposals**) or is reasonably likely to result in a superior proposal and that failure to take such action would be inconsistent with the Exelis board of directors fiduciary obligations under applicable law;

subject to compliance with the terms and conditions of the merger agreement, the Exelis board of directors ability, under certain circumstances, to withhold, withdraw, qualify or modify, the Exelis board of directors recommendation to Exelis shareholders that they vote in favor of the

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approval of the merger agreement or approve, adopt or recommend, or resolve or publicly propose to approve, adopt or recommend, an acquisition proposal;

subject to compliance with the terms and conditions of the merger agreement, Exelis is permitted to terminate the merger agreement, prior to approval of the merger agreement by Exelis shareholders, in order to approve or recommend an alternative transaction proposed by a third party that is a superior proposal, upon the payment to Harris of a termination fee of either $138,420,000 (representing approximately 3.0% of the total value of the transaction) if such termination occurs after March 7, 2015, or, in the alternative, $57,675,000 (representing approximately 1.25% of the total value of the transaction) if such termination occurs on or prior to March 7, 2015, which amounts were viewed by the Exelis board of directors as reasonable in light of the benefits of the merger to Exelis shareholders and customary practice in similar precedent transactions;

subject to compliance with the terms and conditions of the merger agreement, Exelis is entitled to a reverse termination fee of $300,000,000 if all closing conditions are satisfied and certain other conditions are met, and Harris nonetheless fails to consummate the merger within a specific timeframe;

the merger agreement provides that each party is entitled to specific performance in case of breach by the other party;

Exelis retains sufficient operating flexibility to conduct its business in the ordinary course between the execution of the merger agreement and consummation of the merger;

the fact that the definition of material adverse effect applicable to Exelis has a number of customary carve-outs and is generally a very high standard applied by courts; and

the limited number and nature of the conditions to Harris obligation to consummate the merger and the limited risk of non-satisfaction of such conditions and the corresponding likelihood that the merger will be consummated on a timely basis;

the fact that resolutions approving the merger were unanimously approved by the Exelis board, which is comprised of all independent directors (other than Mr. Melcher) who are not affiliated with Harris and are not employees of Exelis or any of its subsidiaries;

the fact that the merger is not conditioned upon any member of Exelis senior management entering into any employment or other agreement or arrangement with Harris, and that no such agreement or arrangement existed as of the date of the merger agreement; and

the determination that (i) an exchange ratio that is fixed and not subject to adjustment is appropriate to reflect the strategic purpose of the merger and consistent with market practice for a merger of this type, and (ii) a fixed exchange ratio fairly captures the respective ownership interests of Harris stockholders and Exelis shareholders in the combined company based on valuations of Harris and Exelis at the time of the Exelis board of directors adoption of the merger agreement and avoids fluctuations caused by near-term market volatility.

In the course of its deliberations, the Exelis board of directors also considered a variety of risks and other potentially negative factors, including the following:

the risks and costs to Exelis if the merger does not close at all or in a timely manner, including the diversion of management and employee attention, potential employee attrition, and the effect on business and customer relationships;

the negative impact of any customer confusion or delay in purchase commitments after the announcement of the merger;

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the challenges inherent in the combination of two businesses of the size and scope, individually and in relation to each other, of Harris and Exelis, including the risk that integration costs may be greater than anticipated and the possible diversion of management attention for an extended period of time;

the risk that the $300 million reverse termination fee to which Exelis may be entitled, subject to the terms and conditions in the merger agreement and under certain circumstances, in the event Harris fails to close may not be sufficient to compensate Exelis for the harm it would suffer as a result;

the risk of not capturing the anticipated cost savings and operational synergies between Harris and Exelis and the risk that other anticipated benefits might not be realized;

the fact that, as a result of the fixed exchange ratio for the stock component of the merger consideration, the value of that component would decline in the event of a decline in the price of Harris common stock prior to the closing of the merger;

the inability of Exelis shareholders to realize the long-term value of the successful execution of Exelis current strategy as an independent company;

the restrictions contained in the merger agreement on the conduct of Exelis business prior to the completion of the merger, including requiring Exelis to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent Exelis from undertaking business opportunities that may arise pending completion of the merger;

the restriction contained in the merger agreement on Exelis ability to actively solicit alternative proposals to acquire Exelis;

the fact that Exelis has not actively sought offers from other potential purchasers;

the fact that, under the merger agreement, Exelis may be required to pay a termination fee of either $57,675,000 or $138,420,000, depending on certain circumstances, may discourage a third party from making a competitive alternative proposal to acquire Exelis;

the potential for shareholder suits or other litigation relating to the proposed merger and the associated costs, burden and inconvenience involved in defending those proceedings;

the fact that the merger consideration will be taxable to Exelis shareholders that are U.S. persons for U.S. federal income tax purposes; and

risks of the type and nature described in the section entitled **Risk Factors** beginning on page 45 and incorporated by reference from Harris Annual Report on Form 10-K and other SEC filings, including the risks associated with the operations and financial position of Harris and the combined company following the completion of the merger.

The Exelis board of directors considered all of these factors as a whole and, on balance, concluded that it supported a favorable determination to enter into the merger agreement.

In addition, the Exelis board of directors was aware of and considered the interests of its directors and executive officers that are different from, or in addition to, the interests of Exelis shareholders generally, including the treatment of Exelis stock options and other equity awards held by such directors and executive officers in the merger described in the section entitled **Interests of Exelis Directors and Executive Officers in the Merger** beginning on page 133 of this proxy statement/prospectus and Harris agreement to indemnify Exelis directors and officers against certain claims and liabilities.

The foregoing discussion in this section is not intended to be an exhaustive list of the information and factors considered by Exelis board of directors. The Exelis board of directors collectively reached the conclusion to adopt the merger agreement, the merger and all of the other transactions contemplated by the merger agreement and to recommended that the Exelis shareholders vote to approve the merger agreement in light of the

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various factors described above and other factors that the members of the Exelis board of directors believed were appropriate. In view of the complexity and wide variety of factors, both positive and negative, that the Exelis board of directors considered in connection with its evaluation of the merger, the Exelis board of directors did not find it practical, and did not attempt, to quantify, rank or otherwise assign relative or specific weights or values to any of the factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the Exelis board of directors. In considering the factors discussed above, individual directors may have given different weights to different factors.

The foregoing description of Exelis consideration of the factors supporting the merger is forward-looking in nature. This information should be read in light of the factors discussed in the section entitled **Cautionary Statement Regarding Forward-Looking Statements** beginning on page 43 of this proxy statement/prospectus.

Opinion of J.P. Morgan

Effective October 1, 2014, Exelis retained J.P. Morgan as its financial advisor in connection with the proposed merger pursuant to an engagement letter dated January 9, 2015.

At the meeting of Exelis board of directors on February 5, 2015, J.P. Morgan rendered its oral opinion, subsequently confirmed in writing on the same day and prior to the execution of the merger agreement, to Exelis board of directors that, as of such date and based upon and subject to the factors, procedures, qualifications, limitations and assumptions set forth in its opinion, the consideration to be paid by Harris to the holders of shares of Exelis common stock pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. No limitations were imposed by Exelis board of directors upon J.P. Morgan with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the written opinion of J.P. Morgan, dated February 5, 2015, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by J.P. Morgan in rendering its opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference and the description thereof herein is qualified in its entirety by reference thereto. Exelis shareholders are urged to read the opinion carefully and in its entirety. J.P. Morgan provided its opinion to Exelis board of directors in connection with, and for the purposes of, its evaluation of the transactions contemplated by the merger agreement. J.P. Morgan s written opinion is addressed to Exelis board of directors, is directed only to the fairness of the consideration to be paid to the holders of shares of Exelis common stock pursuant to the merger agreement, and does not address any other matter. The issuance of J.P. Morgan s opinion was approved by a fairness opinion committee of J.P. Morgan. J.P. Morgan s opinion does not constitute a recommendation to any holder of shares of Exelis common stock as to how such shareholder should vote with respect to the transactions contemplated by the merger agreement or any other matter at the special meeting. The merger consideration to be paid to the holders of shares of Exelis common stock was determined through negotiations between Harris and Exelis, and the decision to approve and recommend the transactions contemplated by the merger agreement was made independently by the Exelis board of directors. J.P. Morgan s opinion and financial analyses were among the many factors considered by the Exelis board of directors in its evaluation of the transactions contemplated by the merger agreement and should not be viewed as determinative of the views of the Exelis board of directors or management with respect to the merger consideration or the transactions contemplated by the merger agreement. The summary of J.P. Morgan s opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, J.P. Morgan, among other things:

reviewed a draft, dated February 5, 2015, of the merger agreement, which draft J.P. Morgan understood to be, and was in fact, substantially final;

reviewed certain publicly available business and financial information concerning Exelis and Harris and the industries in which they operate;

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compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration paid for such companies;

compared the financial and operating performance of Exelis and Harris with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of Exelis common stock, Harris common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and the financial projections by Exelis (as defined and described in the section entitled **The Merger Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus), as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the merger, which are referred to in this section as synergies; and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

J.P. Morgan also held discussions with certain members of the management of Exelis and Harris with respect to certain aspects of the merger, the past and current business operations of Exelis and Harris, the financial condition and future prospects and operations of Exelis and Harris, the effects of the merger on the financial condition and future prospects of Exelis and Harris and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by Exelis or Harris or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan has not independently verified (nor has J.P. Morgan assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of Exelis or Harris under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to it or derived therefrom, including the synergies, J.P. Morgan assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Exelis and Harris to which such analyses or forecasts relate. Without limiting the analyses performed in reliance thereon, J.P. Morgan expressed no view as to such analyses or forecasts (including the synergies) or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement will have the tax consequences described in discussions with, and materials furnished to J.P. Morgan by, representatives of Exelis, and will be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respects from the draft thereof provided to J.P. Morgan. J.P. Morgan also assumed that the representations and warranties made by Exelis and Harris in the merger agreement and the related agreements are true and correct in all respects material to its analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to Exelis with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Exelis or Harris or on the contemplated benefits of the merger, in each case, in any respect material to J.P. Morgan s analysis.

The financial projections by Exelis (as defined and described in the section entitled **The Merger Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus) were prepared by the management of Exelis. Exelis does not publicly disclose internal management projections of the type provided to J.P. Morgan in connection with J.P. Morgan s analysis of the merger, and such projections were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

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J.P. Morgan s opinion is based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of such opinion. Subsequent developments may affect J.P. Morgan s opinion, and J.P. Morgan does not have any obligation to update, revise or reaffirm such opinion. J.P. Morgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be paid to the holders of shares of Exelis common stock in the proposed merger, and J.P. Morgan has expressed no opinion as to the fairness of the merger to, or any consideration paid in connection with the transaction to, the holders of any other class of securities, creditors or other constituencies of Exelis or the underlying decision by Exelis to engage in the merger. J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the merger consideration to be paid to the holders of shares of Exelis common stock pursuant to the merger agreement or with respect to the fairness of any such compensation. J.P. Morgan expressed no opinion as to the price at which Exelis common stock or Harris common stock will trade at any future time, whether before or after the closing of the merger.

J.P. Morgan was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Exelis or any other alternative transaction.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by J.P. Morgan in connection with providing its opinion to Exelis board of directors at its meeting on February 5, 2015. It does not purport to be a complete summary thereof. The financial analyses summarized below include information presented in tabular format. In order to fully understand J.P. Morgan s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan s financial analyses.

Analysis of Exelis

Public Trading Multiples Analysis for Exelis. Using publicly available information, J.P. Morgan compared selected financial data of Exelis with similar data for selected publicly traded companies engaged in businesses which J.P. Morgan judged to be analogous to Exelis business or aspects thereof.

The companies selected by J.P. Morgan were as follows:

Defense

Lockheed Martin Corporation

General Dynamics Corporation

Raytheon Company

Northrop Grumman Corporation

L-3 Communications Holdings, Inc.

Harris

Huntington Ingalls Industries, Inc.

Service

Booz Allen Hamilton Inc.

Leidos, Inc.

CACI International Inc.

Science Applications International Corporation

ManTech International Corporation

These companies were selected, among other reasons, because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan s analysis, may be considered comparable to those of Exelis based on sector participation, financial metrics and form of operations. However, certain of these

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companies may have characteristics that are materially different from those of Exelis. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies differently than would affect Exelis.

For each company listed above, J.P. Morgan calculated and compared various financial multiples and ratios based on publicly available information as of February 5, 2015, and in all instances multiples were based on closing share prices on February 5, 2015. Among other calculations, the information J.P. Morgan calculated for each of the selected companies included:

Multiple of firm value, which is referred to in this section as FV (calculated as equity value plus total debt and other adjustments, including minority interests, net of cash and cash equivalents), to estimated EBITDA (calculated as earnings before interest, taxes, depreciation and amortization) for calendar year 2016;

Multiple of adjusted firm value, which is referred to in this section as Adjusted FV (calculated as FV adjusted to include after-tax pension liability), to estimated EBITDAP (calculated as EBITDA plus pension expense less service cost) for calendar year 2016; and

Multiple of FAS/CAS adjusted firm value, which is referred to in this section as FAS/CAS Adjusted FV (calculated as FV adjusted to include 35% of the after-tax pension liability to capture the estimated non-recoverability of the portion of the pension liability related to certain non-defense employees within the Exelis pension plan, an approach to FV whereby the portion of the pension liability estimated to not be reimbursable under U.S. Government contracts is included in firm value, rather than the full pension liability calculated under the requirements of the financial accounting standards, which is referred to as FAS) to estimated FAS/CAS Adjusted EBITDAP (calculated as EBITDA plus pension expense, less estimated recoveries under the U.S. Government cost accounting standards, which is referred to as CAS) for calendar year 2016.

Results of the analysis were presented for the selected companies, as indicated in the following table:

	Trading Multiples		
	FV to EBITDA	**Adjusted FV to EBITDAP**	**FAS/CAS Adjusted FV to FAS/CAS Adjusted EBITDAP**
		Defense	
Low	7.3x	7.6x	7.8x
High	10.7x	11.7x	11.0x
Median	9.6x	9.4x	10.5x
Mean	9.2x	9.3x	9.8x
		Service	
Low	9.0x	9.0x	9.0x

High	10.4x	10.4x	10.4x
Median	9.4x	9.4x	9.4x
Mean	9.6x	9.6x	9.6x

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Based on the results of this analysis of selected publicly traded companies, J.P. Morgan selected a multiple reference range of 8.0x - 9.5x for FV to calendar year 2016 EBITDA, a range of 8.5x - 10.0x for Adjusted FV to calendar year 2016 EBITDAP and a range of 8.5x - 10.5x for FAS/CAS Adjusted FV to calendar year 2016 FAS/CAS Adjusted EBITDAP. After applying such ranges to the appropriate metrics for Exelis based on Exelis Projections of Exelis (as defined in the section entitled **The Merger Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus), the analysis indicated the following implied equity value per share ranges for Exelis common stock, rounded to the nearest $0.10:

Exelis Implied Equity Value Per Share Reference Ranges

	FV to EBITDA	Adjusted FV to EBITDAP	FAS/CAS Adjusted FV to FAS/CAS Adjusted EBITDAP
High	$ 25.40	$ 21.40	$ 22.90
Low	$ 21.40	$ 17.30	$ 18.10

The ranges of implied equity values per share for Exelis common stock were compared to (1) the closing price per share of Exelis common stock of $17.71 on February 5, 2015, the last trading day prior to the announcement of the merger, and (2) the implied value of the merger consideration of $23.75 per share (valuing the stock portion of the merger consideration based on the exchange ratio of 0.1025 and the closing price per share of Harris common stock of $69.49 on February 5, 2015).

Selected Transaction Multiples Analysis for Exelis. Using publicly available information, J.P. Morgan examined selected transactions involving businesses which J.P. Morgan judged to be analogous to Exelis business or aspects thereof based on J.P. Morgan s experience and familiarity with Exelis industry. The following transactions were selected by J.P. Morgan as relevant in evaluating the proposed transaction. Using publicly available information, J.P. Morgan calculated, for each selected transaction, the ratio of the target company s FV to the target company s EBITDA for the twelve-month period prior to the announcement date of the applicable transaction, which is referred to in this section as LTM EBITDA.

Announcement Date	Acquiror	Target	Transaction Multiple
October 2014	Engility Corporation	TASC, Inc.	12.2x (7.9x*)
December 2013	Engility Corporation	Dynamic Research Corporation	8.0x
October 2013	CACI International Inc.	Six3 Systems, Inc.	13.4x
December 2011	L-3 Communications Holdings	Kollmorgen Electro-Optical	7.3x
September 2011	Axa Private Equity	Photonis	8.4x
April 2011	Providence Equity Partners Inc.	SRA International Inc.	12.0x

February 2011	Kratos Electronic Products	Herley Industries Inc.	8.9x

* Transaction multiple is 7.9x after adjusting for net present value of TASC, Inc. tax assets.

J.P. Morgan s analysis resulted in a median FV to LTM EBITDA multiple for the selected transactions of 8.9x and a range of FV to LTM EBITDA multiples of 7.3x to 13.4x for the selected transactions.

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Based on the results of this analysis and other factors that J.P. Morgan considered appropriate, J.P. Morgan selected a multiple reference range of 7.0x - 9.0x for FV to LTM EBITDA for Exelis. After applying such range to the appropriate metrics for Exelis, the analysis indicated the following range of implied equity value per share for Exelis common stock, rounded to the nearest $0.10:

Exelis Implied Equity Value Per Share Reference Range

	FV to LTM EBITDA
High	$ 23.00
Low	$ 17.80

The range of implied equity values per share for Exelis common stock was compared to (1) the closing price per share of Exelis common stock of $17.71 on February 5, 2015, the last trading day prior to the announcement of the merger, and (2) the implied value of the merger consideration of $23.75 per share (valuing the stock portion of the merger consideration based on the exchange ratio of 0.1025 and the closing price per share of Harris common stock of $69.49 on February 5, 2015).

Discounted Cash Flow Analysis for Exelis. J.P. Morgan conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share for Exelis common stock on a stand-alone basis. A discounted cash flow analysis is a method of evaluating an asset using estimates of the future unlevered free cash flows generated by the asset, and taking into consideration the time value of money with respect to those future cash flows by calculating their present value. The unlevered free cash flows refers to a calculation of the future cash flows generated by an asset without including in such calculation any debt servicing costs. Specifically, unlevered free cash flow represents unlevered net operating profit after tax, adjusted for depreciation, capital expenditures, changes in net working capital, and certain other cash expenses as applicable. Present value refers to the current value of the cash flows generated by the asset, and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital and other appropriate factors. Terminal value refers to the present value of all future cash flows generated by the asset for periods beyond the projections period.

J.P. Morgan calculated the present value of unlevered free cash flows that Exelis is expected to generate (1) during the second six months of calendar year 2015 through the end of calendar year 2019 based upon Exelis Projections of Exelis and (2) during the calendar years 2020 through 2024 based upon extrapolations from Exelis Projections of Exelis that were reviewed and approved by Exelis management for J.P. Morgan s use in connection with its financial analyses and rendering its fairness opinion. J.P. Morgan calculated a range of terminal values for Exelis during the final year of the ten-year period ending 2024 by applying a terminal growth rate ranging from 1.5% to 2.5% to Exelis 2024 unlevered free cash flow. The unlevered free cash flows and the range of terminal values for Exelis were then discounted to present values using a range of discount rates from 7.5% to 8.5%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Exelis.

J.P. Morgan calculated the present value of unlevered free cash flows using two separate methodologies for accounting for the value of the Exelis underfunded pension and certain other liabilities relating to post-employment benefits, which is referred to in this section as OPEB:

The present value of unlevered free cash flows with pension and OPEB related cash flows included in the unlevered free cash flows, which is referred to in this section as DCF, Pension Included in Cash Flows; and

The present value of unlevered free cash flows with pension and OPEB related cash flows excluded from unlevered free cash flows, with the present value of unlevered free cash flows adjusted to subtract the value of Exelis pension and OPEB liability on an after-tax basis, which is referred to in this section as DCF, Pension Treated as Debt.

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The implied equity values for Exelis were divided by the number of fully diluted shares of common stock of Exelis outstanding to arrive at the following reference ranges of implied equity values per share for Exelis common stock as follows, rounded to the nearest $0.10:

Exelis Implied Equity Value Per Share Reference Ranges

	DCF, Pension Included in Cash Flows	DCF, Pension Treated as Debt
High	$ 27.70	$ 22.80
Low	$ 21.20	$ 16.20

The ranges of implied equity values per share for Exelis common stock were compared to (1) the closing price per share of Exelis common stock of $17.71 on February 5, 2015, the last trading day prior to the announcement of the merger, and (2) the implied value of the merger consideration of $23.75 per share (valuing the stock portion of the merger consideration based on the exchange ratio of 0.1025 and the closing price per share of Harris common stock of $69.49 on February 5, 2015).

Other Information

Historical Trading Range for Exelis. For reference purposes only and not as a component of its fairness analysis, J.P. Morgan reviewed the 52-week trading range of Exelis common stock prior to February 5, 2015, which was $14.85 per share to $20.01 per share, as compared to (1) the closing price per share of Exelis common stock of $17.71 on February 5, 2015, the last trading day prior to the announcement of the merger, and (2) the implied value of the merger consideration of $23.75 per share (valuing the stock portion of the merger consideration based on the exchange ratio of 0.1025 and the closing price per share of Harris common stock of $69.49 on February 5, 2015).

Analyst Price Targets for Exelis. For reference purposes only and not as a component of its fairness analysis, J.P. Morgan also reviewed certain publicly available equity research analyst share price targets for Exelis common stock and noted that the range of such price targets was $17.00 per share to $22.00 per share with a median of $19.00 per share, as compared to (1) the closing price per share of Exelis common stock of $17.71 on February 5, 2015, the last trading day prior to the announcement of the merger, and (2) the implied value of the merger consideration of $23.75 per share (valuing the stock portion of the merger consideration based on the exchange ratio of 0.1025 and the closing price per share of Harris common stock of $69.49 on February 5, 2015).

Analysis of Harris

Public Trading Multiples Analysis for Harris. Using publicly available information, J.P. Morgan compared selected financial data of Harris with similar data for selected publicly traded companies engaged in businesses which J.P. Morgan judged to be analogous to Harris business or aspects thereof.

The companies selected by J.P. Morgan were as follows:

Lockheed Martin Corporation

General Dynamics Corporation

Raytheon Company

Northrop Grumman Corporation

L-3 Communications Holdings, Inc.

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Exelis

Huntington Ingalls Industries, Inc.

These companies were selected, among other reasons, because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan s analysis, may be considered comparable to those of Harris based on sector participation, financial metrics and form of operations. However, certain of these companies may have characteristics that are materially different from those of Harris. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies differently than would affect Harris.

For each company listed above, J.P. Morgan calculated and compared various financial multiples and ratios based on publicly available information as of February 5, 2015, and in all instances multiples were based on closing share prices on February 5, 2015. Among other calculations, the information J.P. Morgan calculated for each of the selected companies included the multiple of FV to estimated EBITDA for calendar year 2016. Results of the analysis were presented for the selected companies, as indicated in the following table:

Trading Multiples

	FV to EBITDA
Low	6.8x
High	10.7x
Median	9.6x
Mean	9.0x

Based on the results of this analysis, J.P. Morgan selected a multiple reference range of 8.0x - 9.5x for FV to calendar year 2016 EBITDA. After applying such range to the appropriate metrics for Harris based on Exelis Adjusted Projections of Harris (as defined and described in the section entitled **Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus), the analysis indicated the following implied equity value per share range for Harris common stock, rounded to the nearest $0.10:

Harris Implied Equity Value Per Share Reference Range

	FV to EBITDA
High	$ 84.00
Low	$ 69.30

The range of implied equity values per share for Harris common stock was compared to the closing price per share of Harris common stock of $69.49 on February 5, 2015, the last trading day prior to the announcement of the merger.

Discounted Cash Flow Analysis for Harris. J.P. Morgan also conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share for Harris common stock on a stand-alone basis. J.P. Morgan calculated the present value of unlevered free cash flows that Harris is expected to generate (1) during Harris

2016 through 2020 fiscal years based upon Exelis Adjusted Projections of Harris (as defined and described in the section entitled **The Merger Certain Exelis Financial Projections** beginning on page 93 of this proxy statement/prospectus) and (2) during Harris 2021 through 2024 fiscal years based upon extrapolations from Exelis Adjusted Projections of Harris that were reviewed and approved by Exelis management for J.P. Morgan s use in connection with its financial analyses and rendering its fairness opinion. J.P. Morgan calculated a range of terminal values for Harris during the final year of the ten-year period ending

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2024 by applying a terminal growth rate ranging from 1.5% to 2.5% to Harris 2024 unlevered free cash flow. The unlevered free cash flows and the range of terminal values for Harris were discounted to present values using a range of discount rates from 7.75% to 8.75%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Harris.

The implied equity values for Harris were divided by the number of fully diluted shares of common stock of Harris outstanding to arrive at the following reference range of implied equity values per share for Harris common stock as follows, rounded to the nearest $0.10:

Harris Implied Equity Value Per Share Range

	DCF
High	$ 94.30
Low	$ 71.40

The range of implied equity values per share for Harris common stock was compared to the closing price per share of Harris common stock of $69.49 on February 5, 2015, the last trading day prior to the announcement of the merger.

Other Information

Historical Trading Range for Harris. For reference purposes only and not as a component of its fairness analysis, J.P. Morgan reviewed the 52-week trading range of Harris common stock prior to February 5, 2015, which was $60.78 per share to $79.32 per share, as compared to the closing price per share of Harris common stock of $69.49 on February 5, 2015, the last trading day prior to the announcement of the merger.

Analyst Price Targets for Harris. For reference purposes only and not as a component of its fairness analysis, J.P. Morgan reviewed certain publicly available equity research analyst share price targets for Harris common stock and noted that the range of such price targets was $63.00 per share to $83.00 per share with a median of $71.00 per share, as compared to the closing price per share of Harris common stock of $69.49 on February 5, 2015, the last trading day prior to the announcement of the merger.

Other Analysis

Relative Implied Exchange Ratio Analysis. Based upon the implied equity values per share for Exelis and Harris calculated in the Public Trading Multiples Analysis and Discounted Cash Flow Analysis sections for Exelis and Harris described above, J.P. Morgan calculated a range of implied exchange ratios of a share of Exelis common stock (after an adjustment for the cash consideration of $16.625 per share of Exelis common stock as provided for in the merger consideration) to a share of Harris common stock, as shown in the table below. For each comparison, J.P. Morgan compared the highest equity value per share for Exelis, after adjusting for $16.625 per share of cash consideration, to the lowest equity value per share for Harris to derive the highest exchange ratio implied by each set of reference ranges. J.P. Morgan also compared the lowest equity value per share for Exelis, after adjusting for $16.625 per share of cash consideration, to the highest equity value per share for Harris to derive the lowest exchange ratio implied by each set of reference ranges. The implied exchange ratios resulting from J.P. Morgan s analysis were:

Range of Implied Exchange Ratios		
	Low	**High**
Public Trading Multiples Analysis		
FV to EBITDA	0.057x	0.127x
Adjusted FV to EBITDAP	0.008x	0.069x
FAS/CAS Adjusted FV to FAS/CAS Adjusted EBITDAP	0.018x	0.091x
Discounted Cash Flow Analysis		
DCF, Pension Included in Cash Flows	0.049x	0.155x
DCF, Pension Treated as Debt	0.000x	0.086x

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The implied exchange ratios for Exelis and Harris were compared to (1) the proposed exchange ratio of a share of Exelis common stock for a share of Harris common stock in the transaction of 0.1025x and (2) the exchange ratio of a share of Exelis common stock for a share of Harris common stock of 0.0156x, based on the respective closing prices per share on February 5, 2015 after adjustment for the cash consideration of $16.625 per Exelis common share.

Value Creation Analysis. J.P. Morgan reviewed certain analyses of the potential value created by the merger for the existing holders of shares of Exelis common stock that compared the estimated implied equity value per share of Exelis common stock on a standalone basis based on the midpoint value determined by J.P. Morgan s discounted cash flow analysis described above in **Discounted Cash Flow Analysis for Exelis** to the sum of (x) the implied equity value per share of Exelis shareholders ownership in the pro forma combined company and (y) the cash consideration per share to be received by Exelis shareholders in the transaction. J.P. Morgan determined the pro forma combined company implied equity value by calculating: (1) the sum of (a) the implied equity value of Harris using the midpoint value determined in J.P. Morgan s discounted cash flow analysis described above in **Discounted Cash Flow Analysis for Harris** , (b) the implied equity value of Exelis using the midpoint value determined in J.P. Morgan s discounted cash flow analysis described above in **Discounted Cash Flow Analysis for Exelis** and (c) 100% of the estimated present value of the synergies, net of implementation costs, taxes and implementation capital expenditures, discounted to present value using a discount rate of 8.0% and a terminal growth rate of 2.0%, less (2) the sum of (a) the cash consideration to be paid to the holders of Exelis common stock in the transaction, (b) the estimated payments required to fund the excess benefit plan liability resulting from the transaction, and (c) the estimated transaction fees and expenses relating to the transaction provided to J.P. Morgan by the management of Exelis. The value creation analyses indicated that the transaction would create value for the holders of Exelis common shares as opposed to the standalone equity value of Exelis. There can be no assurance, however, that the synergies, transaction-related expenses and other impacts will not be substantially greater or less than those estimated by Exelis management and described above.

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed as described in the above summary is identical to Exelis, and none of the selected transactions reviewed was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan s analysis, may be considered similar to those of Exel Benchmark Futures Contract, depending on whether the NYMEX imposes limits. If the NYMEX does impose limits at the $1 billion level (or another level), UGA anticipates that it will invest the majority of its assets above that level in a mix of other Futures Contracts or Other Gasoline-Related Investments.

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In addition to accountability levels, the NYMEX and 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 UGA will run up against such position limits because UGA 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.

U.S. futures exchanges, including the NYMEX, also limit the amount of price fluctuation for Futures Contracts. For example, the NYMEX imposes a $0.25 per gallon ($10,500 per contract) price fluctuation limit for gasoline Futures Contracts. This limit is initially based off of the previous trading day s settlement price. If any gasoline Futures Contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes it begins at the point where the limit was imposed and the limit is reset to be $0.25 per gallon in either direction of that point. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There is no maximum price fluctuation limit during any one trading session.

UGA anticipates that to the extent it invests in Futures Contracts other than gasoline contracts (such as futures contracts for crude oil, natural gas, and other petroleum-based fuels) and Other Gasoline-Related Investments, it will enter into various non-exchange-traded derivative contracts to hedge the short-term price movements of such Futures Contracts and Other Gasoline-Related Investments against the current Benchmark Futures Contract.

Examples of the position and price limits imposed are as follows:

Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
NYMEX Gasoline (physically settled)	Any one month: 5,000 net futures / all months: 7,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	$0.25 per gallon ($10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
ICE NYH (RBOB) Gasoline (financially traded)	Any one month: 7,000 net futures / all months: 7,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	There is no maximum daily price fluctuation limit.

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Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
NYMEX Light, Sweet Crude Oil (physically settled)	Any one month: 10,000 net futures / all months: 20,000 net futures, but not to exceed 3,000 contracts in the last three days of trading in the spot month.	$10.00 per barrel ($10,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $10.00 per barrel in either direction. If another halt were triggered, the market would continue to be expanded by $10.00 per barrel in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
NYMEX Light, Sweet Crude Oil (financially settled)	Any one month: 20,000 net futures / all months: 20,000 net futures, but not to exceed 2,000 contracts in the last three days of trading in the spot month.	There is no maximum daily price fluctuation limit.
NYMEX Heating Oil (physically settled)	Any one month: 5,000 net futures / all months: 7,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	$0.25 per gallon ($10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
NYMEX Natural Gas (physically settled)	Any one month: 6,000 net futures / all months: 12,000 net futures, but not to exceed 1,000 contracts in the last three days of trading in the spot month.	$3.00 per million British thermal units (mmBtu) ($30,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $3.00 per mmBtu in either direction. If another halt were triggered, the market would continue to be expanded by $3.00 per mmBtu in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.

ICE Brent Crude (physically settled)	There are no position limits.	There is no maximum daily price fluctuation limit.

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Futures Contract	Position Accountability Levels and Limits	Maximum Daily Price Fluctuation
ICE West Texas Intermediate (WTI) (financially settled)	Any one month: 10,000 net futures / all months: 20,000 net futures, but not to exceed 3,000 contracts in the last three days of trading in the spot month.	There is no maximum daily price fluctuation limit.

Price Volatility. Despite daily price limits, the price volatility of Futures Contracts generally has been historically greater than that for traditional securities such as stocks and bonds. Price volatility often is greater day-to-day as opposed to intra-day. Futures Contracts tend to be more volatile than stocks and bonds because price movements for gasoline are more currently and directly influenced by economic factors for which current data is available and are traded by gasoline futures traders throughout the day. These economic factors include changes in interest rates; governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; changes in balances of payments and trade; U.S. and international rates of inflation; currency devaluations and revaluations; U.S. and international political and economic events; and changes in philosophies and emotions of market participants. Because UGA invests a significant portion of its assets in Futures Contracts, the assets of UGA, and therefore the prices of UGA units, may be subject to greater volatility than traditional securities.

Marking-to-Market Futures Positions. Futures Contracts are marked to market at the end of each trading day and the margin required with respect to such contracts is adjusted accordingly. This process of marking-to-market is designed to prevent losses from accumulating in any futures account. Therefore, if UGA s futures positions have declined in value, UGA may be required to post additional variation margin to cover this decline. Alternatively, if UGA futures positions have increased in value, this increase will be credited to UGA s account.

What is the Gasoline Market and the Petroleum-Based Fuel Market?

UGA may purchase Futures Contracts traded on the NYMEX that are based on gasoline. The ICE Futures also offers an RBOB Gasoline Futures Contract which trades in units of 42,000 U.S. gallons (1,000 barrels). The RBOB Gasoline Futures Contract is cash settled against the prevailing market price for RBOB gasoline in the New York harbor. It may also purchase contracts on other exchanges, including the ICE Futures, the Singapore Exchange and the Dubai Mercantile Exchange.

Gasoline. Gasoline is the largest single volume refined product sold in the U.S. and accounts for almost half of national oil consumption. The gasoline futures contract listed and traded on the NYMEX trades in units of 42,000 gallons (1,000 barrels) and is based on delivery at petroleum products terminals in the New York harbor, the major East Coast trading center for imports and domestic shipments from refineries in the New York harbor area or from the Gulf Coast refining centers. The price of gasoline has historically been volatile.

In 2005 the NYMEX introduced new physical specifications for unleaded gasoline contracts to reflect the changes in the national standards for such fuels. Unleaded gasoline using MTBE was being phased out and replaced with unleaded gasoline using ethanol. As a result, NYMEX introduced a new gasoline futures contract in 2005. The new futures contract trades under the ticker symbol RG . The pre-existing unleaded gasoline futures contract, ticker symbol HU , ceased trading on December 29th, 2006. For a period of approximately 15 months both contracts were traded on NYMEX.

Light, Sweet Crude Oil. Crude oil is the world s most actively traded commodity. The futures contracts for light, sweet crude oil that are traded on the NYMEX are the world s most liquid forum for crude oil trading, as well as the world s largest volume futures contract trading on a physical commodity. Due to the liquidity and price transparency of oil futures contracts, they are used as a principal international pricing benchmark. The futures contracts for light, sweet crude oil trade on the NYMEX in units of 1,000 U.S. barrels (42,000 gallons) and, if not closed out before maturity, will result in delivery of oil to Cushing, Oklahoma, which is also accessible to the international spot markets by two major interstate petroleum pipeline systems. In Europe, Brent crude oil is the standard for futures contracts and is primarily traded on the

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ICE Futures, an electronic marketplace for energy trading and price discovery. Brent crude oil is the price reference for two-thirds of the world s traded oil. The ICE Brent Futures is a deliverable contract with an option to cash settle which trades in units of 1,000 barrels (42,000 U.S. gallons). The ICE Futures also offers a WTI futures contract which trades in units of 1,000 barrels. The WTI futures contract is cash settled against the prevailing market price for U.S. light sweet crude oil.

Demand for petroleum products by consumers, as well as agricultural, manufacturing and transportation industries, determines demand for crude oil by refiners. Since the precursors of product demand are linked to economic activity, crude oil demand will tend to reflect economic conditions. However, other factors such as weather also influence product and crude oil demand.

Crude oil supply is determined by both economic and political factors. Oil prices (along with drilling costs, availability of attractive prospects for drilling, taxes and technology, among other factors) determine exploration and development spending, which influence output capacity with a lag. In the short run, production decisions by OPEC also affect supply and prices. Oil export embargoes and the current conflict in Iraq represent other routes through which political developments move the market. It is not possible to predict the aggregate effect of all or any combination of these factors.

Heating Oil. Heating oil, also known as No. 2 fuel oil, accounts for 25% of the yield of a barrel of crude oil, the second largest cut from oil after gasoline. The heating oil futures contract listed and traded on the NYMEX trades in units of 42,000 gallons (1,000 barrels) and is based on delivery in the New York harbor, the principal cash market center. The price of heating oil has historically been volatile.

Natural Gas. Natural gas accounts for almost a quarter of U.S. energy consumption. The natural gas futures contract listed and traded on the NYMEX trades in units of 10,000 mmBtu and is based on delivery at the Henry Hub in Louisiana, the nexus of 16 intra- and interstate natural gas pipeline systems that draw supplies from the region s prolific gas deposits. The pipelines serve markets throughout the U.S. East Coast, the Gulf Coast, the Midwest, and up to the Canadian border. The price of natural gas has historically been volatile.

As illustrated by the following graph, there is a correlation in the price movement of unleaded Gasoline futures and the price movement of Crude Oil futures, Natural Gas futures, and Heating Oil futures. However, the degree of correlation varies both among the different commodities and also varies over time. As such, the use of an energy related commodity to hedge a different energy commodity can only produce, at best, an imperfect hedge.

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The following price graph is scaled so all contracts start at the same level at year end 1998, except for the current gasoline futures contract, whose price series began in 2005. Past performance is not necessarily indicative of future results.

*PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Why Does UGA Purchase and Sell Futures Contracts?

UGA s investment objective is to have the changes in percentage terms of its units NAV reflect the changes in percentage terms of the Benchmark Futures Contract, less UGA s expenses. UGA invests primarily in Futures Contracts. UGA seeks to have its aggregate NAV approximate at all times the aggregate market value of the Futures Contracts (or Other Gasoline-Related Investments) it holds.

Other than investing in Futures Contracts and Other Gasoline-Related Investments, UGA only invests in assets to support these investments in Gasoline Interests. At any given time, most of UGA s investments are in Treasuries, cash and/or cash equivalents that serve as segregated assets supporting UGA s positions in Futures Contracts and Other Gasoline-Related Investments. For example, the purchase of a Futures Contract with a stated value of $10 million would not require UGA to pay $10 million upon entering into the contract; rather, only a margin deposit, generally of 5% to 10% of the stated value of the Futures Contract, would be required. To secure its Futures Contract obligations, UGA would deposit the required margin with the futures commission merchant and would separately hold, through its Custodian, Treasuries, cash and/or cash equivalents in an amount equal to the balance of the current market value of the contract, which at the contract s inception would be $10 million minus the amount of the margin deposit, or $9.5 million (assuming a 5% margin).

As a result of the foregoing, typically 5% to 10% of UGA s assets are held as margin in segregated accounts with a futures commission merchant. In addition to the Treasuries or cash it posts with the futures commission merchant for the Futures Contracts it owns, UGA holds, through the Custodian, Treasuries, cash and/or cash equivalents that can be posted as margin or as collateral to support its over-the-counter contracts. UGA earns interest income from the Treasuries and/or cash equivalents that it purchases, and on the cash it holds through the Custodian. UGA anticipates that the earned interest income will increase the NAV and

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limited partners capital contribution accounts. UGA reinvests the earned interest income, holds it in cash, or uses it to pay its expenses. If UGA reinvests the earned interest income, it makes investments that are consistent with its investment objectives.

What is the Flow of Units?

What are the Trading Policies of UGA?

Liquidity

UGA invests only in Futures Contracts and Other Gasoline-Related Investments that are traded in sufficient volume to permit, in the opinion of the General Partner, ease of taking and liquidating positions in these financial interests.

Spot Commodities

While the gasoline Futures Contracts traded on the NYMEX can be physically settled, UGA does not intend to take or make physical delivery. UGA may from time to time trade in Other Gasoline-Related Investments, including contracts based on the spot price of gasoline.

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Leverage

The General Partner endeavors to have the value of UGA s Treasuries, cash and cash equivalents, whether held by UGA or posted as margin or collateral, to at all times approximate the aggregate market value of UGA s obligations under its Futures Contracts and Other Gasoline-Related Investments.

Borrowings

Borrowings are not used by UGA, unless UGA is required to borrow money in the event of physical delivery, UGA trades in cash commodities, or for short-term needs created by unexpected redemptions. UGA maintains the value of its Treasuries, cash and cash equivalents, whether held by UGA or posted as margin or collateral, to at all times approximate the aggregate market value of its obligations under its Futures Contracts and Other Gasoline-Related Investments. UGA has not established and does not plan to establish credit lines.

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

In addition to Futures Contracts, there are also a number of listed options on the Futures Contracts on the principal futures exchanges. These contracts offer investors and hedgers another set of financial vehicles to use in managing exposure to the gasoline market. Consequently, UGA may purchase options on gasoline futures contracts on these exchanges in pursuing its investment objective.

In addition to the Futures Contracts and options on the Futures Contracts, there also exists an active non-exchange-traded market in derivatives tied to gasoline. These derivatives transactions (also known as over-the-counter contracts) are usually entered into between two parties. Unlike most of the exchange-traded Futures Contracts or exchange-traded options on the Futures Contracts, each party to such contract bears the credit risk that the other party may not be able to perform its obligations under its contract.

Some gasoline-based derivatives transactions contain fairly generic terms and conditions and are available from a wide range of participants. Other gasoline-based derivatives have highly customized terms and conditions and are not as widely available. Many of these over-the-counter contracts are cash-settled forwards for the future delivery of gasoline- or petroleum-based fuels that have terms similar to the Futures Contracts. Others take the form of swaps in which the two parties exchange cash flows based on pre-determined formulas tied to the gasoline spot price, forward gasoline price, the Benchmark Futures Contract price, or other gasoline futures contract price. For example, UGA may enter into over-the-counter derivative contracts whose value will be tied to changes in the difference between the gasoline spot price, the Benchmark Futures Contract price, or some other futures contract price traded on the NYMEX or ICE Futures and the price of other Futures Contracts that may be invested in by UGA.

To protect itself from the credit risk that arises in connection with such contracts, UGA may enter into agreements with each counterparty that provide for the netting of its overall exposure to its counterparty, such as the agreements published by the International Swaps and Derivatives Association, Inc. UGA also may require that the counterparty be highly rated and/or provide collateral or other credit support to address UGA s exposure to the counterparty.

The creditworthiness of each potential counterparty is assessed by the General Partner. The General Partner assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty to an over-the-counter contract pursuant to guidelines approved by the General Partner s Board of Directors. Furthermore, the General Partner on behalf of UGA only enters into over-the-counter contracts with counterparties who are, or 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, and (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 General Partner s Board of Directors after consultation with its legal counsel. Existing counterparties are also reviewed periodically by the General Partner.

UGA anticipates that the use of Other Gasoline-Related Investments together with its investments in Futures Contracts will produce price and total return results that closely track the investment goals of UGA.

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UGA may employ spreads or straddles in its trading to mitigate the differences in its investment portfolio and its goal of tracking the price of the Benchmark Futures Contract. UGA would use a spread when it chooses to take simultaneous long and short positions in futures written on the same underlying asset, but with different delivery months. The effect of holding such combined positions is to adjust the sensitivity of UGA to changes in the price relationship between futures contracts which will expire sooner and those that will expire later. UGA would use such a spread if the General Partner felt that taking such long and short positions, when combined with the rest of its holdings, would more closely track the investment goals of UGA, or if the General Partner felt it would lead to an overall lower cost of trading to achieve a given level of economic exposure to movements in gasoline prices. UGA would enter into a straddle when it chooses to take an option position consisting of a long (or short) position in both a call option and put option. The economic effect of holding certain combinations of put options and call options can be very similar to that of owning the underlying futures contracts. UGA would make use of such a straddle approach if, in the opinion of the General Partner, the resulting combination would more closely track the investment goals of UGA or if it would lead to an overall lower cost of trading to achieve a given level of economic exposure to movements in gasoline prices.

UGA has not employed any hedging methods since all of its investments have been made over an exchange. Therefore, UGA has not been exposed to counterparty risk.

Pyramiding

UGA does not and will not employ the technique, commonly known as pyramiding, in which the speculator uses unrealized profits on existing positions as variation margin for the purchase or sale of additional positions in the same or another commodity interest.

Who are the Service Providers?

Brown Brothers Harriman & Co. is the registrar and transfer agent for the units. Brown Brothers Harriman & Co. is also the Custodian for UGA. In this capacity, Brown Brothers Harriman & Co. holds UGA s Treasuries, cash and/or cash equivalents pursuant to a custodial agreement. In addition, in its capacity as Administrator of UGA, Brown Brothers Harriman & Co. performs certain administrative and accounting services for UGA and prepares certain SEC and CFTC reports on behalf of UGA. The General Partner pays Brown Brothers Harriman & Co. s fees for these services.

Brown Brothers Harriman & Co. s principal business address is 50 Milk Street, Boston, MA 02109-3661. Brown Brothers Harriman & Co., a private bank founded in 1818, is not a publicly held company nor is it insured by the Federal Deposit Insurance Corporation. Brown Brothers Harriman & Co. is authorized to conduct a commercial banking business in accordance with the provisions of Article IV of the New York State Banking Law, New York Banking Law §§160 181, and is subject to regulation, supervision, and examination by the New York State Banking Department. Brown Brothers Harriman & Co. is also licensed to conduct a commercial banking business by the Commonwealths of Massachusetts and Pennsylvania and is subject to supervision and examination by the banking supervisors of those states.

UGA also employs ALPS Distributors, Inc. as the Marketing Agent, which is further discussed under What is the Plan of Distribution? . The General Partner pays the Marketing Agent an annual fee. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with the offering of units exceed ten percent (10%) of the gross proceeds of the offering.

ALPS Distributors, Inc. s principal business address is 1290 Broadway, Suite 1100, Denver, CO 80203. ALPS Distributors Inc. is the marketing agent for UGA. ALPS Distributors Inc. is a registered broker-dealer with FINRA and a member of the Securities Investor Protection Corporation.

UBS Securities LLC (UBS Securities) is UGA s futures commission merchant. UGA and UBS Securities have entered into an Institutional Futures Client Account Agreement. This Agreement requires UBS Securities to provide services to UGA in connection with the purchase and sale of Gasoline Interests that may be purchased or sold by or through UBS Securities for UGA s account. UGA pays the fees of UBS Securities.

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UBS Securities is not affiliated with UGA or the General Partner. Therefore, UGA does not believe that it has any conflicts of interest with UBS or its trading principals arising from their acting as UGA s futures commission merchant.

UBS Securities principal business address is 677 Washington Blvd, Stamford, CT 06901. UBS Securities is a futures clearing broker for UGA. UBS Securities is registered in the U.S. with FINRA as a Broker-Dealer and with the CFTC as a Futures Commission Merchant. UBS Securities is a member of various U.S. futures and securities exchanges.

UBS Securities is the defendant in two purported securities class actions pending in the District Court of the Northern District of Alabama, brought by holders of stocks and bonds of HealthSouth, captioned *In re HealthSouth Corporation Stockholder*, No. CV-03-BE-1501-S and *In re HealthSouth Corporation Bondholder Litigation*, No. CV-03-BE-1502-S. Both complaints assert liability under the Securities Act of 1934.

UBS Securities has been responding to investigations by the SEC and the United States Attorney s Office for the Eastern District of New York regarding UBS s valuation of U.S. mortgage-backed securities and derivatives, and compliance with public disclosure rules. These investigations are ongoing.

On June 27, 2007, the Securities Division of the Secretary of the Commonwealth of Massachusetts (Massachusetts Securities Division) filed an administrative complaint (the Complaint) and notice of adjudicatory proceeding against UBS Securities LLC, captioned *In The Matter of UBS Securities, LLC*, Docket No. E-2007-0049, which alleges, in sum and substance, that UBS Securities has been violating the Massachusetts Uniform Securities Act (the Act) and related regulations by providing the advisers for certain hedge funds with gifts and gratuities in the form of below market office rents, personal loans with below market interest rates, event tickets, and other perks, in order to induce those hedge fund advisers to increase or retain their level of prime brokerage fees paid to UBS Securities. The Complaint seeks a cease and desist order from conduct that violates the Act and regulations, to censure UBS Securities, to require UBS Securities to pay an administrative fine of an unspecified amount, and to find as fact the allegations of the Complaint.

On June 26, 2008, the Massachusetts Securities Division filed an administrative complaint and notice of adjudicatory proceeding against UBS Securities and UBS Financial Services, Inc. (UBS Financial), captioned In the Matter of UBS Securities, LLC and UBS Financial Services, Inc., Docket No. 2008-0045, which alleged that UBS Securities and UBS Financial violated the Act in connection with the marketing and sale of auction rate securities.

On July 22, 2008, the Texas State Securities board filed an administrative proceeding against UBS Securities and UBS Financial captioned In the Matter of the Dealer Registrations of UBS Financial Services, Inc. and UBS Securities LLC, SOAH Docket No. 312-08-3918, SSB Docket No. 08-IC04, alleging violations of the anti-fraud provision of the Texas Securities Act in connection with the marketing and sale of auction rate securities.

On July 24, 2008 the New York Attorney General (NYAG) filed a complaint in the Supreme Court of the State of New York against UBS Securities and UBS Financial captioned State of New York v. UBS Securities LLC and UBS Financial Services, Inc., No. 650262/2008, in connection with UBS s marketing and sale of auction rate securities. The complaint alleges violations of the anti-fraud provisions of New York state statutes and seeks a judgment ordering that the firm buy back auction rate securities from investors at par, disgorgement, restitution and other remedies.

On August 8, 2008, UBS Securities and UBS Financial reached agreements in principle with the SEC, the NYAG, the Massachusetts Securities Division and other state regulatory agencies represented by the North American Securities Administrators Association (NASAA) to restore liquidity to all remaining client s holdings of auction rate securities by June 30, 2012. On August 20, 2008, the Texas proceeding was dismissed and withdrawn. On October 2, 2008, UBS

Securities and UBS Financial entered into a final consent agreement with the Massachusetts Securities Division settling all allegations in the Massachusetts Securities Division s administrative proceeding against UBS Securities and UBS Financial with regards to the auction rate securities matter. On December 11, 2008, UBS Securities and UBS Financial executed an Assurance of

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Discontinuance in the auction rate securities settlement with the NYAG. On the same day, UBS Securities and UBS Financial finalized settlements with the SEC.

On August 14, 2008 the New Hampshire Bureau of Securities Regulation filed an administrative action against UBS Securities relating to a student loan issuer, the New Hampshire Higher Education Loan Corp. (NHHELCO). The complaint alleges fraudulent and unethical conduct in violation of New Hampshire state statues. The complaint seeks an administrative fine, a cease and desist order, and restitution to NHHELCO. The claim does not impact the global settlement with the SEC, NYAG and NASAA relating to the marketing and sale of ARS to investors.

Further, UBS Securities, like most full service investment banks and broker-dealers, receives inquiries and is sometimes involved in investigations by the SEC, FINRA, NYSE and various other regulatory organizations, exchanges and government agencies. UBS Securities fully cooperates with the authorities in all such requests. UBS Securities regularly discloses to the FINRA arbitration awards, disciplinary action and regulatory events. These disclosures are publicly available on the FINRA s website at *www.finra.org*. Actions with respect to UBS Securities futures commission merchant business are publicly available on the website of the National Futures Association (*http://www.nfa.futures.org/*).

UBS Securities acts only as clearing broker for UGA and as such is paid commissions for executing and clearing trades on behalf of UGA. UBS Securities has not passed upon the adequacy or accuracy of this prospectus. UBS Securities neither acts in any supervisory capacity with respect to the General Partner nor participates in the management of the General Partner or UGA.

UBS Securities is not affiliated with UGA or the General Partner. Therefore, UGA does not believe that UGA has any conflicts of interest with them or their trading principals arising from their acting as UGA s futures commission merchant.

Currently, the General Partner does not employ commodity trading advisors. If, in the future, the General Partner does employ commodity trading advisors, it will choose each advisor based on arm s-length negotiations and will consider the advisor s experience, fees, and reputation.

Fees of UGA

Fees and Compensation Arrangements With the General Partner and Non-Affiliated Service Providers

Service Provider	Compensation Paid by the General Partner
Brown Brothers Harriman & Co., Custodian and Administrator	Minimum amount of $75,000 annually* for its custody, fund accounting and fund administration services rendered to all funds, as well as a $20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first $500 million of UGA and the Related Public Funds combined assets, (b) 0.0465% for UGA and the Related Public Funds combined assets greater than $500 million but less than $1 billion, and (c) 0.035% once UGA and the Related Public Funds combined assets exceed $1 billion.**
ALPS Distributors, Inc., Marketing Agent	0.06% on assets up to $3 billion; 0.04% on assets in excess of $3 billion.**

* The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds $75,000. The General Partner also pays transaction charge fees to Brown Brothers Harriman & Co., ranging from $7.00 to $15.00 per transaction for the funds.

** The General Partner pays this compensation.

Service Provider	Compensation Paid by UGA
UBS Securities LLC, Futures Commission Merchant	Approximately $3.50 per buy or sell; charges may vary. ***
Non-Affiliated Brokers	Approximately 0.12% of assets***

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*** UGA pays this compensation.

New York Mercantile Exchange Licensing Fee****

Assets	Licensing Fee
First $1,000,000,000	0.04% of NAV
After the first $1,000,000,000	0.02% of NAV

**** Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. UGA is responsible for its pro rata share of the assets held by UGA and the Related Public Funds, as well as other funds managed by the General Partner, including US12NG and USSO, when and if such funds commence operations.

Form of Units

Registered Form. Units are issued in registered form in accordance with the LP Agreement. The Administrator has been appointed registrar and transfer agent for the purpose of transferring units in certificated form. The Administrator keeps a record of all limited partners and holders of the units in certified form in the registry (Register). The General Partner recognizes transfers of units in certificated form only if done in accordance with the LP Agreement. The beneficial interests in such units are held in book-entry form through participants and/or accountholders in DTC.

Book-Entry. Individual certificates are not issued for the units. Instead, units are represented by one or more global certificates, which are deposited by the Administrator with DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the units outstanding at any time. Unitholders are limited to (1) participants in DTC such as banks, brokers, dealers and trust companies (DTC Participants), (2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant (Indirect Participants), and (3) those banks, brokers, dealers, trust companies and others who hold interests in the units through DTC Participants or Indirect Participants, in each case who satisfy the requirements for transfers of units. DTC Participants acting on behalf of investors holding units through such participants accounts in DTC will follow the delivery practice applicable to securities eligible for DTC s Same-Day Funds Settlement System. Units are credited to DTC Participants securities accounts following confirmation of receipt of payment.

DTC. DTC is a limited purpose trust company organized under the laws of the State of New York and is a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC Participants and facilitates the clearance and settlement of transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants.

Transfer of Units

Transfers of Units Only Through DTC. The units are only transferable through the book-entry system of DTC. Limited partners who are not DTC Participants may transfer their units through DTC by instructing the DTC Participant holding their units (or by instructing the Indirect Participant or other entity through which their units are held) to transfer the units. Transfers are made in accordance with standard securities industry practice.

Transfers of interests in units with DTC are made in accordance with the usual rules and operating procedures of DTC and the nature of the transfer. DTC has established procedures to facilitate transfers among the participants and/or accountholders of DTC. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants, the ability of a person or entity having an interest in a global certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a definitive security in respect of such interest.

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DTC has advised us that it will take any action permitted to be taken by a unitholder (including, without limitation, the presentation of a global certificate for exchange) only at the direction of one or more DTC Participants in whose account with DTC interests in global certificates are credited and only in respect of such portion of the aggregate principal amount of the global certificate as to which such DTC Participant or Participants has or have given such direction.

Transfer/Application Requirements. All purchasers of UGA s units, and potentially any purchasers of limited partner interests in the future, who wish to become limited partners or other record holders and receive cash distributions, if any, or have certain other rights, must deliver an executed transfer application in which the purchaser or transferee must certify that, among other things, he, she or it agrees to be bound by UGA s LP Agreement and is eligible to purchase UGA s securities. Each purchaser of units offered by this prospectus must execute a transfer application and certification. The obligation to provide the form of transfer application will be imposed on the seller of units or, if a purchase of units is made through an exchange, the form may be obtained directly through UGA. Further, the General Partner may request each record holder to furnish certain information, including that holder s nationality, citizenship or other related status. A record holder is a unitholder that is, or has applied to be, a limited partner. An investor who is not a U.S. resident may not be eligible to become a record holder or one of UGA s limited partners if that investor s ownership would subject UGA to the risk of cancellation or forfeiture of any of UGA s assets under any federal, state or local law or regulation. If the record holder fails to furnish the information or if the General Partner determines, on the basis of the information furnished by the holder in response to the request, that such holder is not qualified to become one of UGA s limited partners, the General Partner may be substituted as a holder for the record holder, who will then be treated as a non-citizen assignee, and UGA will have the right to redeem those securities held by the record holder.

A transferee s broker, agent or nominee may complete, execute and deliver a transfer application and certification. UGA may, at its discretion, treat the nominee holder of a unit as the absolute owner. In that case, the beneficial holder s rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

A person purchasing UGA s existing units, who does not execute a transfer application and certify that the purchaser is eligible to purchase those securities acquires no rights in those securities other than the right to resell those securities. Whether or not a transfer application is received or the consent of the General Partner obtained, our units are securities and are transferable according to the laws governing transfers of securities.

Any transfer of units will not be recorded by the transfer agent or recognized by the General Partner unless a completed transfer application is delivered to the General Partner or the Administrator. When acquiring units, the transferee of such units that completes a transfer application will:

be an assignee until admitted as a substituted limited partner upon the consent and sole discretion of the General Partner and the recording of the assignment on the books and records of the partnership;

automatically request admission as a substituted limited partner;

agree to be bound by the terms and conditions of, and execute, our LP Agreement;

represent that such transferee has the capacity and authority to enter into our LP Agreement;

grant powers of attorney to our General Partner and any liquidator of us; and

make the consents and waivers contained in our LP Agreement.

An assignee will become a limited partner in respect of the transferred units upon the consent of our General Partner and the recordation of the name of the assignee on our books and records. Such consent may be withheld in the sole discretion of our General Partner.

If consent of the General Partner is withheld such transferee shall be an assignee. An assignee shall have an interest in the partnership equivalent to that of a limited partner with respect to allocations and distributions, including, without limitation, liquidating distributions, of the partnership. With respect to voting rights attributable to units that are held by assignees, the General Partner shall be deemed to be the limited

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partner with respect thereto and shall, in exercising the voting rights in respect of such units on any matter, vote such units at the written direction of the assignee who is the recordholder of such units. If no such written direction is received, such units will not be voted. An assignee shall have no other rights of a limited partner.

Until a unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

Withdrawal of Limited Partners

As discussed in the LP Agreement, if the General Partner gives at least fifteen (15) days written notice to a limited partner, then the General Partner may for any reason, in its sole discretion, require any such limited partner to withdraw entirely from the partnership or to withdraw a portion of its partner capital account. If the General Partner does not give at least fifteen (15) days written notice to a limited partner, then it may only require withdrawal of all or any portion of the capital account of any limited partner in the following circumstances: (i) the unitholder made a misrepresentation to the General Partner in connection with its purchase of units; or (ii) the limited partner s ownership of units would result in the violation of any law or regulations applicable to the partnership or a partner. In these circumstances, the General Partner without notice may require the withdrawal at any time, or retroactively. The limited partner thus designated shall withdraw from the partnership or withdraw that portion of its partner capital account specified, as the case may be, as of the close of business on such date as determined by the General Partner. The limited partner thus designated shall be deemed to have withdrawn from the partnership or to have made a partial withdrawal from its partner capital account, as the case may be, without further action on the part of the limited partner and the provisions of the LP Agreement shall apply.

What is the Plan of Distribution?

Buying and Selling Units

Most investors buy and sell units of UGA in secondary market transactions through brokers. Units trade on the NYSE Arca under the ticker symbol UGA. Units are bought and sold throughout the trading day like other publicly traded securities. When buying or selling units through a broker, most investors incur customary brokerage commissions and charges. Investors are encouraged to review the terms of their brokerage account for details on applicable charges.

Marketing Agent and Authorized Purchasers

The offering of UGA s units is a best efforts offering. UGA is continuously offering Creation Baskets consisting of 100,000 units through the Marketing Agent, to Authorized Purchasers. Merrill Lynch Professional Clearing Corp. was the initial Authorized Purchaser. The initial Authorized Purchaser purchased the initial Creation Basket of 100,000 units at a per unit price of $50 on February 26, 2008. Authorized Purchasers pay a $1,000 fee for each order to create one or more Creation Baskets. The Marketing Agent receives, for its services as marketing agent to UGA, a marketing fee of 0.06% on assets up to the first $3 billion and 0.04% on assets in excess of $3 billion; provided, however, that in no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with this offering of units exceed ten percent (10%) of the gross proceeds of this offering.

The offering of baskets is being made in compliance with Conduct Rule 2810 of FINRA. Accordingly, Authorized Purchasers will not make any sales to any account over which they have discretionary authority without the prior

written approval of a purchaser of units.

The per unit price of units offered in Creation Baskets on any subsequent day will be the total NAV of UGA calculated shortly after the close of the NYSE Arca on that day divided by the number of issued and outstanding units. An Authorized Purchaser is not required to sell any specific number or dollar amount of units.

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By executing an Authorized Purchaser Agreement, an Authorized Purchaser becomes part of the group of parties eligible to purchase baskets from, and put baskets for redemption to, UGA. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create.

A list of Authorized Purchasers is available from the Marketing Agent. Because new units can be created and issued on an ongoing basis, at any point during the life of UGA, a distribution , as such term is used in the 1933 Act, will be occurring. Authorized Purchasers, other broker-dealers and other persons are cautioned that some of their activities may result in their being deemed participants in a distribution in a manner that would render them statutory underwriters and subject them to the prospectus-delivery and liability provisions of the 1933 Act. Authorized Purchasers will comply with the prospectus-delivery requirements in connection with the sale of units to customers. For example, an Authorized Purchaser, other broker-dealer firm or its client will be deemed a statutory underwriter if it purchases a basket from UGA, breaks the basket down into the constituent units and sells the units to its customers; or if it chooses to couple the creation of a supply of new units with an active selling effort involving solicitation of secondary market demand for the units. Authorized Purchasers may also engage in secondary market transactions in units that would not be deemed underwriting . For example, an Authorized Purchaser may act in the capacity of a broker or dealer with respect to units that were previously distributed by other Authorized Purchasers. A determination of whether a particular market participant is an underwriter must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that would lead to designation as an underwriter and subject them to the prospectus-delivery and liability provisions of the 1933 Act.

Dealers who are neither Authorized Purchasers nor underwriters but are nonetheless participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with units that are part of an unsold allotment within the meaning of Section 4(3)(C) of the 1933 Act, would be unable to take advantage of the prospectus-delivery exemption provided by Section 4(3) of the 1933 Act.

The General Partner may qualify the units in states selected by the General Partner and intends that sales be made through broker-dealers who are members of FINRA. Investors intending to create or redeem baskets through Authorized Purchasers in transactions not involving a broker-dealer registered in such investor s state of domicile or residence should consult their legal advisor regarding applicable broker-dealer or securities regulatory requirements under the state securities laws prior to such creation or redemption.

While the Authorized Purchasers may be indemnified by the General Partner, they will not be entitled to receive a discount or commission from UGA for their purchases of Creation Baskets. The difference between the price paid by Authorized Purchasers as underwriters and the price paid to such Authorized Purchasers by investors will be deemed underwriting compensation.

Calculating NAV

UGA s NAV is calculated by:

Taking the current market value of its total assets; and
Subtracting any liabilities

The Administrator calculates the NAV of UGA once each trading day. The NAV for a particular trading day is released after 4:00 p.m. New York time. Trading during the core trading session on the NYSE Arca typically closes at 4:00 p.m. New York time. The Administrator uses the NYMEX closing price (determined at the earlier of the close of

the NYMEX or 2:30 p.m. New York time) for the contracts traded on the NYMEX, but calculates or determines the value of all other UGA investments as of the earlier of the close of the NYSE Arca or 4:00 p.m. New York time, in accordance with the current Administrative Agency Agreement among Brown Brothers Harriman & Co., UGA and the General Partner.

In addition, in order to provide updated information relating to UGA for use by investors and market professionals, the NYSE Arca calculates and disseminates throughout the core trading session on each trading day an updated indicative fund value. The indicative fund value is calculated by using the prior day s closing NAV per unit of UGA as a base and updating that value throughout the trading day to reflect changes in the

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most recently reported trade price for the active Benchmark Futures Contract on the NYMEX. The prices reported for the active Benchmark Futures Contract month are adjusted based on the prior day s spread differential between settlement values for that contract and the spot month contract. In the event that the spot month contract is also the Benchmark Futures Contract the last sale price for that contract is not adjusted. The indicative fund value unit basis disseminated during NYSE Arca core trading session hours should not be viewed as an actual real time update of the NAV, because the NAV is calculated only once at the end of each trading day, based upon the relevant end of day values of UGA s investments.

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

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

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

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

Creation and Redemption of Units

UGA creates and redeems units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to UGA or the distribution by UGA of the amount of Treasuries and any cash represented by the baskets being created or redeemed, the amount of which is based on the combined NAV of the number of units included in the baskets being created or redeemed determined after 4:00 p.m. New York time on the day the order to create or redeem baskets is properly received.

Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions as described below, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner. The Authorized Purchaser Agreement provides the procedures for the creation

and redemption of baskets and for the delivery of the Treasuries and any cash required for such creations and redemptions. The Authorized Purchaser Agreement and the related procedures attached thereto may be amended by UGA, without the consent of any limited partner or unitholder or Authorized Purchaser. Authorized Purchasers pay a transaction fee of $1,000 to UGA for each order they place to create or redeem one or more baskets. Authorized Purchasers who make deposits with UGA in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either UGA or the General Partner, and no such person will have any obligation or responsibility to the General Partner or UGA to effect any sale or resale of units.

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Certain Authorized Purchasers are expected to have the facility to participate directly in the physical gasoline market and the gasoline futures market. In some cases, an Authorized Purchaser or its affiliates may from time to time acquire gasoline or sell gasoline and may profit in these instances. The General Partner believes that the size and operation of the gasoline market make it unlikely that an Authorized Purchaser s direct activities in the gasoline or securities markets will impact the price of gasoline, Futures Contracts, or the price of the units.

Each Authorized Purchaser is required to be registered as a broker-dealer under the Exchange Act and is a member in good standing with FINRA, or exempt from being or otherwise not required to be licensed as a broker-dealer or a member of FINRA, and qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Purchasers may also be regulated under federal and state banking laws and regulations. Each Authorized Purchaser has its own set of rules and procedures, internal controls and information barriers as it determines is appropriate in light of its own regulatory regime.

Under the Authorized Purchaser Agreement, the General Partner has agreed to indemnify the Authorized Purchasers against certain liabilities, including liabilities under the 1933 Act, and to contribute to the payments the Authorized Purchasers may be required to make in respect of those liabilities.

The following description of the procedures for the creation and redemption of baskets is only a summary and an investor should refer to the relevant provisions of the LP Agreement and the form of Authorized Purchaser Agreement for more detail, each of which is attached as an exhibit to the registration statement of which this prospectus is a part. See Where You Can Find More Information for information about where you can obtain the registration statement.

Creation Procedures

On any business day, an Authorized Purchaser may place an order with the Marketing Agent to create one or more baskets. For purposes of processing purchase and redemption orders, a business day means any day other than a day when any of the NYSE Arca, the NYMEX, or the New York Stock Exchange is closed for regular trading. Purchase orders must be placed by 12:00 p.m. New York time or the close of regular trading on the NYSE Arca, whichever is earlier. The day on which the Marketing Agent receives a valid purchase order is the purchase order date.

By placing a purchase order, an Authorized Purchaser agrees to deposit Treasuries cash, or a combination of Treasuries and cash with UGA, as described below. Prior to the delivery of baskets for a purchase order, the Authorized Purchaser must also have wired to the Custodian the non-refundable transaction fee due for the purchase order. Authorized Purchasers may not withdraw a creation request.

The manner by which creations are made is dictated by the terms of the Authorized Purchaser Agreement. By placing a purchase order, an Authorized Purchaser agrees to (1) deposit Treasuries, cash, or a combination of Treasuries and cash with the Custodian of the fund, and (2) if required by the General Partner in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other over-the-counter energy transaction (through itself or a designated acceptable broker) with the fund for the purchase of a number and type of futures contracts at the closing settlement price for such contracts on the purchase order date. If an Authorized Purchaser fails to consummate (1) and (2), the order shall be cancelled. The number and type of contracts specified shall be determined by the General Partner, in its sole discretion, to meet UGA s investment objective and shall be purchased as a result of the Authorized Purchaser s purchase of units.

Determination of Required Deposits

The total deposit required to create each basket (Creation Basket Deposit) is the amount of Treasuries and/or cash that is in the same proportion to the total assets of UGA (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to purchase is accepted as the number of units to be created under the purchase order is in proportion to the total number of units outstanding on the date the order is received. The General Partner determines, directly in its sole discretion or in consultation with the Administrator, the requirements for Treasuries and the amount of cash, including the maximum permitted remaining maturity of a Treasury and proportions of Treasury and cash that may be included in deposits to

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create baskets. The Marketing Agent will publish such requirements at the beginning of each business day. The amount of cash deposit required is the difference between the aggregate market value of the Treasuries required to be included in a Creation Basket Deposit as of 4:00 p.m. New York time on the date the order to purchase is properly received and the total required deposit.

Delivery of Required Deposits

An Authorized Purchaser who places a purchase order is responsible for transferring to UGA s account with the Custodian the required amount of Treasuries and/or cash by the end of the third business day following the purchase order date. Upon receipt of the deposit amount, the Administrator directs DTC to credit the number of baskets ordered to the Authorized Purchaser s DTC account on the third business day following the purchase order date. The expense and risk of delivery and ownership of Treasuries until such Treasuries have been received by the Custodian on behalf of UGA shall be borne solely by the Authorized Purchaser.

Because orders to purchase baskets must be placed by 12:00 p.m., New York time, but the total payment required to create a basket during the continuous offering period will not be determined until after 4:00 p.m., New York time, on the date the purchase order is received, Authorized Purchasers will not know the total amount of the payment required to create a basket at the time they submit an irrevocable purchase order for the basket. UGA s NAV and the total amount of the payment required to create a basket could rise or fall substantially between the time an irrevocable purchase order is submitted and the time the amount of the purchase price in respect thereof is determined.

Rejection of Purchase Orders

The General Partner acting by itself or through the Marketing Agent shall have the absolute right but no obligation to reject a purchase order or a Creation Basket Deposit if:

it determines that the investment alternative available to UGA at that time will not enable it to meet its investment objective;

it determines that the purchase order or the Creation Basket Deposit is not in proper form;

it believes that the purchase order or the Creation Basket Deposit would have adverse tax consequences to UGA, the limited partners or the unitholders;

the acceptance or receipt of the Creation Basket Deposit would, in the opinion of counsel to the General Partner, be unlawful; or

circumstances outside the control of the General Partner, Marketing Agent or Custodian make it, for all practical purposes, not feasible to process creations of baskets.

None of the General Partner, Marketing Agent or Custodian will be liable for the rejection of any purchase order or Creation Basket Deposit.

Redemption Procedures

The procedures by which an Authorized Purchaser can redeem one or more baskets mirror the procedures for the creation of baskets. On any business day, an Authorized Purchaser may place an order with the Marketing Agent to redeem one or more baskets. Redemption orders must be placed by 12:00 p.m. New York time or the close of regular trading on the NYSE Arca, whichever is earlier. A redemption order so received will be effective on the date it is received in satisfactory form by the Marketing Agent. The redemption procedures allow Authorized Purchasers to redeem baskets and do not entitle an individual unitholder to redeem any units in an amount less than a Redemption Basket, or to redeem baskets other than through an Authorized Purchaser. By placing a redemption order, an

Authorized Purchaser agrees to deliver the baskets to be redeemed through DTC s book-entry system to UGA not later than 3:00 p.m. New York time on the third business day following the effective date of the redemption order. Prior to the delivery of the redemption distribution for a redemption order, the Authorized Purchaser must also have wired to UGA s account at the Custodian the non-refundable transaction fee due for the redemption order. Authorized Purchasers may not withdraw a redemption request.

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The manner by which redemptions are made is dictated by the terms of the Authorized Purchaser Agreement. By placing a redemption order, an Authorized Purchaser agrees to (1) deliver the Redemption Basket to be redeemed through DTC s book-entry system to the fund s account with the Custodian not later than 3:00 p.m. New York time on the third business day following the effective date of the redemption order (Redemption Distribution Date), and (2) if required by the General Partner in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other over-the-counter energy transaction (through itself or a designated acceptable broker) with the fund for the sale of a number and type of futures contracts at the closing settlement price for such contracts on the Redemption Order Date. If an Authorized Purchaser fails to consummate (1) and (2) above, the order shall be cancelled. The number and type of contracts specified shall be determined by the General Partner, in its sole discretion, to meet UGA s investment objective and shall be sold as a result of the Authorized Purchaser s sale of units. Prior to the delivery of the redemption distribution for a redemption order, the Authorized Purchaser must also have wired to UGA s account at the Custodian the non-refundable transaction fee due for the redemption order.

Determination of Redemption Distribution

The redemption distribution from UGA consists of a transfer to the redeeming Authorized Purchaser of an amount of Treasuries and/or cash that is in the same proportion to the total assets of UGA (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to redeem is properly received as the number of units to be redeemed under the redemption order is in proportion to the total number of units outstanding on the date the order is received. The General Partner, directly or in consultation with the Administrator, determines the requirements for Treasuries and the amounts of cash, including the maximum permitted remaining maturity of a Treasury, and the proportions of Treasuries and/or cash that may be included in distributions to redeem baskets. The Marketing Agent will publish such requirements as of 4:00 p.m. on the redemption order date.

Delivery of Redemption Distribution

The redemption distribution due from UGA will be delivered to the Authorized Purchaser by 3:00 p.m. New York time on the third business day following the redemption order date if, by 3:00 p.m. New York time on such third business day, UGA s DTC account has been credited with the baskets to be redeemed. If UGA s DTC account has not been credited with all of the baskets to be redeemed by such time, the redemption distribution will be delivered to the extent of whole baskets received. Any remainder of the redemption distribution will be delivered on the next business day to the extent of remaining whole baskets received if UGA receives the fee applicable to the extension of the redemption distribution date which the General Partner may, from time to time, determine and the remaining baskets to be redeemed are credited to UGA s DTC account by 3:00 p.m. New York time on such next business day. Any further outstanding amount of the redemption order shall be cancelled. Pursuant to information from the General Partner, the Custodian will also be authorized to deliver the redemption distribution notwithstanding that the baskets to be redeemed are not credited to UGA s DTC account by 3:00 p.m. New York time on the third business day following the redemption order date if the Authorized Purchaser has collateralized its obligation to deliver the baskets through DTC s book entry-system on such terms as the General Partner may from time to time determine.

Suspension or Rejection of Redemption Orders

The General Partner may, in its discretion, suspend the right of redemption, or postpone the redemption settlement date, (1) for any period during which the NYSE Arca or the NYMEX is closed other than customary weekend or holiday closings, or trading on the NYSE Arca or the NYMEX is suspended or restricted, (2) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of Treasuries is not reasonably practicable, or (3) for such other period as the General Partner determines to be necessary for the protection of the

limited partners or unitholders. For example, the General Partner may determine that it is necessary to suspend redemptions to allow for the orderly liquidation of UGA s assets at an appropriate value to fund a redemption. If the General Partner has difficulty liquidating its positions, *e.g.*, because of a market disruption event in the futures markets, a suspension of trading by the exchange where the futures contracts are listed or an unanticipated delay in the liquidation of a position in an over-the-counter contract, it may be appropriate to suspend redemptions until such time as such circumstances

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are rectified. None of the General Partner, the Marketing Agent, the Administrator, or the Custodian will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

Redemption orders must be made in whole baskets. The General Partner will reject a redemption order if the order is not in proper form as described in the Authorized Purchaser Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. The General Partner may also reject a redemption order if the number of units being redeemed would reduce the remaining outstanding units to 100,000 units (*i.e.*, one basket) or less, unless the General Partner has reason to believe that the placer of the redemption order does in fact possess all the outstanding units and can deliver them.

Creation and Redemption Transaction Fee

To compensate UGA for its expenses in connection with the creation and redemption of baskets, an Authorized Purchaser is required to pay a transaction fee to UGA of $1,000 per order to create or redeem baskets. An order may include multiple baskets. The transaction fee may be reduced, increased or otherwise changed by the General Partner. The General Partner shall notify DTC of any change in the transaction fee and will not implement any increase in the fee for the redemption of baskets until 30 days after the date of the notice.

Tax Responsibility

Authorized Purchasers are responsible for any transfer tax, sales or use tax, stamp tax, recording tax, value added tax or similar tax or governmental charge applicable to the creation or redemption of baskets, regardless of whether or not such tax or charge is imposed directly on the Authorized Purchaser, and agree to indemnify the General Partner and UGA if they are required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

Secondary Market Transactions

As noted, UGA creates and redeems units from time to time, but only in one or more Creation Baskets or Redemption Baskets. The creation and redemption of baskets are only made in exchange for delivery to UGA or the distribution by UGA of the amount of Treasuries and cash represented by the baskets being created or redeemed, the amount of which will be based on the aggregate NAV of the number of units included in the baskets being created or redeemed determined on the day the order to create or redeem baskets is properly received.

As discussed above, Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be registered broker-dealers or other securities market participants, such as banks and other financial institutions that are not required to register as broker-dealers to engage in securities transactions. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. Authorized Purchasers that do offer to the public units from the baskets they create will do so at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the NYSE Arca, the NAV of UGA at the time the Authorized Purchaser purchased the Creation Baskets and the NAV of the units at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the Futures Contract market and the market for Other Gasoline-Related Investments. The prices of units offered by Authorized Purchasers are expected to fall between UGA s NAV and the trading price of the units on the NYSE Arca at the time of sale. Units initially comprising the same basket but offered by Authorized Purchasers to the public at different times may have different offering prices. An order for one or more baskets may be placed by an Authorized Purchaser on behalf of multiple clients. Authorized

Purchasers who make deposits with UGA in exchange for baskets receive no fees, commissions or other form of compensation or inducement of any kind from either UGA or the General Partner, and no such person has any obligation or responsibility to the General Partner or UGA to effect any sale or resale of units. Units trade in the secondary market on the NYSE Arca. Units may trade in the secondary market at prices that are lower or higher relative to their NAV per unit. The amount of the discount or premium in the trading price relative to the NAV per unit may be influenced by various factors, including the number of investors who seek to purchase or sell units in the secondary market and the liquidity of the Futures Contracts market and the

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market for Other Gasoline-Related Investments. While the units trade during the core trading session on the NYSE Arca until 4:00 p.m. New York time, liquidity in the market for Futures Contracts and Other Gasoline-Related Investments may be reduced after the close of the NYMEX at 2:30 p.m. New York time. As a result, during this time, trading spreads, and the resulting premium or discount, on the units may widen.

Use of Proceeds

The General Partner applies substantially all of UGA s assets toward trading in Futures Contracts and Other Gasoline-Related Investments and investments in Treasuries, cash and/or cash equivalents. The General Partner has sole authority to determine the percentage of assets that are:

held on deposit with the futures commission merchant or other custodian,
used for other investments, and
held in bank accounts to pay current obligations and as reserves.

The General Partner deposits substantially all of UGA s net assets with the Custodian or other custodian. When UGA purchases a Futures Contract and certain exchange traded Other Gasoline-Related Investments, UGA is also required to deposit with the futures commission merchant on behalf of the exchange a portion of the value of the contract or other interest as security to ensure payment for the obligation under Gasoline Interests at maturity. This deposit is known as margin. UGA invests the remainder of its assets equal to the difference between the margin deposited and the market value of the Futures Contract in Treasuries, cash and/or cash equivalents.

The General Partner believes that all entities that hold or trade UGA s assets are based in the United States and are subject to United States regulations.

Approximately 5% to 10% of UGA s assets are normally committed as margin for commodity futures contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The General Partner invests the balance of UGA s assets not invested in Gasoline Interests or held in margin as reserves to be available for changes in margin. All interest income is used for UGA s benefit.

The futures commission merchant, a government agency or a commodity exchange could increase margins applicable to UGA to hold trading positions at any time. Moreover, margin is merely a security deposit and has no bearing on the profit or loss potential for any positions taken.

UGA s assets are held in segregation pursuant to the Commodity Exchange Act and CFTC regulations.

The Commodity Interest Markets

General

The Commodity Exchange Act or CEA governs the regulation of commodity interest transactions, markets and intermediaries. In December 2000, the CEA was amended by the Commodity Futures Modernization Act of 2000, or CFMA, which substantially revised the regulatory framework governing certain commodity interest transactions and the markets on which they trade. The CEA, as amended by the CFMA, now provides for varying degrees of regulation of commodity interest transactions depending upon the variables of the transaction. In general, these variables include (1) the type of instrument being traded (e.g., contracts for future delivery, options, swaps or spot contracts), (2) the type of commodity underlying the instrument (distinctions are made between instruments based on agricultural

commodities, energy and metals commodities and financial commodities), (3) the nature of the parties to the transaction (retail, eligible contract participant, or eligible commercial entity), (4) whether the transaction is entered into on a principal-to-principal or intermediated basis, (5) the type of market on which the transaction occurs, and (6) whether the transaction is subject to clearing through a clearing organization. Information regarding commodity interest transactions, markets and intermediaries, and their associated regulatory environment, is provided below.

Futures Contracts

A futures contract such as a Futures Contract is a standardized contract traded on, or subject to the rules of, an exchange that calls for the future delivery of a specified quantity and type of a commodity at a

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specified time and place. Futures contracts are traded on a wide variety of commodities, including agricultural products, bonds, stock indices, interest rates, currencies, energy and metals. The size and terms of futures contracts on a particular commodity are identical and are not subject to any negotiation, other than with respect to price and the number of contracts traded between the buyer and seller.

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 difference between the price at which the futures contract is purchased or sold and the price paid for the offsetting sale or purchase, after allowance for brokerage commissions, constitutes the profit or loss to the trader. Some futures contracts, such as stock index contracts, settle in cash (reflecting the difference between the contract purchase/sale price and the contract settlement price) rather than by delivery of the underlying commodity.

In market terminology, a trader who purchases a futures contract is long in the market and a trader who sells a futures contract is short in the market. Before a trader closes out his long or short position by an offsetting sale or purchase, his outstanding contracts are known as open trades or open positions. The aggregate amount of open positions held by traders in a particular contract is referred to as the open interest in such contract.

Forward Contracts

A forward contract is a contractual obligation to purchase or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is economically similar to a futures contract. Unlike futures contracts, however, forward contracts are typically traded in the over-the-counter markets and are not standardized contracts. Forward contracts for a given commodity are generally available for various amounts and maturities and are subject to individual negotiation between the parties involved. Moreover, generally there is no direct means of offsetting or closing out a forward contract by taking an offsetting position as one would a futures contract on a U.S. exchange. If a trader desires to close out a forward contract position, he generally will establish an opposite position in the contract but will settle and recognize the profit or loss on both positions simultaneously on the delivery date. Thus, unlike in the futures contract market where a trader who has offset positions will recognize profit or loss immediately, in the forward market a trader with a position that has been offset at a profit will generally not receive such profit until the delivery date, and likewise a trader with a position that has been offset at a loss will generally not have to pay money until the delivery date. In recent years, however, the terms of forward contracts have become more standardized, and in some instances such contracts now provide a right of offset or cash settlement as an alternative to making or taking delivery of the underlying commodity.

The forward markets provide what has typically been a highly liquid market for foreign exchange trading, and in certain cases the prices quoted for foreign exchange forward contracts may be more favorable than the prices for foreign exchange futures contracts traded on U.S. exchanges. The forward markets are largely unregulated. Forward contracts are, in general, not cleared or guaranteed by a third party. Commercial banks participating in trading foreign exchange forward contracts often do not require margin deposits, but rely upon internal credit limitations and their judgments regarding the creditworthiness of their counterparties. In recent years, however, many over-the-counter market participants in foreign exchange trading have begun to require that their counterparties post margin.

Further, as the result of the CFMA, over-the-counter derivative instruments such as forward contracts and swap agreements (and options on forwards and physical commodities) may begin to be traded on lightly-regulated exchanges or electronic trading platforms that may, but are not required to, provide for clearing facilities. Exchanges and electronic trading platforms on which over-the-counter instruments may be traded and the regulation and criteria

for that trading are more fully described below under Futures Exchanges and Clearing Organizations. Nonetheless, absent a clearing facility, UGA s trading in foreign exchange and other forward contracts is exposed to the creditworthiness of the counterparties on the other side of the trade.

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Options on Futures Contracts

Options on futures contracts are standardized contracts traded on an exchange. An option on a futures contract gives the buyer of the option the right, but not the obligation, to take a position at a specified price (the striking, strike, or exercise price) in the underlying futures contract or underlying interest. The buyer of a call option acquires the right, but not the obligation, to purchase or take a long position in the underlying interest, and the buyer of a put option acquires the right, but not the obligation, to sell or take a short position in the underlying interest.

The seller, or writer, of an option is obligated to take a position in the underlying interest at a specified price opposite to the option buyer if the option is exercised. Thus, the seller of a call option must stand ready to take a short position in the underlying interest at the strike price if the buyer should exercise the option. The seller of a put option, on the other hand, must stand ready to take a long position in the underlying interest at the strike price.

A call option is said to be in-the-money if the strike price is below current market levels and out-of-the-money if the strike price is above current market levels. Conversely, a put option is said to be in-the-money if the strike price is above the current market levels and out-of-the-money if the strike price is below current market levels.

Options have limited life spans, usually tied to the delivery or settlement date of the underlying interest. Some options, however, expire significantly in advance of such date. The purchase price of an option is referred to as its premium, which consists of its intrinsic value (which is related to the underlying market value) plus its time value. As an option nears its expiration date, the time value shrinks and the market and intrinsic values move into parity. An option that is out-of-the-money and not offset by the time it expires becomes worthless. On certain exchanges, in-the-money options are automatically exercised on their expiration date, but on others unexercised options simply become worthless after their expiration date.

Regardless of how much the market swings, the most an option buyer can lose is the option premium. The option buyer deposits his premium with his broker, and the money goes to the option seller. Option sellers, on the other hand, face risks similar to participants in the futures markets. For example, since the seller of a call option is assigned a short futures position if the option is exercised, his risk is the same as someone who initially sold a futures contract. Because no one can predict exactly how the market will move, the option seller posts margin to demonstrate his ability to meet any potential contractual obligations.

Options on Forward Contracts or Commodities

Options on forward contracts or commodities operate in a manner similar to options on futures contracts. An option on a forward contract or commodity gives the buyer of the option the right, but not the obligation, to take a position at a specified price in the underlying forward contract or commodity. However, similar to forward contracts, options on forward contracts or on commodities are individually negotiated contracts between counterparties and are typically traded in the over-the-counter market. Therefore, options on forward contracts and physical commodities possess many of the same characteristics of forward contracts with respect to offsetting positions and credit risk that are described above.

Swap Contracts

Swap transactions generally involve contracts between two parties to exchange a stream of payments computed by reference to a notional amount and the price of the asset that is the subject of the swap. Swap contracts are principally traded off-exchange, although recently, as a result of regulatory changes enacted as part of the CFMA, certain swap

contracts are now being traded in electronic trading facilities and cleared through clearing organizations.

Swaps are usually entered into on a net basis, that is, the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement, with the parties receiving or paying, as the case may be, only the net amount of the two payments. Swaps do not generally involve the delivery of underlying assets or principal. Accordingly, the risk of loss with respect to swaps is generally limited to the net amount of payments that the party is contractually obligated to make. In some swap transactions one or both parties may require collateral deposits from the counterparty to support that counterparty s obligation

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under the swap agreement. If the counterparty to such a swap defaults, the risk of loss consists of the net amount of payments that the party is contractually entitled to receive less to any collateral deposits it is holding.

Block Trading

Block Trading refers to privately negotiated futures or option transactions executed apart from the public auction market. A block transaction may be executed either on or off the exchange trading floor but is still reported to and cleared by the exchange.

Exchange for Physical

An Exchange For Physical (EFP) is a technique (originated in physical commodity markets) whereby a position in the underlying subject of a derivatives contract is traded for a futures position. In financial futures markets, the EFP bypasses any cash settlement mechanism that is built into the contract and substitutes physical settlement. EFPs are used primarily to adjust underlying cash market positions at a low trading cost. An EFP by itself will not change either party s net risk position materially, but EFPs are often used to set up a subsequent trade which will modify the investor s market risk exposure at low cost.

Exchange for Swap

An Exchange For Swap (EFS) is an off market transaction which involves the swapping (or exchanging) of an over-the-counter (OTC) position for a futures position. The OTC transaction must be for the same or similar quantity or amount of a specified commodity, or a substantially similar commodity or instrument. The OTC side of the EFS can include swaps, swap options, or other instruments traded in the OTC market.

In order that an EFS transaction can take place, the OTC side and futures components must be substantially similar in terms of either value and or quantity. The net result is that the OTC position (and the inherent counterparty credit exposure) is transferred from the OTC market to the futures market. EFSs can also work in reverse, where a futures position can be reversed and transferred to the OTC market.

Participants

The two broad classes of persons who trade commodities are hedgers and speculators. Hedgers include financial institutions that manage or deal in interest rate-sensitive instruments, foreign currencies or stock portfolios, and commercial market participants, such as farmers and manufacturers, that market or process commodities. Hedging is a protective procedure designed to effectively lock in prices that would otherwise change due to an adverse movement in the price of the underlying commodity, for example, the adverse price movement between the time a merchandiser or processor enters into a contract to buy or sell a raw or processed commodity at a certain price and the time he must perform the contract. In such a case, at the time the hedger contracts to physically sell the commodity at a future date he will simultaneously buy a futures or forward contract for the necessary equivalent quantity of the commodity. At the time for performance of the contract, the hedger may accept delivery under his futures contract and sell the commodity quantity as required by his physical contract or he may buy the actual commodity, sell it under the physical contract and close out his position by making an offsetting sale of a futures contract.

The commodity interest markets enable the hedger to shift the risk of price fluctuations. The usual objective of the hedger is to protect the profit that he expects to earn from farming, merchandising, or processing operations rather than to profit from his trading. However, at times the impetus for a hedge transaction may result in part from

speculative objectives, and hedgers can end up paying higher prices than they would have, for example, if current market prices are lower than the locked in price.

Unlike the hedger, the speculator generally expects neither to make nor take delivery of the underlying commodity. Instead, the speculator risks his capital with the hope of making profits from price fluctuations in the commodities. The speculator is, in effect, the risk bearer who assumes the risks that the hedger seeks to avoid. Speculators rarely make or take delivery of the underlying commodity; rather they attempt to close out their positions prior to the delivery date. Because the speculator may take either a long or short position in commodities, it is possible for him to make profits or incur losses regardless of whether prices go up or down.

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Futures Exchanges and Clearing Organizations

Futures exchanges provide centralized market facilities in which multiple persons have the ability to execute or trade contracts by accepting bids and offers from multiple participants. Futures exchanges may provide for execution of trades at a physical location utilizing trading pits and/or may provide for trading to be done electronically through computerized matching of bids and offers pursuant to various algorithms. Members of a particular exchange and the trades executed on such exchange are subject to the rules of that exchange. Futures exchanges and clearing organizations are given reasonable latitude in promulgating rules and regulations to control and regulate their members. Examples of regulations by exchanges and clearing organizations include the establishment of initial margin levels, rules regarding trading practices, contract specifications, speculative position limits, daily price fluctuation limits, and execution and clearing fees.

Clearing organizations provide services designed to mutualize or transfer the credit risk arising from the trading of contracts on an exchange or other electronic trading facility. Once trades made between members of an exchange or electronic trading facility have been confirmed, the clearing organization becomes substituted for the clearing member acting on behalf of each buyer and each seller of contracts traded on the exchange or trading platform and in effect becomes the other party to the trade. Thereafter, each clearing member party to the trade looks only to the clearing organization for performance. The clearing organization generally establishes some sort of security or guarantee fund to which all clearing members of the exchange must contribute; this fund acts as an emergency buffer that is intended to enable the clearing organization to meet its obligations with regard to the other side of an insolvent clearing member s contracts. Furthermore, the clearing organization requires margin deposits and continuously marks positions to market to provide some assurance that its members will be able to fulfill their contractual obligations. Thus, a central function of the clearing organization is to ensure the integrity of trades, and members effecting transactions on an exchange need not concern themselves with the solvency of the party on the opposite side of the trade; their only remaining concerns are the respective solvencies of their own customers, their clearing broker and the clearing organization. The clearing organizations do not deal with customers, but only with their member firms and the guarantee of performance for open positions provided by the clearing organization does not run to customers.

U.S. Futures Exchanges

Futures exchanges in the United States are subject to varying degrees of regulation by the CFTC based on their designation as one of the following: a designated contract market, a derivatives transaction execution facility, an exempt board of trade or an electronic trading facility.

A designated contract market is the most highly regulated level of futures exchange. Designated contract markets may offer products to retail customers on an unrestricted basis. To be designated as a contract market, the exchange must demonstrate that it satisfies specified general criteria for designation, such as having the ability to prevent market manipulation, rules and procedures to ensure fair and equitable trading, position limits, dispute resolution procedures, minimization of conflicts of interest and protection of market participants. Among the principal designated contract markets in the United States are the Chicago Board of Trade, the Chicago Mercantile Exchange and the NYMEX. Each of the designated contract markets in the United States must provide for the clearance and settlement of transactions with a CFTC-registered derivatives clearing organization.

A derivatives transaction execution facility (a DTEF), is a new type of exchange that is subject to fewer regulatory requirements than a designated contract market but is subject to both commodity interest and participant limitations. DTEFs limit access to eligible traders that qualify as either eligible contract participants or eligible commercial entities for futures and option contracts on commodities that have a nearly inexhaustible deliverable supply, are highly

unlikely to be susceptible to the threat of manipulation, or have no cash market, security futures products, and futures and option contracts on commodities that the CFTC may determine, on a case-by-case basis, are highly unlikely to be susceptible to the threat of manipulation. In addition, certain commodity interests excluded or exempt from the CEA, such as swaps, etc. may be traded on a DTEF. There is no requirement that a DTEF use a clearing organization, except with respect to trading in security futures contracts, in which case the clearing organization must be a securities clearing agency. However, if futures contracts and options on futures contracts on a DTEF are cleared, then it must be through

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a CFTC-registered derivatives clearing organization, except that some excluded or exempt commodities traded on a DTEF may be cleared through a clearing organization other than one registered with the CFTC.

An exempt board of trade is also a newly designated form of exchange. An exempt board of trade is substantially unregulated, subject only to CFTC anti-fraud and anti-manipulation authority. An exempt board of trade is permitted to trade futures contracts and options on futures contracts provided that the underlying commodity is not a security or securities index and has an inexhaustible deliverable supply or no cash market. All traders on an exempt board of trade must qualify as eligible contract participants. Contracts deemed eligible to be traded on an exempt board of trade include contracts on interest rates, exchange rates, currencies, credit risks or measures, debt instruments, measures of inflation, or other macroeconomic indices or measures. There is no requirement that an exempt board of trade use a clearing organization. However, if contracts on an exempt board of trade are cleared, then it must be through a CFTC-registered derivatives clearing organization. A board of trade electing to operate as an exempt board of trade must file a written notification with the CFTC.

An electronic trading facility is a new form of trading platform that operates by means of an electronic or telecommunications network and maintains an automated audit trail of bids, offers, and the matching of orders or the execution of transactions on the electronic trading facility. The CEA does not apply to, and the CFTC has no jurisdiction over, transactions on an electronic trading facility in certain excluded commodities that are entered into between principals that qualify as eligible contract participants, subject only to CFTC anti-fraud and anti-manipulation authority. In general, excluded commodities include interest rates, currencies, securities, securities indices or other financial, economic or commercial indices or measures.

The General Partner intends to monitor the development of and opportunities and risks presented by the new less-regulated exchanges and exempt boards as well as other trading platforms currently in place or that are being considered by regulators and may, in the future, allocate a percentage of UGA s assets to trading in products on these exchanges. Provided UGA maintains assets exceeding $5 million, UGA would qualify as an eligible contract participant and thus would be able to trade on such exchanges.

Non-U.S. Futures Exchanges

Non-U.S. futures exchanges differ in certain respects from their U.S. counterparts. Importantly, non-U.S. futures exchanges are not subject to regulation by the CFTC, but rather are regulated by their home country regulator. In contrast to U.S. designated contract markets, some non-U.S. exchanges are principals markets, where trades remain the liability of the traders involved, and the exchange or an affiliated clearing organization, if any, does not become substituted for any party. Due to the absence of a clearing system, such exchanges are significantly more susceptible to disruptions. Further, participants in such markets must often satisfy themselves as to the individual creditworthiness of each entity with which they enter into a trade. Trading on non-U.S. exchanges is often in the currency of the exchange s home jurisdiction. Consequently, UGA is subject to the additional risk of fluctuations in the exchange rate between such currencies and U.S. dollars and the possibility that exchange controls could be imposed in the future. Trading on non-U.S. exchanges may differ from trading on U.S. exchanges in a variety of ways and, accordingly, may subject UGA to additional risks.

Accountability Levels and Position Limits

The CFTC and U.S. designated contract markets 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 a hedger, which UGA is not) may hold, own or control. Among the purposes of

accountability levels and position limits is to prevent a corner or squeeze on a market or undue influence on prices by any single trader or group of traders. The position limits currently established by the CFTC apply to certain agricultural commodity interests, such as grains (oats, barley, and flaxseed), soybeans, corn, wheat, cotton, eggs, rye, and potatoes, but not to interests in energy products. In addition, U.S. exchanges may set accountability levels and position limits for all commodity interests traded on that exchange. For example, the current accountability level for investments at any one time in gasoline Futures Contracts (including investments in the Benchmark Futures Contract) on the NYMEX is 7,000 contracts. The

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NYMEX also imposes position limits on contracts held in the last few days of trading in the near month contract to expire. The ICE Futures has recently adopted similar accountability levels and position limits for certain of its futures contracts that are traded on the ICE Futures and settled against the price of a contract listed for trading on a U.S. designated contract market such as the NYMEX. Certain exchanges or clearing organizations also set limits on the total net positions that may be held by a clearing broker. In general, no position limits are in effect in forward or other over-the-counter contract trading or in trading on non-U.S. futures exchanges, although the principals with which UGA and the clearing brokers may trade in such markets may impose such limits as a matter of credit policy. For purposes of determining accountability levels and position limits, UGA s commodity interest positions will not be attributable to investors in their own commodity interest trading.

Daily Price Limits

Most U.S. futures exchanges (but generally not non-U.S. exchanges) limit the amount of fluctuation in some futures contract or options on futures contract prices during a single trading period by regulations. These regulations specify what are referred to as daily price fluctuation limits or more commonly, daily limits. The daily limits establish the maximum amount that the price of a futures or options on futures contract may vary either up or down from the previous day s settlement price. Once the daily limit has been reached in a particular futures or option on a futures contract, no trades may be made at a price beyond the limit. Positions in the futures or options contract may then be taken or liquidated, if at all, only at inordinate expense or if traders are willing to effect trades at or within the limit during the period for trading on such day. Because the daily limit rule governs price movement only for a particular trading day, it does not limit losses and may in fact substantially increase losses because it may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days, thus preventing prompt liquidation of positions and subjecting the trader to substantial losses for those days. The concept of daily price limits is not relevant to over-the-counter contracts, including forwards and swaps, and thus such limits are not imposed by banks and others who deal in those markets.

In contrast, the NYMEX does not impose daily limits but rather limits the amount of price fluctuation for Futures Contracts. For example, the NYMEX imposes a $0.25 per gallon ($10,500 per contract) price fluctuation limit for the Benchmark Futures Contract. This limit is initially based off of the previous trading day s settlement price. If any Benchmark Futures Contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes it begins at the point where the limit was imposed and the limit is reset to be $0.25 per gallon in either direction of that point. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There is no maximum price fluctuation limit during any one trading session.

Commodity Prices

Commodity prices are volatile and, although ultimately determined by the interaction of supply and demand, are subject to many other influences, including the psychology of the marketplace and speculative assessments of future world and economic events. Political climate, interest rates, treaties, balance of payments, exchange controls and other governmental interventions as well as numerous other variables affect the commodity markets, and even with comparatively complete information it is impossible for any trader to predict reliably commodity prices.

Regulation

Futures exchanges in the United States are subject to varying degrees of regulation under the CEA depending on whether such exchange is a designated contract market, DTEF, exempt board of trade or electronic trading facility.

Derivatives clearing organizations are also subject to the CEA and CFTC regulation. The CFTC is the governmental agency charged with responsibility for regulation of futures exchanges and commodity interest trading conducted on those exchanges. The CFTC s function is to implement the CEA s objectives of preventing price manipulation and excessive speculation and promoting orderly and efficient commodity interest markets. In addition, the various exchanges and clearing organizations themselves exercise regulatory and supervisory authority over their member firms.

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The CFTC possesses exclusive jurisdiction to regulate the activities of CPOs and commodity trading advisors and has adopted regulations with respect to the activities of those persons and/or entities. Under the CEA, a registered CPO, such as the General Partner, is required to make annual filings with the CFTC describing its organization, capital structure, management and controlling persons. In addition, the CEA authorizes the CFTC to require and review books and records of, and documents prepared by, registered CPOs. Pursuant to this authority, the CFTC requires CPOs to keep accurate, current and orderly records for each pool that they operate. The CFTC may suspend the registration of a CPO (1) if the CFTC finds that the operator s trading practices tend to disrupt orderly market conditions, (2) if any controlling person of the operator is subject to an order of the CFTC denying such person trading privileges on any exchange, and (3) in certain other circumstances. Suspension, restriction or termination of the General Partner s registration as a CPO would prevent it, until that registration were to be reinstated, from managing UGA, and might result in the termination of UGA. UGA itself is not required to be registered with the CFTC in any capacity.

The CEA gives the CFTC similar authority with respect to the activities of commodity trading advisors. If a trading advisor s commodity trading advisor registration were to be terminated, restricted or suspended, the trading advisor would be unable, until the registration were to be reinstated, to render trading advice to UGA.

The CEA requires all futures commission merchants, such as UGA s clearing brokers, to meet and maintain specified fitness and financial requirements, to segregate customer funds from proprietary funds and account separately for all customers funds and positions, and to maintain specified books and records open to inspection by the staff of the CFTC. The CFTC has similar authority over introducing brokers, or persons who solicit or accept orders for commodity interest trades but who do not accept margin deposits for the execution of trades. The CEA authorizes the CFTC to regulate trading by futures commission merchants and by their officers and directors, permits the CFTC to require action by exchanges in the event of market emergencies, and establishes an administrative procedure under which customers may institute complaints for damages arising from alleged violations of the CEA. The CEA also gives the states powers to enforce its provisions and the regulations of the CFTC.

UGA s investors are afforded prescribed rights for reparations under the CEA. Investors may also be able to maintain a private right of action for violations of the CEA. The CFTC has adopted rules implementing the reparation provisions of the CEA, which provide that any person may file a complaint for a reparations award with the CFTC for violation of the CEA against a floor broker or a futures commission merchant, introducing broker, commodity trading advisor, CPO, and their respective associated persons.

Pursuant to authority in the CEA, the NFA has been formed and registered with the CFTC as a registered futures association. At the present time, the NFA is the only self-regulatory organization for commodity interest professionals, other than futures exchanges. The CFTC has delegated to the NFA responsibility for the registration of commodity trading advisors, CPOs, futures commission merchants, introducing brokers, and their respective associated persons and floor brokers. The General Partner, each trading advisor, the selling agents and the clearing brokers are members of the NFA. As such, they are subject to NFA standards relating to fair trade practices, financial condition and consumer protection. UGA itself is not required to become a member of the NFA. As the self-regulatory body of the commodity interest industry, the NFA promulgates rules governing the conduct of professionals and disciplines those professionals that do not comply with these rules. The NFA also arbitrates disputes between members and their customers and conducts registration and fitness screening of applicants for membership and audits of its existing members.

The regulations of the CFTC and the NFA prohibit any representation by a person registered with the CFTC or by any member of the NFA, that registration with the CFTC, or membership in the NFA, in any respect indicates that the CFTC or the NFA, as the case may be, has approved or endorsed that person or that person s trading program or

objectives. The registrations and memberships of the parties described in this summary must not be considered as constituting any such approval or endorsement. Likewise, no futures exchange has given or will give any similar approval or endorsement.

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The regulation of commodity interest trading in the United States and other countries is an evolving area of the law. 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 NFA, the futures exchanges, clearing organizations and other regulatory bodies.

The function of the CFTC is to implement the objectives of the CEA of preventing price manipulation and other disruptions to market integrity, avoiding systemic risk, preventing fraud and promoting innovation, competition and financial integrity of transactions. As mentioned above, this regulation, among other things, provides that the trading of commodity interest contracts generally must be upon exchanges designated as contract markets or DTEFs and that all trading on those exchanges must be done by or through exchange members. Under the CFMA, commodity interest trading in some commodities between sophisticated persons may be traded on a trading facility not regulated by the CFTC. As a general matter, trading in spot contracts, forward contracts, options on forward contracts or commodities, or swap contracts between eligible contract participants is not within the jurisdiction of the CFTC and may therefore be effectively unregulated. The trading advisors may engage in those transactions on behalf of UGA in reliance on this exclusion from regulation.

In general, the CFTC does not regulate the interbank and forward foreign currency markets with respect to transactions in contracts between certain sophisticated counterparties such as UGA or between certain regulated institutions and retail investors. Although U.S. banks are regulated in various ways by the Federal Reserve Board, the Comptroller of the Currency and other U.S. federal and state banking officials, banking authorities do not regulate the forward markets.

While the U.S. government does not currently impose any restrictions on the movements of currencies, it could choose to do so. The imposition or relaxation of exchange controls in various jurisdictions could significantly affect the market for that and other jurisdictions currencies. Trading in the interbank market also exposes UGA to a risk of default since failure of a bank with which UGA had entered into a forward contract would likely result in a default and thus possibly substantial losses to UGA.

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 traded on non-U.S. exchanges to be offered and sold in the United States.

Commodity Margin

Original or initial margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader s broker to initiate and maintain an open position in futures contracts. Maintenance margin is the amount (generally less than the original margin) to which a trader s account may decline before he must deliver additional margin. A margin deposit is like a cash performance bond. It helps assure the trader s performance of the futures contracts that he or she purchases or sells. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage (ranging upward from less than 2%) of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract.

Brokerage firms, such as UGA s clearing brokers, carrying accounts for traders in commodity interest contracts may

not accept lower, and generally require higher, amounts of margin as a matter of policy to further protect themselves. The clearing brokers require UGA to make margin deposits equal to exchange minimum levels for all commodity interest contracts. This requirement may be altered from time to time in the clearing brokers discretion.

Trading in the over-the-counter markets where no clearing facility is provided generally does not require margin but generally does require the extension of credit between counterparties.

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When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Margin requirements are computed each day by a trader s clearing broker. When the market value of a particular open commodity interest position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader s position. With respect to UGA s trading, UGA (and not its investors personally) is subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

Potential Advantages of Investment

The Advantages of Non-Correlation

Given that historically, the price of gasoline and of Futures Contracts and Other Gasoline-Related Investments has had very little correlation to the stock and bond markets, the General Partner believes that the performance of UGA should also exhibit a substantial degree of non-correlation with the performance of traditional equity and debt portfolio components, in part because of the ease of selling commodity interests short. This feature of many commodity interest contracts being able to be long or short a commodity interest position with similar ease means that profit and loss from commodity interest trading is not dependent upon economic prosperity or stability.

However, non-correlation will not provide any diversification advantages unless the non-correlated assets are outperforming other portfolio assets, and it is entirely possible that UGA may not outperform other sectors of an investor s portfolio, or may produce losses. Additionally, although adding UGA s units to an investor s portfolio may provide diversification, UGA is not a hedging mechanism vis-à-vis traditional debt and equity portfolio components and you should not assume that UGA units will appreciate during periods of inflation or stock and bond market declines.

Non-correlated performance should not be confused with negatively correlated performance. Negative correlation occurs when the performance of two asset classes are in opposite direction to each other. Non-correlation means only that UGA s performance will likely have little relation to the performance of equity and debt instruments, reflecting the General Partner s belief that certain factors that affect equity and debt prices may affect UGA differently and that certain factors that affect equity and debt prices may not affect UGA at all. UGA s net asset value per unit may decline or increase more or less than equity and debt instruments during both rising and falling cash markets. The General Partner does not expect that UGA s performance will be negatively correlated to general debt and equity markets.

Interest Income

Unlike some alternative investment funds, UGA does not borrow money in order to obtain leverage, so UGA does not incur any interest expense. Rather, UGA s margin deposits are maintained in Treasuries and interest is earned on 100% of UGA s available assets, which include unrealized profits credited to UGA s accounts.

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Limited Partnership Agreement

The following paragraphs are a summary of certain provisions of our LP Agreement. The following discussion is qualified in its entirety by reference to our LP Agreement.

Authority of the General Partner

Our General Partner is generally authorized to perform all acts deemed necessary to carry out the purposes of the limited partnership and to conduct our business. Our partnership existence will continue into perpetuity, until terminated in accordance with our LP Agreement. Our General Partner has a power of attorney to take certain actions, including the execution and filing of documents, on our behalf and with respect to our LP Agreement. However, our partnership agreement limits the authority of our General Partner as follows:

Other than in connection with the issuance or redemption of units, or upon termination of the partnership as contemplated by the LP Agreement, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the partnership s assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other person) or approve on behalf of the partnership, the sale, exchange or other disposition of all or substantially all of the assets of all of the partnership, taken as a whole, without the approval of at least a majority of the limited partners; provided, however, that this provision shall not preclude or limit the General Partner s ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the partnership s assets and shall not apply to any forced sale of any or all of the partnership s assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

The General Partner is not authorized to institute or initiate on behalf of, or otherwise cause, the partnership to (a) make a general assignment for the benefit of creditors; (b) file a voluntary bankruptcy petition; or (c) file a petition seeking for the partnership a reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief under any law.

The General Partner may not, without written approval of the specific act by all of the limited partners or by other written instrument executed and delivered by all of the limited partners subsequent to the date of the LP Agreement, take any action in contravention of the LP Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the partnership, except as otherwise provided in the LP Agreement; (ii) possess partnership property, or assign any rights in specific partnership property, for other than a partnership purpose; (iii) admit a person as a partner, except as otherwise provided in the LP Agreement; (iv) amend the LP Agreement in any manner, except as otherwise provided in the LP Agreement or applicable law; or (v) transfer its interest as General Partner of the partnership, except as otherwise provided in the LP Agreement.

In general, unless approved by a majority of the limited partners, our General Partner shall not take any action, or refuse to take any reasonable action, the effect of which would be to cause us, to the extent it would materially and adversely affect limited partners, to be taxable as a corporation or to be treated as an association taxable as a corporation for federal income tax purposes.

Withdrawal or Removal of Our General Partner

The General Partner shall be deemed to have withdrawn from the partnership upon the occurrence of any one of the following events:

the General Partner voluntarily withdraws from the partnership by giving written notice to the other partners;
the General Partner transfers all of its rights as General Partner;
the General Partner is removed;

the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition; (C) files a petition or answer seeking for itself a reorganization, arrangement,

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composition, readjustment liquidation, dissolution or similar relief under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A) (C) of this sentence; or (E) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the General Partner or of all or any substantial part of its properties;
a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or
a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

The General Partner may be removed with or without cause if such removal is approved by the holders of at least 66 2/3% of the outstanding units (excluding for this purpose units held by the General Partner and its affiliates).

Meetings

All acts of the limited partners should be done in accordance with the Delaware Revised Uniform Limited Partnership Act (DRULPA). Upon the written request of 20% or more in interest of the limited partners, the General Partner may, but is not required to, call a meeting of the limited partners. Notice of such meeting shall be given within 30 days after, and the meeting shall be held within 60 days after, receipt of such request. The General Partner may also call a meeting not less than 20 and not more than 60 days prior to the meeting. Any such notice shall state briefly the purpose of the meeting, which shall be held at a reasonable time and place. Any limited partner may obtain a list of names, addresses, and interests of the limited partners upon written request to the General Partner.

Limited Liability

Assuming that a limited partner does not take part in the control of our business, and that he otherwise acts in conformity with the provisions of our LP Agreement, his liability under Delaware law will be limited, subject to certain possible exceptions, generally to the amount of capital he is obligated to contribute to us in respect of his units or other limited partner interests plus his share of any of our undistributed profits and assets. In light of the fact that a limited partner s liability may extend beyond his capital contributions, a limited partner may lose more money than he contributed.

Under Delaware law, a limited partner might be held liable for UGA s obligations as if it were a General Partner if the limited partner participates in the control of the partnership s business and the persons who transact business with the partnership think the limited partner is the General Partner.

Under the LP Agreement, a limited partner will not be liable for assessments in addition to its initial capital investment in any of UGA s capital securities representing limited partnership interests. However, a limited partner still may be required to repay to UGA any amounts wrongfully returned or distributed to it under some circumstances. Under Delaware law, UGA may not make a distribution to limited partners if the distribution causes UGA s liabilities (other than liabilities to partners on account of their partnership interests and nonrecourse liabilities) to exceed the fair value of UGA s assets. Delaware law provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution violated the law will be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution.

Fees of UGA

Management Fees

UGA is contractually obligated to pay the General Partner a management fee based on 0.60% per annum on average net assets. Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. NAV is calculated by taking the current market value of UGA s total assets and subtracting any liabilities.

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Brokerage Fees

Brokerage fees	Approximately 0.12%

Fees are calculated on a daily basis (based on a percentage of the value of the transaction) and paid on a monthly basis. These fees, including the brokerage fee for Futures Contracts based upon the futures commission merchant s fees shown below, are estimated on an annualized percentage basis.

Futures Commission Merchant Fee

Futures Commission Merchant fee	Approximately $3.50 per buy or sell; charges may vary

Fees are calculated on a daily basis for each buy or sell and paid on a monthly basis. These are the basis for and not in addition to the brokerage fee for Futures Contracts included in the brokerage fees shown above.

New York Mercantile Exchange Licensing Fee

Assets	Licensing Fee
First $1,000,000,000	0.04% of NAV
After the first $1,000,000,000	0.02% of NAV

Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of NAV on that day) and paid on a monthly basis. UGA is responsible for its pro rata share of the assets held by UGA and the Related Public Funds as well as other funds managed by the General Partner, including USBO and US12NG, when and if such funds commence operations.

Other Fees

UGA also pays the fees and expenses associated with its tax accounting and reporting requirements with the exception of certain initial implementation services fees and base services fees which were paid by the General Partner. In addition, UGA is responsible for the fees and expenses, which may include directors and officers liability insurance, of the independent directors of the General Partner in connection with their activities with respect to UGA. These director fees and expenses may be shared with other funds managed by the General Partner. These fees and expenses for 2009 are expected to aggregate $477,000.

The General Partner Has Conflicts of Interest

There are present and potential future conflicts of interest in UGA s structure and operation you should consider before you purchase units. The General Partner will use this notice of conflicts as a defense against any claim or other proceeding made.

The General Partner s officers, directors and employees, do not devote their time exclusively to UGA. These persons are directors, officers or employees of other entities which may compete with UGA for their services. They could have a conflict between their responsibilities to UGA and to those other entities. The General Partner believes that it has sufficient personnel, time, and working capital to discharge its responsibilities in a fair manner and that these persons

conflicts should not impair their ability to provide services to UGA.

The General Partner and the General Partner s principals, officers, directors and employees may trade futures and related contracts for their own account. Limited partners and other unitholders will not be permitted to inspect the trading records or any written policies related to such trading of the General Partner and of its principals, officers, directors, and employees. A conflict of interest may exist if their trades are in the same markets and at the same time as UGA trades using the clearing broker to be used by UGA. A potential conflict also may occur when the General Partner s principals trade their accounts more aggressively or take positions in their accounts which are opposite, or ahead of, the positions taken by UGA. The General Partner has adopted a Code of Ethics to ensure that the officers, directors, and employees of the General Partner and its affiliates do not engage in trades that will harm the fund or the unitholders. The General Partner has also adopted Corporate Governance Guidelines. If these provisions are not successful, unitholders may be harmed in that such trades could affect the prices of the futures contracts purchased by UGA which

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could affect UGA s ability to track the Benchmark Futures Contract. The Code of Ethics and Corporate Governance Guidelines may be found on UGA s website at *www.unitedstatesgasolinefund.com*.

The General Partner has sole current authority to manage the investments and operations of UGA, and this may allow it to act in a way that furthers its own interests which may create a conflict with your best interests. Limited partners have limited voting control, which will limit their ability to influence matters such as amendment of the LP Agreement, change in UGA s basic investment policy, dissolution of this fund, or the sale or distribution of UGA s assets.

The General Partner serves as the general partner to each of UGA and the Related Public Funds. In addition, the General Partner will serve as the general partner for USBO and US12NG, if such other funds offer their securities to the public or begin operations. The General Partner may have a conflict to the extent that its trading decisions may be influenced by the effect they would have on the other funds it manages. For example, if, as a result of reaching position limits imposed by the NYMEX, USNG purchased gasoline futures contracts, this decision could impact UGA s ability to purchase additional gasoline futures contracts if the number of contracts held by funds managed by the General Partner reached the maximum allowed by the NYMEX. Similar situations could adversely affect the ability of any fund to track its Benchmark Futures Contract.

In addition, the General Partner is required to indemnify the officers and directors of the other funds, if the need for indemnification arises. This potential indemnification will cause the General Partner s assets to decrease. If the General Partner s other sources of income are not sufficient to compensate for the indemnification, then the General Partner may terminate and you could lose your investment.

No Resolution of Conflicts Procedures

Whenever a conflict of interest exists or arises between the General Partner on the one hand, and the partnership or any limited partner, on the other hand, any resolution or course of action by the General Partner in respect of such conflict of interest shall be permitted and deemed approved by all partners and shall not constitute a breach of the LP Agreement or of any agreement contemplated hereby or of a duty stated or implied by law or equity, if the resolution or course of action is, or by operation of the LP Agreement is deemed to be, fair and reasonable to the partnership. If a dispute arises, under the LP Agreement it will be resolved either through negotiations with the General Partner or by courts located in the State of Delaware.

Under the LP Agreement, any resolution is deemed to be fair and reasonable to the partnership if the resolution is:

approved by the audit committee, although no party is obligated to seek approval and the General Partner may adopt a resolution or course of action that has not received approval;
on terms no less favorable to the limited partners than those generally being provided to or available from unrelated third parties; or
fair to the limited partners, taking into account the totality of the relationships of the parties involved including other transactions that may be particularly favorable or advantageous to the limited partners.

The previous risk factors and conflicts of interest are complete as of the date of this prospectus; however, additional risks and conflicts may occur which are not presently foreseen by the General Partner. You may not construe this prospectus as legal or tax advice. Before making an investment in this fund, you should read this entire prospectus, including the LP Agreement (Appendix C). You should also consult with your personal legal, tax, and other professional advisors.

Interests of Named Experts and Counsel

The General Partner has employed Sutherland Asbill & Brennan LLP to prepare this prospectus. Neither the law firm nor any other expert hired by UGA to give advice on the preparation of this offering document has been hired on a contingent fee basis. Nor do any of them have any present or future expectation of interest in the General Partner, Marketing Agent, Authorized Purchasers, Custodian, Administrator or other service providers to UGA.

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The General Partner s Responsibilities and Remedies

Pursuant to the DRULPA, parties may contractually modify or even eliminate fiduciary duties in a limited partnership agreement to the limited partnership itself, or to another partner or person otherwise bound by the limited partnership agreement. Parties may not, however, eliminate the implied covenant of good faith and fair dealing. Where parties unambiguously provide for fiduciary duties in a limited partnership agreement, those expressed duties become the standard that courts will use to determine whether such duties were breached. For this reason, UGA s limited partnership agreement does not explicitly provide for any fiduciary duties so that common law fiduciary duty principles will apply to measure the General Partner s conduct.

A prospective investor should be aware that the General Partner has a responsibility to limited partners of UGA to exercise good faith and fairness in all dealings. The fiduciary responsibility of a general partner to limited partners is a developing and changing area of the law and limited partners who have questions concerning the duties of the General Partner should consult with their counsel. In the event that a limited partner of UGA believes that the General Partner has violated its fiduciary duty to the limited partners, he may seek legal relief individually or on behalf of UGA under applicable laws, including under DRULPA and under commodities laws, to recover damages from or require an accounting by the General Partner. Limited partners may also have the right, subject to applicable procedural and jurisdictional requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Limited partners who have suffered losses in connection with the purchase or sale of the units may be able to recover such losses from the General Partner where the losses result from a violation by the General Partner of the federal securities laws. State securities laws may also provide certain remedies to limited partners. Limited partners should be aware that performance by the General Partner of its fiduciary duty is measured by the terms of the LP Agreement as well as applicable law. Limited partners are afforded certain rights to institute reparations proceedings under the Commodity Exchange Act for violations of the Commodity Exchange Act or of any rule, regulation or order of the CFTC by the General Partner.

Liability and Indemnification

Under the LP Agreement, neither a General Partner nor any employee or other agent of UGA nor any officer, director, stockholder, partner, employee or agent of a General Partner (a Protected Person) shall be liable to any partner or UGA for any mistake of judgment or for any action or inaction taken, nor for any losses due to any mistake of judgment or to any action or inaction or to the negligence, dishonesty or bad faith of any officer, director, stockholder, partner, employee, agent of UGA or any officer, director, stockholder, partner, employee or agent of such General Partner, provided that such officer, director, stockholder, partner, employee, or agent of the partner or officer, director, stockholder, partner, employee or agent of such General Partner was selected, engaged or retained by such General Partner with reasonable care, except with respect to any matter as to which such General Partner shall have been finally adjudicated in any action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Protected Person s action was in the best interests of UGA and except that no Protected Person shall be relieved of any liability to which such Protected Person would otherwise be subject by reason of willful misfeasance, gross negligence or reckless disregard of the duties involved in the conduct of the Protected Person s office.

UGA shall, to the fullest extent permitted by law, but only out of UGA assets, indemnify and hold harmless a General Partner and each officer, director, stockholder, partner, employee or agent thereof (including persons who serve at UGA s request as directors, officers or trustees of another organization in which UGA has an interest as a unitholder, creditor or otherwise) and their respective Legal Representatives and successors (hereinafter referred to as a *Covered Person* against all liabilities and expenses, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by any Covered Person in connection with

the defense or disposition of any action, suit or other proceedings, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such person may be or may have been threatened, while in office or thereafter, by reason of an alleged act or omission as a General Partner or director or officer thereof, or by reason of its being or having been such a General Partner, director or officer, except with respect to any matter as to which such Covered Person shall have been finally adjudicated in any such action, suit or other proceeding not to have acted in good faith

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in the reasonable belief that such Covered Person s action was in the best interest of UGA, and except that no Covered Person shall be indemnified against any liability to UGA or limited partners to which such Covered Person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person s office. Expenses, including counsel fees so incurred by any such Covered Person, may be paid from time to time by UGA in advance of the final disposition of any such action, suit or proceeding on the condition that the amounts so paid shall be repaid to UGA if it is ultimately determined that the indemnification of such expenses is not authorized hereunder.

Provisions of Law

According to applicable law, indemnification of the General Partner is payable only if the General Partner determined, in good faith, that the act, omission or conduct that gave rise to the claim for indemnification was in the best interest of UGA and the act, omission or activity that was the basis for such loss, liability, damage, cost or expense was not the result of negligence or misconduct and such liability or loss was not the result of negligence or misconduct by the General Partner, and such indemnification or agreement to hold harmless is recoverable only out of the assets of UGA and not from the members, individually.

Provisions of Federal and State Securities Laws

This offering is made pursuant to federal and state securities laws. If any indemnification of the General Partner arises out of an alleged violation of such laws, it is subject to certain legal conditions.

Those conditions require that no indemnification may be made in respect of any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless: there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the General Partner or other particular indemnitee, or such claim has been dismissed with prejudice on the merits by a court of competent jurisdiction as to the General Partner or other particular indemnitee, or a court of competent jurisdiction approves a settlement of the claims against the General Partner or other agent of UGA and finds that indemnification of the settlement and related costs should be made, provided, before seeking such approval, the General Partner or other indemnitee must apprise the court of the position held by regulatory agencies against such indemnification. These agencies are the SEC and the securities administrator of the State or States in which the plaintiffs claim they were offered or sold membership interests.

Provisions of the Securities Act of 1933 and NASAA Guidelines

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to the General Partner or its directors, officers, or persons controlling UGA, UGA has been informed that SEC and the various State administrators believe that such indemnification is against public policy as expressed in the Securities Act of 1933 and the North American Securities Administrators Association, Inc. (NASAA) commodity pool guidelines and is therefore unenforceable.

Books and Records

UGA keeps its books of record and account at its office located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502 or at the offices of the Administrator at its office located at 40 Water Street, Boston, Massachusetts, 02109, or such office, including of an administrative agent, as it may subsequently designate upon notice. These books

and records are open to inspection by any person who establishes to UGA s satisfaction that such person is a limited partner upon reasonable advance notice at all reasonable times during the usual business hours of UGA.

UGA keeps a copy of UGA s LP Agreement on file in its office which is available for inspection on reasonable advance notice at all reasonable times during its usual business hours by any limited partner.

Analysis of Critical Accounting Policies

UGA s critical accounting policies are set forth in the financial statements in this prospectus prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of certain accounting policies that affect the amounts reported in these financial statements, including the following: UGA trades are accounted for on a trade-date basis and marked to market on a daily basis. The difference between their cost and market value is recorded as change in unrealized profit/loss for open

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(unrealized) contracts, and recorded as realized profit/loss when open positions are closed out; the sum of these amounts constitutes UGA s trading revenues. Earned interest income revenue, as well as management fee, and brokerage fee expenses of UGA are recorded on an accrual basis. The General Partner believes that all relevant accounting assumptions and policies have been considered.

Statements, Filings, and Reports

At the end of each fiscal year, UGA will furnish to DTC Participants for distribution to each person who is a unitholder at the end of the fiscal year an annual report containing UGA s audited financial statements and other information about UGA. The General Partner is responsible for the registration and qualification of the units under the federal securities laws and federal commodities laws and any other securities and blue sky laws of the United States or any other jurisdiction as the General Partner may select. The General Partner is responsible for preparing all reports required by the SEC and the CFTC, but has entered into an agreement with the Administrator to prepare these reports as required by the SEC, CFTC and the NYSE Arca on UGA s behalf.

The financial statements of UGA will be audited, as required by law and as may be directed by the General Partner, by an independent registered public accounting firm designated from time to time by the General Partner. The accountants report will be furnished by UGA to unitholders upon request. UGA will make such elections, file such tax returns, and prepare, disseminate and file such tax reports, as it is advised by its counsel or accountants are from time to time required by any applicable statute, rule or regulation.

Reports to Limited Partners

In addition to periodic reports filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, all of which can be accessed on the SEC s website at www.sec.gov or on UGA s website at www.unitedstatesgasolinefund.com, UGA, pursuant to the LP Agreement, will provide the following reports to limited partners in the manner prescribed below:

Annual Reports. Within 90 days after the end of each fiscal year, the General Partner shall cause to be delivered to each limited partner who was a limited partner at any time during the fiscal year, an annual report containing the following:

(i) financial statements of the partnership, including, without limitation, a balance sheet as of the end of the partnership s fiscal year and statements of income, partners equity and changes in financial position, for such fiscal year, which shall be prepared in accordance with accounting principles generally accepted in the United States of America consistently applied and shall be audited by a firm of independent certified public accountants registered with the Public Company Accounting Oversight Board,

(ii) a general description of the activities of the partnership during the period covered by the report, and

(iii) a report of any material transactions between the partnership and the General Partner or any of its affiliates, including fees or compensation paid by the partnership and the services performed by the General Partner or any such affiliate for such fees or compensation.

Quarterly Reports. Within 45 days after the end of each quarter of each fiscal year, the General Partner shall cause to be delivered to each limited partner who was a limited partner at any time during the quarter then ended, a quarterly report containing a balance sheet and statement of income for the period covered by the report, each of which may be

unaudited but shall be certified by the General Partner as fairly presenting the financial position and results of operations of the partnership during the period covered by the report. The report shall also contain a description of any material event regarding the business of the partnership during the period covered by the report.

Monthly Reports. Within 30 days after the end of each month, the General Partner shall cause to be posted on its website and, upon request, to be delivered to each limited partner who was a limited partner at any time during the month then ended, a monthly report containing an account statement, which will include a statement of income (loss) and a statement of changes in NAV, for the prescribed period. In addition, the account statement will disclose any material business dealings between the partnership, General Partner,

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commodity trading advisor (if any), futures commission merchant, or the principals thereof that previously have not been disclosed in this prospectus or any amendment thereto, other account statements or annual reports.

UGA will provide information to its unitholders to the extent required by applicable SEC, CFTC, and NYSE Arca requirements. An issuer, such as UGA, of exchange-traded securities may not always readily know the identities of the investors who own those securities. UGA will post the same information that would otherwise be provided in UGA s reports to limited partners described above including its monthly account statements, which will include, without limitation, UGA s NAV, on UGA s website *www.unitedstatesgasolinefund.com.*

Fiscal Year

The fiscal year of UGA is the calendar year. The General Partner may select an alternate fiscal year.

Governing Law; Consent to Delaware Jurisdiction

The rights of the General Partner, UGA, DTC (as registered owner of UGA s global certificate for units) and the unitholders, are governed by the laws of the State of Delaware. The General Partner, UGA and DTC and, by accepting units, each DTC Participant and each unitholder, consent to the jurisdiction of the courts of the State of Delaware and any federal courts located in Delaware. Such consent is not required for any person to assert a claim of Delaware jurisdiction over the General Partner or UGA.

Security Ownership of Principal Unitholders and Management

None of the directors or executive officers of the General Partner, nor the employees of UGA own any units of UGA. In addition, UGA is not aware of any 5% holder of its units.

Legal Matters

Litigation and Claims

Within the past 5 years of the date of this prospectus, there have been no material administrative, civil or criminal actions against the General Partner, underwriter, or any principal or affiliate of either of them. This includes any actions pending, on appeal, concluded, threatened, or otherwise known to them.

Legal Opinion

Sutherland Asbill & Brennan LLP is counsel to advise UGA and the General Partner with respect to the units being offered hereby and has passed upon the validity of the units being issued hereunder. Sutherland Asbill & Brennan LLP has also provided the General Partner with its opinion with respect to federal income tax matters addressed herein.

Experts

Spicer Jeffries LLP, an independent registered public accounting firm, has audited the financial statements of United States Gasoline Fund, LP, at December 31, 2007 and December 31, 2008 that appear in the annual report on Form

10-K that is incorporated by reference. The financial statements in the 10-K were included in reliance upon the report of March 20, 2009, given on its authority of such firm as experts in accounting and auditing.

Privacy Policy

UGA and the General Partner collect certain nonpublic personal information about investors from the information provided by them in certain documents, as well as in the course of processing transaction requests. None of this information is disclosed except as necessary in the course of processing creations and redemptions and otherwise administering UGA and then only subject to customary undertakings of confidentiality. UGA and the General Partner do not disclose nonpublic personal information about investors to anyone, except as required by law or as described in its Privacy Policy. In general, UGA and the General Partner restrict access to the nonpublic personal information they collect from investors to those of its and its affiliates employees and service providers who need access to this information to provide products and

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services to investors. UGA and the General Partner each maintain physical, electronic and procedural controls to safeguard this information. These standards are reasonably designed to (1) ensure the security and confidentiality of investors records and information, (2) protect against any anticipated threats or hazards to the security or integrity of investors records and information, and (3) protect against unauthorized access to or use of investors records or information that could result in substantial harm or inconvenience to any investor. A copy of the current Privacy Policy can be provided on request and is provided to investors annually.

U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences of the purchase, ownership and disposition of units in UGA, and the U.S. federal income tax treatment of UGA, as of the date hereof. This discussion is applicable to a beneficial owner of units who purchases units in the offering to which this prospectus relates, including a beneficial owner who purchases units from an Authorized Purchaser. Except where noted otherwise, it deals only with units held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, persons holding units as a part of a position in a straddle or as part of a hedging, conversion or other integrated transaction for federal income tax purposes, traders in securities or commodities that elect to use a mark-to-market method of accounting, or holders of units whose functional currency is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations (Treasury Regulations), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below.

Persons considering the purchase, ownership or disposition of units should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. As used herein, a U.S. unitholder of a unit means a beneficial owner of a unit that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. A Non-U.S. unitholder is a holder that is not a U.S. unitholder. If a partnership holds our units, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our units, you should consult your own tax advisor regarding the tax consequences.

The General Partner of UGA has received the opinion of Sutherland Asbill & Brennan LLP, counsel to UGA, that the material U.S. federal income tax consequences to UGA and to U.S. unitholders and Non-U.S. unitholders will be as described below. In rendering its opinion, Sutherland Asbill & Brennan LLP has relied on the facts described in this prospectus as well as certain factual representations made by UGA and the General Partner. The opinion of Sutherland Asbill & Brennan LLP is not binding on the Internal Revenue Service (IRS), and as a result, the IRS may not agree with the tax positions taken by UGA. If challenged by the IRS, UGA s tax positions might not be sustained by the courts. No ruling has been requested from the IRS with respect to any matter affecting UGA or prospective investors.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISOR AS TO HOW U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN UGA APPLY TO YOU AND AS TO HOW THE APPLICABLE STATE, LOCAL OR FOREIGN TAXES APPLY TO YOU.

Tax Status of UGA

UGA is organized and operated as a limited partnership in accordance with the provisions of the LP Agreement and applicable state law. Under the Code, an entity classified as a partnership that is deemed to be a publicly traded partnership is generally taxable as a corporation for federal income tax purposes. The Code provides an exception to this general rule for a publicly traded partnership whose gross income for each taxable year of its existence consists of at least 90% qualifying income (qualifying income exception). For this purpose, section 7704 defines qualifying income as including, in pertinent part, interest (other than

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from a financial business), dividends and gains from the sale or disposition of capital assets held for the production of interest or dividends. In addition, in the case of a partnership a principal activity of which is the buying and selling of commodities (other than as inventory) or of futures, forwards and options with respect to commodities, qualifying income includes income and gains from such commodities and futures, forwards and options with respect to commodities. UGA and the General Partner have represented the following to Sutherland Asbill & Brennan LLP:

At least 90% of UGA s gross income for each taxable year will constitute qualifying income within the meaning of Code section 7704 (as described above);

UGA is organized and operated in accordance with its governing agreements and applicable law;

UGA has not elected, and will not elect, to be classified as a corporation for U.S. federal income tax purposes.

Based in part on these representations, Sutherland Asbill & Brennan LLP is of the opinion that UGA classifies as a partnership for federal income tax purposes and that it is not taxable as a corporation for such purposes.

If UGA failed to satisfy the qualifying income exception in any year, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, UGA would be taxable as a corporation for federal income tax purposes and would pay federal income tax on its income at regular corporate rates. In that event, unitholders would not report their share of UGA s income or loss on their returns. In addition, distributions to unitholders would be treated as dividends to the extent of UGA s current and accumulated earnings and profits. To the extent a distribution exceeded UGA s earnings and profits, the distribution would be treated as a return of capital to the extent of a unitholder s basis in its units, and thereafter as gain from the sale of units. Accordingly, if UGA were to be taxable as a corporation, it would likely have a material adverse effect on the economic return from an investment in UGA and on the value of the units.

The remainder of this summary assumes that UGA is classified as a partnership for federal income tax purposes and that it is not taxable as a corporation.

U.S. Unitholders

Tax Consequences of Ownership of Units

Taxation of UGA s Income. No U.S. federal income tax is paid by UGA on its income. Instead, UGA files annual information returns, and each U.S. unitholder is required to report on its U.S. federal income tax return its allocable share of the income, gain, loss and deduction of UGA. For example, unitholders must take into account their share of ordinary income realized by UGA from accruals of interest on Treasuries and other investments, and their share of gain from Futures Contracts and Other Gasoline-Related Investments. These items must be reported without regard to the amount (if any) of cash or property the unitholder receives as a distribution from UGA during the taxable year. Consequently, a unitholder may be allocated income or gain by UGA but receive no cash distribution with which to pay its tax liability resulting from the allocation, or may receive a distribution that is insufficient to pay such liability. Because the General Partner currently does not intend to make distributions, it is likely that in any year UGA realizes net income and/or gain that a U.S. unitholder will be required to pay taxes on its allocable share of such income or gain from sources other than UGA distributions.

Allocations of UGA s Profit and Loss. Under Code section 704, the determination of a partner s distributive share of any item of income, gain, loss, deduction or credit is governed by the applicable organizational document unless the allocation provided by such document lacks substantial economic effect. An allocation that lacks substantial economic effect nonetheless will be respected if it is in accordance with the partners interests in the partnership, determined by taking into account all facts and circumstances relating to the economic arrangements among the partners.

In general, UGA applies a monthly closing-of-the-books convention in determining allocations of economic profit or loss to unitholders. Income, gain, loss and deduction are determined on a monthly mark-to-market basis, taking into account our accrued income and deductions and realized and unrealized gains

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and losses for the month. These items are allocated among the holders of units in proportion to the number of units owned by them as of the close of business on the last business day of the month. Items of taxable income, deduction, gain, loss and credit recognized by UGA for federal income tax purposes for any taxable year are allocated among holders in a manner that equitably reflects the allocation of economic profit or loss. UGA has made the election permitted by section 754 of the Code, which election is irrevocable without the consent of the Service. The effect of this election is that when a secondary market sale of our units occur, we adjust the purchaser s proportionate share of the tax basis of our assets to fair market value, as reflected in the price paid for the units, as if the purchaser had directly acquired an interest in our assets. The section 754 election is intended to eliminate disparities between a partner s basis in its partnership interest and its share of the tax bases of the partnership s assets, so that the partner s allocable share of taxable gain or loss on a disposition of an asset will correspond to its share of the appreciation or depreciation in the value of the asset since it acquired its interest. Depending on the price paid for units and the tax bases of UGA s assets at the time of the purchase, the effect of the section 754 election on a purchaser of units may be favorable or unfavorable.

UGA applies certain assumptions and conventions in determining and allocating items for tax purposes in order to reduce the complexity and costs of administration. The General Partner believes that application of these assumptions and conventions is consistent with the intent of the partnership provisions of the Code, and that the resulting allocations have substantial economic effect or otherwise are respected as being in accordance with unitholders interests in UGA for federal income tax purposes. However, the Code and Treasury Regulations do not expressly permit adoption of these assumptions and conventions, and Sutherland Asbill & Brennan LLP is therefore unable to opine on the validity of our allocation method. It is possible that the IRS could successfully challenge this method and require a unitholder to report a greater or lesser share of items of income, gain, loss, deduction, or credit than if our method were respected. The General Partner is authorized to revise our allocation method to conform to any method permitted under future Treasury Regulations.

The assumptions and conventions used in making tax allocations may cause a unitholder to be allocated more or less income or loss for federal income tax purposes than its proportionate share of the economic income or loss realized by UGA during the period it held its units. This mismatch between taxable and economic income or loss in some cases may be temporary, reversing itself in a later year when the units are sold, but could be permanent. For example, a unitholder could be allocated income accruing before it purchased its units, resulting in an increase in the basis of the units (see *Tax Basis of Units*, below). On a subsequent disposition of the units, the additional basis might produce a capital loss the deduction of which may be limited (see *Limitations on Deductibility of Losses and Certain Expenses*, below).

Mark to Market of Certain Exchange-Traded Contracts. For federal income tax purposes, UGA generally is required to use a mark-to-market method of accounting under which unrealized gains and losses on instruments constituting section 1256 contracts are recognized currently. A section 1256 contract is defined as: (1) a futures contract that is traded on or subject to the rules of a national securities exchange which is registered with the SEC, a domestic board of trade designated as a contract market by the CFTC, or any other board of trade or exchange designated by the Secretary of the Treasury, and with respect to which the amount required to be deposited and the amount that may be withdrawn depends on a system of marking to market ; (2) a forward contract on exchange-traded foreign currencies, where the contracts are traded in the interbank market; (3) a non-equity option traded on or subject to the rules of a qualified board or exchange; (4) a dealer equity option; or (5) a dealer securities futures contract.

Under these rules, section 1256 contracts held by UGA at the end of each taxable year, including for example Futures Contracts and options on Futures Contracts traded on a U.S. exchange or board of trade or certain foreign exchanges, are treated as if they were sold by UGA for their fair market value on the last business day of the taxable year. A unitholder s distributive share of UGA s net gain or loss with respect to each section 1256 contract generally is treated

as long-term capital gain or loss to the extent of 60 percent thereof, and as short-term capital gain or loss to the extent of 40 percent thereof, without regard to the actual holding period.

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Limitations on Deductibility of Losses and Certain Expenses. A number of different provisions of the Code may defer or disallow the deduction of losses or expenses allocated to you by UGA, including but not limited to those described below.

A unitholder s deduction of its allocable share of any loss of UGA is limited to the lesser of (1) the tax basis in its units or (2) in the case of a unitholder that is an individual or a closely held corporation, the amount which the unitholder is considered to have at risk with respect to our activities. In general, the amount at risk will be your invested capital plus your share of any recourse debt of UGA for which you are liable. Losses in excess of the amount at risk must be deferred until years in which UGA generates additional taxable income against which to offset such carryover losses or until additional capital is placed at risk.

Noncorporate taxpayers are permitted to deduct capital losses only to the extent of their capital gains for the taxable year plus $3,000 of other income. Unused capital losses can be carried forward and used to offset capital gains in future years. In addition, a noncorporate taxpayer may elect to carry back net losses on section 1256 contracts to each of the three preceding years and use them to offset section 1256 contract gains in those years, subject to certain limitations. Corporate taxpayers generally may deduct capital losses only to the extent of capital gains, subject to special carryback and carryforward rules.

Otherwise deductible expenses incurred by noncorporate taxpayers constituting miscellaneous itemized deductions, generally including investment-related expenses (other than interest and certain other specified expenses), are deductible only to the extent they exceed 2 percent of the taxpayer s adjusted gross income for the year. Although the matter is not free from doubt, we believe management fees we pay to the General Partner and other expenses we incur constitute investment-related expenses subject to the miscellaneous itemized deduction limitation, rather than expenses incurred in connection with a trade or business.

Noncorporate unitholders generally may deduct investment interest expense only to the extent of their net investment income. Investment interest expense of a unitholder will generally include any interest accrued by UGA and any interest paid or accrued on direct borrowings by a unitholder to purchase or carry its units, such as interest with respect to a margin account. Net investment income generally includes gross income from property held for investment (including portfolio income under the passive loss rules but not, absent an election, long-term capital gains or certain qualifying dividend income) less deductible expenses other than interest directly connected with the production of investment income.

To the extent that we allocate losses or expenses to you that must be deferred or disallowed as a result of these or other limitations in the Code, you may be taxed on income in excess of your economic income or distributions (if any) on your units. As one example, you could be allocated and required to pay tax on your share of interest income accrued by UGA for a particular taxable year, and in the same year allocated a share of a capital loss that you cannot deduct currently because you have insufficient capital gains against which to offset the loss. As another example, you could be allocated and required to pay tax on your share of interest income and capital gain for a year, but be unable to deduct some or all of your share of management fees and/or margin account interest incurred by you with respect to your units. Unitholders are urged to consult their own professional tax advisors regarding the effect of limitations under the Code on your ability to deduct your allocable share of UGA s losses and expenses.

Tax Basis of Units

A unitholder s tax basis in its units is important in determining (1) the amount of taxable gain it will realize on the sale or other disposition of its units, (2) the amount of non-taxable distributions that it may receive from UGA and (3) its ability to utilize its distributive share of any losses of UGA on its tax return. A unitholder s initial tax basis of its units

will equal its cost for the units plus its share of UGA s liabilities (if any) at the time of purchase. In general, a unitholder s share of those liabilities will equal the sum of (i) the entire amount of any otherwise nonrecourse liability of UGA as to which the unitholder or an affiliate is the creditor (a partner nonrecourse liability) and (ii) a pro rata share of any nonrecourse liabilities of UGA that are not partner nonrecourse liabilities as to any unitholder.

A unitholder s tax basis in its units generally will be (1) increased by (a) its allocable share of UGA s taxable income and gain and (b) any additional contributions by the unitholder to UGA and (2) decreased (but not below zero) by (a) its allocable share of UGA s tax deductions and losses and (b) any distributions by

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UGA to the unitholder. For this purpose, an increase in a unitholder s share of UGA s liabilities will be treated as a contribution of cash by the unitholder to UGA and a decrease in that share will be treated as a distribution of cash by UGA to the unitholder. Pursuant to certain IRS rulings, a unitholder will be required to maintain a single, unified basis in all units that it owns. As a result, when a unitholder that acquired its units at different prices sells less than all of its units, such unitholder will not be entitled to specify particular units (*e.g.*, those with a higher basis) as having been sold. Rather, it must determine its gain or loss on the sale by using an equitable apportionment method to allocate a portion of its unified basis in its units to the units sold.

Treatment of Fund Distributions. If UGA makes non-liquidating distributions to unitholders, such distributions generally will not be taxable to the unitholders for federal income tax purposes except to the extent that the sum of (i) the amount of cash and (ii) the fair market value of marketable securities distributed exceeds the unitholder s adjusted basis of its interest in UGA immediately before the distribution. Any cash distributions in excess of a unitholder s tax basis generally will be treated as gain from the sale or exchange of units.

Constructive Termination of the Partnership. We will be considered to have been terminated for tax purposes if there is a sale or exchange of 50 percent or more of the total interests in our units within a 12-month period. A termination would result in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in its taxable income for the year of termination. We would be required to make new tax elections after a termination. A termination could result in tax penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Tax Consequences of Disposition of Units

If a unitholder sells its units, it will recognize gain or loss equal to the difference between the amount realized and its adjusted tax basis for the units sold. A unitholder s amount realized will be the sum of the cash or the fair market value of other property received plus its share of any UGA debt outstanding.

Gain or loss recognized by a unitholder on the sale or exchange of units held for more than one year will generally be taxable as long-term capital gain or loss; otherwise, such gain or loss will generally be taxable as short-term capital gain or loss. A special election is available under the Treasury Regulations that will allow unitholders to identify and use the actual holding periods for the units sold for purposes of determining whether the gain or loss recognized on a sale of units will give rise long-term or short-term capital gain or loss. It is expected that most unitholders will be eligible to elect, and generally will elect, to identify and use the actual holding period for units sold. If a unitholder fails to make the election or is not able to identify the holding periods of the units sold, the unitholder will have a split holding period in the units sold. Under such circumstances, a unitholder will be required to determine its holding period in the units sold by first determining the portion of its entire interest in UGA that would give rise to long-term capital gain or loss if its entire interest were sold and the portion that would give rise to short-term capital gain or loss if the entire interest were sold. The unitholder would then treat each unit sold as giving rise to long-term capital gain or loss and short-term capital gain or loss in the same proportions as if it had sold its entire interest in UGA.

Under Section 751 of the Code, a portion of a unitholder s gain or loss from the sale of units (regardless of the holding period for such units), will be separately computed and taxed as ordinary income or loss to the extent attributable to unrealized receivables or inventory owned by UGA. The term unrealized receivables includes, among other things, market discount bonds and short-term debt instruments to the extent such items would give rise to ordinary income if sold by UGA.

If some or all of your units are lent by your broker or other agent to a third party for example, for use by the third party in covering a short sale you may be considered as having made a taxable disposition of the loaned units, in which case

you may recognize taxable gain or loss to the same extent as if you had sold the units for cash;

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any of UGA s income, gain, loss or deduction allocable to those units during the period of the loan will not be reportable by you for tax purposes; and

any distributions you receive with respect to the units will be fully taxable, most likely as ordinary income.

Unitholders desiring to avoid these and other possible consequences of a deemed disposition of their units should consider modifying any applicable brokerage account agreements to prohibit the lending of their units.

Other Tax Matters

Information Reporting. We report tax information to the beneficial owners of units. Unitholders who have become additional limited partners are treated as partners for federal income tax purposes. The IRS has ruled that assignees of partnership interests who have not been admitted to a partnership as partners but who have the capacity to exercise substantial dominion and control over the assigned partnership interests will be considered partners for federal income tax purposes. On the basis of such ruling, except as otherwise provided herein, we treat the following persons as partners for federal income tax purposes: (1) assignees of units who are pending admission as limited partners, and (2) unitholders whose units are held in street name or by another nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their units. UGA will furnish unitholders each year with tax information on IRS Schedule K-1 (Form 1065), which will be used by the unitholders in completing their tax returns.

Persons who hold an interest in UGA as a nominee for another person are required to furnish to us the following information: (1) the name, address and taxpayer identification number of the beneficial owner and the nominee; (2) whether the beneficial owner is (a) a person that is not a U.S. person, (b) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (c) a tax-exempt entity; (3) the amount and description of units acquired or transferred for the beneficial owner; and (4) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and certain information on units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code of 1986, as amended for failure to report such information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Partnership Audit Procedures. The IRS may audit the federal income tax returns filed by UGA. Adjustments resulting from any such audit may require each unitholder to adjust a prior year s tax liability and could result in an audit of the unitholder s own return. Any audit of a unitholder s return could result in adjustments of non-partnership items as well as UGA items. Partnerships are generally treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS, and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the unitholders. The Code provides for one unitholder to be designated as the tax matters partner and represent the partnership purposes of these proceedings. The LP Agreement appoints the General Partner as the tax matters partner of UGA.

Tax Shelter Disclosure Rules. In certain circumstances the Code and Treasury Regulations require that the IRS be notified of taxable transactions through a disclosure statement attached to a taxpayer s United States federal income tax return. In addition, certain material advisers must maintain a list of persons participating in such transactions and furnish the list to the IRS upon written request. These disclosure rules may apply to transactions irrespective of whether they are structured to achieve particular tax benefits. They could require disclosure by UGA or unitholders (1) if a unitholder incurs a loss in excess a specified threshold from a sale or redemption of its units, (2) if UGA engages

in transactions producing differences between its taxable income and its income for financial reporting purposes, or (3) possibly in other circumstances. While these rules generally do not require disclosure of a loss recognized on the disposition of an asset in which the taxpayer has a qualifying basis (generally a basis equal to the amount of cash paid by the taxpayer for such asset), they apply to a loss recognized with respect to interests in a passthrough entity, such as the units, even

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if the taxpayer s basis in such interests is equal to the amount of cash it paid. In addition, under recently enacted legislation, significant penalties may be imposed in connection with a failure to comply with these reporting requirements. *Investors should consult their own tax advisors concerning the application of these reporting requirements to their specific situation*.

Tax-Exempt Organizations. Subject to numerous exceptions, qualified retirement plans and individual retirement accounts, charitable organizations and certain other organizations that otherwise are exempt from federal income tax (collectively exempt organizations) nonetheless are subject to the tax on unrelated business taxable income (UBTI). Generally, UBTI means the gross income derived by an exempt organization from a trade or business that it regularly carries on, the conduct of which is not substantially related to the exercise or performance of its exempt purpose or function, less allowable deductions directly connected with that trade or business. If UGA were to regularly carry on (directly or indirectly) a trade or business that is unrelated with respect to an exempt organization unitholder, then in computing its UBTI, the unitholder must include its share of (1) UGA s gross income from the unrelated trade or business, whether or not distributed, and (2) UGA s allowable deductions directly connected with that gross income.

UBTI generally does not include dividends, interest, or payments with respect to securities loans and gains from the sale of property (other than property held for sale to customers in the ordinary course of a trade or business). Nonetheless, income on, and gain from the disposition of, debt-financed property is UBTI. Debt-financed property generally is income-producing property (including securities), the use of which is not substantially related to the exempt organization s tax-exempt purposes, and with respect to which there is acquisition indebtedness at any time during the taxable year (or, if the property was disposed of during the taxable year, the 12-month period ending with the disposition). Acquisition indebtedness includes debt incurred to acquire property, debt incurred before the acquisition of property if the debt would not have been incurred but for the acquisition, and debt incurred subsequent to the acquisition of property if the debt would not have been incurred but for the acquisition and at the time of acquisition the incurrence of debt was foreseeable. The portion of the income from debt-financed property attributable to acquisition indebtedness is equal to the ratio of the average outstanding principal amount of acquisition indebtedness over the average adjusted basis of the property for the year. UGA currently does not anticipate that it will borrow money to acquire investments; however, UGA cannot be certain that it will not borrow for such purpose in the future. In addition, an exempt organization unitholder that incurs acquisition indebtedness to purchase its units in UGA may have UBTI.

The federal tax rate applicable to an exempt organization unitholder on its UBTI generally will be either the corporate or trust tax rate, depending upon the unitholder s form of organization. UGA may report to each such unitholder information as to the portion, if any, of the unitholder s income and gains from UGA for any year that will be treated as UBTI; the calculation of that amount is complex, and there can be no assurance that UGA s calculation of UBTI will be accepted by the Service. An exempt organization unitholder will be required to make payments of estimated federal income tax with respect to its UBTI.

Regulated Investment Companies. Under recently enacted legislation, interests in and income from qualified publicly traded partnerships satisfying certain gross income tests are treated as qualifying assets and income, respectively, for purposes of determining eligibility for regulated investment company (RIC) status. A RIC may invest up to 25% of its assets in interests in a qualified publicly traded partnership. The determination of whether a publicly traded partnership such as UGA is a qualified publicly traded partnership is made on an annual basis. UGA expects to be a qualified publicly traded partnership in each of its taxable years. However, such qualification is not assured.

Non-U.S. Unitholders

Generally, non-U.S. persons who derive U.S. source income or gain from investing or engaging in a U.S. business are taxable on two categories of income. The first category consists of amounts that are fixed, determinable, annual and periodic income, such as interest, dividends and rent that are not connected with the operation of a U.S. trade or business (FDAP). The second category is income that is effectively connected with the conduct of a U.S. trade or business (ECI). FDAP income (other than interest that is considered portfolio interest) is generally subject to a 30 percent withholding tax, which may be reduced for certain categories of income by a treaty between the U.S. and the recipient s country of residence. In contrast, ECI is

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generally subject to U.S. tax on a net basis at graduated rates upon the filing of a U.S. tax return. Where a non-U.S. person has ECI as a result of an investment in a partnership, the ECI is subject to a withholding tax at a rate of 35 percent for both individual and corporate unitholders.

Withholding on Allocations and Distributions. The Code provides that a non-U.S. person who is a partner in a partnership that is engaged in a U.S. trade or business during a taxable year will also be considered to be engaged in a U.S. trade or business during that year. Classifying an activity by a partnership as an investment or an operating business is a factual determination. Under certain safe harbors in the Code, an investment fund whose activities consist of trading in stocks, securities, or commodities for its own account generally will not be considered to be engaged in a U.S. trade or business unless it is a dealer is such stocks, securities, or commodities. This safe harbor applies to investments in commodities only if the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place. Although the matter is not free from doubt, UGA believes that the activities directly conducted by UGA do not result in UGA being engaged in a trade or business within in the United States. However, there can be no assurance that the IRS would not successfully assert that UGA s activities constitute a U.S. trade or business.

In the event that UGA s activities were considered to constitute a U.S. trade or business, UGA would be required to withhold at the highest rate specified in Code section 1 (currently 35 percent) on allocations of our income to non-U.S. unitholders. A non-U.S. unitholder with ECI will generally be required to file a U.S. federal income tax return, and the return will provide the non-U.S. unitholder with the mechanism to seek a refund of any withholding in excess of such unitholder s actual U.S. federal income tax liability. Any amount withheld by UGA will be treated as a distribution to the non-U.S. unitholder.

If UGA is not treated as engaged in a U.S. trade or business, a non-U.S. unitholder may nevertheless be treated as having FDAP income, which would be subject to a 30 percent withholding tax (possibly subject to reduction by treaty), with respect to some or all of its distributions from UGA or its allocable share of UGA income. Amounts withheld on behalf of a non-U.S. unitholder will be treated as being distributed to such unitholder.

To the extent any interest income allocated to a non-U.S. unitholder that otherwise constitutes FDAP is considered portfolio interest, neither the allocation of such interest income to the non-U.S. unitholder nor a subsequent distribution of such interest income to the non-U.S. unitholder will be subject to withholding, provided that the non-U.S. unitholder is not otherwise engaged in a trade or business in the U.S. and provides UGA with a timely and properly completed and executed IRS Form W-8BEN or other applicable form. In general, portfolio interest is interest paid on debt obligations issued in registered form, unless the recipient owns 10 percent or more of the voting power of the issuer.

Most of UGA s interest income qualifies as portfolio interest. In order for UGA to avoid withholding on any interest income allocable to non-U.S. unitholders that would qualify as portfolio interest, it will be necessary for all non-U.S. unitholders to provide UGA with a timely and properly completed and executed Form W-8BEN (or other applicable form). If a non-U.S. unitholder fails to provide a properly completed Form W-8BEN, the General Partner may request that the non-U.S. unitholder provide, within 15 days after the request by the General Partner, a properly completed Form W-8BEN. If a non-U.S. unitholder fails to comply with this request, the units owned by such non-U.S. unitholder will be subject to redemption.

Gain from Sale of Units. Gain from the sale or exchange of the units may be taxable to a non-U.S. unitholder if the non-U.S. unitholder is a nonresident alien individual who is present in the U.S. for 183 days or more during the taxable year. In such case, the nonresident alien individual will be subject to a 30 percent withholding tax on the amount of such individual s gain.

Branch Profits Tax on Corporate Non-U.S. Unitholders. In addition to the taxes noted above, any non-U.S. unitholders that are corporations may also be subject to an additional tax, the branch profits tax, at a rate of 30 percent. The branch profits tax is imposed on a non-U.S. corporation s dividend equivalent amount, which generally consists of the corporation s after-tax earnings and profits that are effectively connected with

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the corporation s U.S. trade or business but are not reinvested in a U.S. business. This tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the non-U.S. unitholder is a qualified resident.

Prospective non-U.S. unitholders should consult their tax advisor with regard to these and other issues unique to non-U.S. unitholders.

Backup Withholding

UGA may be required to withhold U.S. federal income tax (backup withholding) at a rate of 28 percent from all taxable distributions payable to: (1) any unitholder who fails to furnish UGA with his, her or its correct taxpayer identification number or a certificate that the unitholder is exempt from backup withholding, and (2) any unitholder with respect to whom the IRS notifies UGA that the unitholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. Backup withholding is not an additional tax and may be returned or credited against a taxpayer s regular federal income tax liability if appropriate information is provided to the IRS.

Other Tax Considerations

In addition to federal income taxes, unitholders may be subject to other taxes, such as state and local income taxes, unincorporated business taxes, business franchise taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which UGA does business or owns property or where the unitholders reside. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on its investment in UGA. It is each unitholder s responsibility to file the appropriate U.S. federal, state, local, and foreign tax returns. Sutherland Asbill & Brennan LLP has not provided an opinion concerning any aspects of state, local or foreign tax or U.S. federal tax other than those U.S. federal income tax issues discussed herein.

Investment by ERISA Accounts

General

Most employee benefit plans and individual retirement accounts (IRAs) are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA) or the Internal Revenue Code of 1986, as amended (the Code), or both. This section discusses certain considerations that arise under ERISA and the Code that a fiduciary of an employee benefit plan as defined in ERISA or a plan as defined in Section 4975 of the Code who has investment discretion should take into account before deciding to invest the plan s assets in UGA. Employee benefit plans and plans are collectively referred to below as plans, and fiduciaries with investment discretion are referred to below as plan fiduciaries.

This summary is based on the provisions of ERISA and the Code as of the date hereof. This summary is not intended to be complete, but only to address certain questions under ERISA and the Code likely to be raised by your advisors. The summary does not include state or local law.

Potential plan investors are urged to consult with their own professional advisors concerning the appropriateness of an investment in UGA and the manner in which units should be purchased.

Special Investment Considerations

Each plan fiduciary must consider the facts and circumstances that are relevant to an investment in UGA, including the role that an investment in UGA would play in the plan s overall investment portfolio. Each plan fiduciary, before deciding to invest in UGA, must be satisfied that the investment is prudent for the plan, that the investments of the plan are diversified so as to minimize the risk of large losses and that an investment in UGA complies with the terms of the plan.

UGA and Plan Assets

A regulation issued under ERISA contains rules for determining when an investment by a plan in an equity interest of a limited partnership will result in the underlying assets of the partnership being deemed plan assets for purposes of ERISA and Section 4975 of the Code. Those rules provide that assets of a limited

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partnership will not be plan assets of a plan that purchases an equity interest in the partnership if the equity interest purchased is a publicly-offered security. If the underlying assets of a partnership are considered to be assets of any plan for purposes of ERISA or Section 4975 of the Code, the operations of that partnership would be subject to and, in some cases, limited by, the provisions of ERISA and Section 4975 of the Code.

The publicly-offered security exception described above applies if the equity interest is a security that is:

1. freely transferable (determined based on the relevant facts and circumstances);

2. part of a class of securities that is widely held (meaning that the class of securities is owned by 100 or more investors independent of the issuer and of each other); and

3. either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act or (b) sold to the plan as part of a public offering pursuant to an effective registration statement under the Securities Act of 1933 and the class of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer in which the offering of such security occurred.

The plan asset regulations under ERISA state that the determination of whether a security is freely transferable is to be made based on all the relevant facts and circumstances. In the case of a security that is part of an offering in which the minimum investment is $10,000 or less, the following requirements, alone or in combination, ordinarily will not affect a finding that the security is freely transferable: (1) a requirement that no transfer or assignment of the security or rights relating to the security be made that would violate any federal or state law, (2) a requirement that no transfer or assignment be made without advance written notice given to the entity that issued the security, and (3) any restriction on the substitution of assignee as a limited partner of a partnership, including a general partner consent requirement, provided that the economic benefits of ownership of the assignor may be transferred or assigned without regard to such restriction or consent (other than compliance with any of the foregoing restrictions).

The General Partner believes that the conditions described above are satisfied with respect to the units. The General Partner believes that the units therefore constitute publicly-offered securities, and the underlying assets of UGA are not considered to constitute plan assets of any plan that purchases units.

Prohibited Transactions

ERISA and the Code generally prohibit certain transactions involving the plan and persons who have certain specified relationships to the plan.

In general, units may not be purchased with the assets of a plan if the General Partner, the clearing brokers, the trading advisors (if any), or any of their affiliates, agents or employees either:

exercise any discretionary authority or discretionary control with respect to management of the plan;
exercise any authority or control with respect to management or disposition of the assets of the plan;
render investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the plan;
have any authority or responsibility to render investment advice with respect to any monies or other property of the plan; or
have any discretionary authority or discretionary responsibility in the administration of the plan.

Also, a prohibited transaction may occur under ERISA or the Code when circumstances indicate that (1) the investment in a unit is made or retained for the purpose of avoiding application of the fiduciary standards of ERISA, (2) the investment in a unit constitutes an arrangement under which UGA is expected to engage in transactions that would otherwise be prohibited if entered into directly by the plan purchasing the unit, (3) the investing plan, by itself, has the authority or influence to cause UGA to engage in such transactions, or (4) a person who is prohibited from transacting with the investing plan may, but only with the aid of certain of its affiliates and the investing plan, cause UGA to engage in such transactions with such person.

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Special IRA Rules

IRAs are not subject to ERISA s fiduciary standards, but are subject to their own rules, including the prohibited transaction rules of Section 4975 of the Code, which generally mirror ERISA s prohibited transaction rules. For example, IRAs are subject to special custody rules and must maintain a qualifying IRA custodial arrangement separate and distinct from UGA and its custodial arrangement. Otherwise, if a separate qualifying custodial arrangement is not maintained, an investment in the units will be treated as a distribution from the IRA. Second, IRAs are prohibited from investing in certain commingled investments, and the General Partner makes no representation regarding whether an investment in units is an inappropriate commingled investment for an IRA. Third, in applying the prohibited transaction provisions of Section 4975 of the Code, in addition to the rules summarized above, the individual for whose benefit the IRA is maintained is also treated as the creator of the IRA. For example, if the owner or beneficiary of an IRA enters into any transaction, arrangement, or agreement involving the assets of his or her IRA to benefit the IRA owner or beneficiary (or his or her relatives or business affiliates) personally, or with the understanding that such benefit will occur, directly or indirectly, such transaction could give rise to a prohibited transaction that is not exempted by any available exemption. Moreover, in the case of an IRA, the consequences of a non-exempt prohibited transaction are that the IRA s assets will be treated as if they were distributed, causing immediate taxation of the assets (including any early distribution penalty tax applicable under Section 72 of the Code), in addition to any other fines or penalties that may apply.

Exempt Plans

Certain employee benefit plans may be governmental plans or church plans. Governmental plans and church plans are generally not subject to ERISA, nor do the above-described prohibited transaction provisions described above apply to them. These plans are, however, subject to prohibitions against certain related-party transactions under Section 503 of the Code, which operate similar to the prohibited transaction rules described above. In addition, the fiduciary of any governmental or church plan must consider any applicable state or local laws and any restrictions and duties of common law imposed upon the plan.

No view is expressed as to whether an investment in UGA (and any continued investment in UGA), or the operation and administration of UGA, is appropriate or permissible for any governmental plan or church plan under Code Section 503, or under any state, county, local or other law relating to that type of plan.

Allowing an investment in UGA is not to be construed as a representation by UGA, its General Partner, any trading advisor, any clearing broker, the Marketing Agent or legal counsel or other advisors to such parties or any other party that this investment meets some or all of the relevant legal requirements with respect to investments by any particular plan or that this investment is appropriate for any such particular plan. The person with investment discretion should consult with the plan s attorney and financial advisors as to the propriety of an investment in UGA in light of the circumstances of the particular plan, current tax law and ERISA.

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INFORMATION YOU SHOULD KNOW

This prospectus contains information you should consider when making an investment decision about the units. You may rely on the information contained in this prospectus. Neither UGA nor its General Partner has authorized any person to provide you with different information and, if anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell the units in any jurisdiction where the offer or sale of the units is not permitted.

The information contained in this prospectus was obtained from us and other sources believed by us to be reliable.

You should rely only on the information contained in this prospectus or any applicable prospectus supplement. We have not authorized anyone to provide you with any information that is different. If you receive any unauthorized information, you must not rely on it. You should disregard anything we said in an earlier document that is inconsistent with what is included in this prospectus or any applicable prospectus supplement. Where the context requires, when we refer to this prospectus, we are referring to this prospectus and (if applicable) the relevant prospectus supplement.

You should not assume that the information in this prospectus or any applicable prospectus supplement is current as of any date other than the date on the front page of this prospectus or the date on the front page of any applicable prospectus supplement.

We include cross references in this prospectus to captions in these materials where you can find further related discussions. The table of contents tells you where to find these captions.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements which generally relate to future events or future performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, pla anticipate, believe, estimate, predict, potential or the negative of these terms or other comparable terminology statements (other than statements of historical fact) included in this prospectus that address activities, events or developments that will or may occur in the future, including such matters as changes in inflation in the United States, movements in the stock market, movements in U.S. and foreign currencies, and movements in the commodities markets and indexes that track such movements, UGA s operations, the General Partner s plans and references to UGA s future success and other similar matters, are forward-looking statements. These statements are only predictions. Actual events or results may differ materially. These statements are based upon certain assumptions and analyses the General Partner has made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. Whether or not actual results and developments will conform to the General Partner s expectations and predictions, however, is subject to a number of risks and uncertainties, including the special considerations discussed in this prospectus, general economic, market and business conditions, changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies, and other world economic and political developments. See What Are the Risk Factors Involved with an Investment in UGA? Consequently, all the forward-looking statements made in this prospectus are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the General Partner anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, UGA s operations or the value of the units.

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WHERE YOU CAN FIND MORE INFORMATION

The General Partner has filed on behalf of UGA a registration statement on Form S-1 with the SEC under the Securities Act of 1933. This prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about UGA or the units, please refer to the registration statement, which you may inspect, without charge, at the public reference facilities of the SEC at the below address or online at www.sec.gov, or obtain at prescribed rates from the public reference facilities of the SEC at the below address. Information about UGA and the units can also be obtained from UGA s website, which is *www.unitedstatesgasolinefundcom*. UGA s website address is only provided here as a convenience to you and the information contained on or connected to the website is not part of this prospectus or the registration statement of which this prospectus is part. UGA is subject to the informational requirements of the Exchange Act and the General Partner and UGA will each, on behalf of UGA, file certain reports and other information with the SEC. The General Partner will file an updated prospectus annually for UGA pursuant to the Securities Act. The reports and other information can be inspected at the public reference facilities of the SEC located at 100 F Street, NE, Washington, D.C. 20549 and online at *www.sec.gov*. You may also obtain copies of such material from the public reference facilities of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates. You may obtain more information concerning the operation of the public reference facilities of the SEC by calling the SEC at 1-800-SEC-0330 or visiting online at *www.sec.gov*.

SUMMARY OF PROMOTIONAL AND SALES MATERIAL

UGA uses the following promotional or sales material.

UGA s website, www.unitedstatesgasolinefund.com, and
Fact sheet found on UGA s website.

The materials described above are not a part of this prospectus or the registration statement of which this prospectus is a part and have been submitted to the staff of the Securities and Exchange Commission for their review pursuant to Industry Guide 5.

PATENT APPLICATION PENDING

A patent application by the General Partner directed to the creation and operation of USOF, which would apply to UGA, is pending and the General Partner s registration of UGA s trademarks is in process at the United States Patent and Trademark Office. The patent application pertains to the structure of UGA and the Related Public Funds managed by the General Partner. The General Partner does not believe that rejection or modification of the patent application will have a material adverse effect on the operations of UGA or the Related Public Funds.

The General Partner owns trademark registrations for UNITED STATES GASOLINE FUND (U.S. Reg. No. 3486625) for fund investment services in the field of gasoline futures contracts, cash-settled options on gasoline futures contracts, forward contracts for gasoline, over-the-counter transactions based on the price of gasoline, and indices based on the foregoing, in use since February 22, 2008, and UGA UNITED STATES GASOLINE FUND, LP (and Design) (U.S. Reg. No. 3638984) for investment services in the field of gasoline futures contracts and other gasoline related investments, in use since February 26, 2008. UGA relies upon these trademarks through which it markets its services and strives to build and maintain brand recognition in the market and among current and potential

investors. So long as UGA continues to use these trademarks to identify its services, without challenge from any third party, and properly maintains and renews the trademarks registration under applicable laws, rules and regulations, it will continue to have indefinite protection for these trademarks under current laws, rules and regulations.

The General Partner owns trademark registrations for UNITED STATES COMMODITY FUNDS (U.S. Reg. No. 3600670) for fund investment services, in use since June 24, 2008, and USCF (U.S. Reg. No. 3638987) for fund investment services, in use since June 26, 2008. The General Partner relies upon these trademarks through which it markets its services and strives to build and maintain recognition in the market and among current and potential investors. So long as the General Partner continues to use these trademarks to identify its services, without challenge from any third party, and properly maintains and renews the trademarks registration under applicable laws, rules and regulations, it will continue to have indefinite protection for these trademarks under current laws, rules and regulations.

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INCORPORATION BY REFERENCE OF CERTAIN INFORMATION

We are a reporting company and file annual, quarterly and current reports and other information with the SEC. The rules of the SEC allow us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC on March 31, 2009, as amended by Amendment No. 1 on Form 10K/A, filed with the SEC on August 19, 2009;
our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, filed with the SEC on May 15, 2009, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, filed with the SEC on August 13, 2009; our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, filed with the SEC on November 16, 2009.
our Current Reports on Form 8-K filed with the SEC on January 30, 2009; February 27, 2009; March 30, 2009; March 31, 2009; April 30, 2009; May 29, 2009; June 30, 2009; July 30, 2009; August 18, 2009; August 28, 2009; September 30, 2009; October 30, 2009; and November 30, 2009.

Any statement contained in a document incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide to each person to whom a prospectus is delivered, including any beneficial owner, a copy of these filings at no cost, upon written or oral request at the following address or telephone number:

United States Gasoline Fund, LP
Attention: Nicholas D. Gerber
1320 Harbor Bay Parkway, Suite 145
Alameda, CA 94502
(510) 522-9600

Our internet website is *www.unitedstatesgasolinefund.com*. We make our electronic filings with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports available on our website free of charge as soon as practicable after we file or furnish them with the SEC. The information contained on our website does not constitute a part of this prospectus, and our website address supplied above is intended to be an inactive textual reference only and not an active hyperlink to our website.

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APPENDIX A

Glossary of Defined Terms

In this prospectus, each of the following terms have the meanings set forth after such term:

Administrator: Brown Brothers Harriman & Co.

Authorized Purchaser: One that purchases or redeems Creation Baskets or Redemption Baskets, respectively, from or to UGA.

Benchmark Futures Contract: The near month contract to expire for gasoline traded on the New York Mercantile Exchange unless the near month contract is within two weeks of expiration, in which case the Benchmark Futures Contract is the next month contract to expire for gasoline traded on the New York Mercantile Exchange

Block Trading: Privately negotiated futures or option transactions executed apart from the public auction market. A block transaction may be executed either on or off the exchange trading floor but is still reported to and cleared by the exchange.

Business Day: Any day other than a day when any of the American Stock Exchange, the New York Mercantile Exchange or the New York Stock Exchange is closed for regular trading.

CFTC: Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and options in the United States.

Code: Internal Revenue Code.

Commodity Pool: An enterprise in which several individuals contribute funds in order to trade futures or future options collectively.

Commodity Pool Operator or CPO: Any person engaged in a business which is of the nature of an investment trust, syndicate, or similar enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery or commodity option on or subject to the rules of any contract market.

Creation Basket: A block of 100,000 units used by UGA to issue units.

Custodian: Brown Brothers Harriman & Co.

DTC: The Depository Trust Company. DTC will act as the securities depository for the units.

DTC Participant: An entity that has an account with DTC.

DTEF: A derivatives transaction execution facility.

Exchange for Physical (EFP): An off market transaction which involves the swapping (or exchanging) of an over-the-counter (OTC) position for a futures position. The OTC transaction must be for the same or similar quantity or amount of a specified commodity, or a substantially similar commodity or instrument. The OTC side of the EFP can include swaps, swap options, or other instruments traded in the OTC market. In order that an EFP transaction can take place, the OTC side and futures components must be substantially similar in terms of either value and or quantity. The net result is that the OTC position (and the inherent counterparty credit exposure) is transferred from the OTC market to the futures market. EFPs can also work in reverse, where a futures position can be reversed and transferred to the OTC market.

Exchange for Swap: A technique, analogous to an EFP transaction used by financial institutions to avoid taking physical delivery of commodities. A dealer takes the financial institution s futures positions into its own account and swaps the commodity return for a funding rate.

FINRA: Financial Industry Regulatory Authority.

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Futures Contracts: Futures contracts for gasoline, crude oil, heating oil, natural gas, and other petroleum-based fuels that are traded on the New York Mercantile Exchange, ICE Futures or other U.S. and foreign exchanges.

Gasoline: Unleaded gasoline, also known as reformulated gasoline blendstock for oxygen blending, or RBOB , for delivery to the New York harbor.

Gasoline Interests: Futures Contracts and Other Gasoline-Related Investments.

General Partner: United States Commodity Funds LLC, a Delaware limited liability company, which is registered as a Commodity Pool Operator, who controls the investments and other decisions of UGA.

ICE Futures: The leading electronic regulated futures and options exchange for global energy markets. Its trading platform offers participants access to a wide spectrum of energy futures products including the Brent and West Texas Intermediate (WTI) global crude benchmark contracts, Gas, Oil, Natural Gas, Electricity, Coal, and ECX carbon financial instruments.

Indirect Participants: Banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investor: Beneficial owner of the units.

Limited Liability Company (LLC): A type of business ownership combining several features of corporation and partnership structures.

LP Agreement: The Amended and Restated Agreement of Limited Partnership dated February 11, 2008.

Margin: The amount of equity required for an investment in futures contracts.

Marketing Agent: ALPS Distributers, Inc.

mmBTU: 10,000 million British thermal units.

NASAA: North American Securities Administration Association, Inc.

NAV: Net Asset Value of UGA.

NFA: National Futures Association.

NSCC: National Securities Clearing Corporation.

New York Mercantile Exchange: The primary exchange on which futures contracts are traded in the U.S. UGA expects to invest primarily in futures contracts, and particularly in futures contracts traded on the New York Mercantile Exchange. UGA expressly disclaims any association with the Exchange or endorsement of UGA by the Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.

Option: The right, but not the obligation, to buy or sell a futures contract or forward contract at a specified price on or before a specified date.

Other Gasoline-Related Investments: Gasoline-related investments other than Futures Contracts such as cash-settled options on Futures Contracts, forward contracts for gasoline, and over-the-counter transactions that are based on the price of gasoline, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing.

Over-the-Counter (OTC) Derivative: A financial contract, whose value is designed to track the return on stocks, bonds, currencies, commodities, or some other benchmark, that is traded over-the-counter or off organized exchanges.

Redemption Basket: A block of 100,000 units used by UGA to redeem units.

SEC: Securities and Exchange Commission.

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Secondary Market: The stock exchanges and the over-the-counter market. Securities are first issued as a primary offering to the public. When the securities are traded from that first holder to another, the issues trade in these secondary markets.

Spot Contract: A cash market transaction in which the buyer and seller agree to the immediate purchase and sale of a commodity, usually with a two-day settlement.

Swap Contract: An over-the-counter derivative that generally involves an exchange of a stream of payments between the contracting parties based on a notional amount and a specified index.

Tracking Error: Possibility that the daily NAV of UGA will not track the price of gasoline.

Treasuries: Obligations of the U.S. government with remaining maturities of 2 years or less.

UGA: United States Gasoline Fund, LP.

US12NG: United States 12 Month Natural Gas Fund, LP.

US12OF: United States 12 Month Oil Fund, LP.

USBO: United States Brent Oil Fund, L.P.

USHO: United States Heating Oil Fund, LP.

USNG: United States Natural Gas Fund, LP.

USOF: United States Oil Fund, LP.

USSO: United States Short Oil Fund, L.P.

Valuation Day: Any day as of which UGA calculates its NAV.

You: The owner of units.

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UNITED STATES GASOLINE FUND, LP
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

This Amended and Restated Agreement of Limited Partnership (this *Agreement*) executed on February 11, 2008, is entered into by and among Victoria Bay Asset Management, LLC, a Delaware limited liability company, as General Partner, Wainwright Holdings, Inc., a Delaware corporation, as the Organizational Limited Partner, and Kellogg Capital Group, LLC as a Limited Partner, together with any Persons who shall hereafter be admitted as Partners in accordance with this Agreement.

WHEREAS, the General Partner and the Organizational Limited Partner are parties to that certain limited partnership agreement entered into on April 12, 2007 (the *LP Agreement*), regarding the operation of the Partnership and their rights and obligations thereunder; and

WHEREAS, the Organizational Limited Partner and the General Partner now desire to amend and restate the LP Agreement regarding the operation of the Partnership;

NOW THEREFORE, in consideration of the mutual promises and agreements herein made, the Partners, intending to be legally bound, hereby agree to amend and restate the LP Agreement in its entirety as follows:

ARTICLE 1
Definitions

As used in this Agreement, the following terms shall have the following meanings:

1.1 *Accounting Period* shall mean the following periods: the initial accounting period which shall commence upon the commencement of operations of the Partnership. Each subsequent Accounting Period shall commence immediately after the close of the preceding Accounting Period. Each Accounting Period hereunder shall close on the earliest of (i) the last Business Day of a month, (ii) the effective date of dissolution of the Partnership, and (iii) such other day or days in addition thereto or in substitution therefore as may from time to time be determined by the General Partner in its discretion either in any particular case or generally.

1.2 *Act* shall mean the Revised Uniform Limited Partnership Act of the State of Delaware, as amended from time to time.

1.3 *Additional Limited Partner* shall mean a Person admitted to the Partnership as a Limited Partner pursuant to this Agreement and who is shown as such on the books and records of the Partnership.

1.4 *Affiliate* shall mean, when used with reference to a specified Person, (i) any Person who directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the specified Person or (ii) any Person that is an officer of, partner in, or trustee of, or serves in a similar capacity with respect to, the specified Person or of which the specified Person is an officer, partner or trustee, or with respect to which the specified Person serves in a similar capacity.

1.5 *Assignee* shall mean a Record Holder that has not been admitted to the Partnership as a Substituted Limited Partner.

1.6 *Agreement* shall mean this Amended and Restated Agreement of Limited Partnership as may be amended, modified, supplemented or restated from time to time.

1.7 *Authorized Purchaser Agreement* shall mean an agreement among the Partnership, the General Partner and a Participant, as may be amended or supplemented from time to time in accordance with its terms.

1.8 *Business Day* shall mean any day other than a day on which the American Stock Exchange, the New York Mercantile Exchange or the New York Stock Exchange is closed for regular trading.

1.9 *Beneficial Owner* shall mean the ultimate beneficial owner of Units held by a nominee which has furnished the identity of the Beneficial Owner in accordance with Section 6031(c) of the Code (or any other method acceptable to the General Partner in its sole discretion) and with Section 9.2.2 of this Agreement.

1.10 *Capital Account* shall have the meaning assigned to such term in Section 4.1.

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1.11 *Capital Contribution* shall mean the total amount of money or agreed-upon value of property contributed to the Partnership by all the Partners or any class of Partners or any one Partner, as the case may be (or the predecessor holders of the interests of such Partner or Partners).

1.12 *Capital Transaction* shall mean a sale of all or substantially all of the assets of the Partnership not in the ordinary course of business.

1.13 *Certificate* shall mean a certificate issued by the Partnership evidencing ownership of one or more Units.

1.14 *Close of Business* shall mean 5:00 PM New York time.

1.15 *Creation Basket* shall mean 100,000 Units, or such other number of Units as may be determined by the General Partner from time to time, purchased by a Participant.

1.16 *Code* shall mean the Internal Revenue Code of 1986, as amended.

1.17 *Departing Partner* shall mean a former General Partner, from and after the effective date of any withdrawal or removal of such former General Partner.

1.18 *Depository* or *DTC* shall mean The Depository Trust Company, New York, New York, or such other depository of Units as may be selected by the General Partner as specified herein.

1.19 *Depository Agreement* shall mean the Letter of Representations from the General Partner to the Depository, dated as of January 16, 2008, as may be amended or supplemented from time to time.

1.20 *Distributable Cash* shall mean, with respect to any period, all cash revenues of the Partnership (not including (i) Capital Contributions, (ii) funds received by the Partnership in respect of indebtedness incurred by the Partnership, (iii) interest or other income earned on temporary investments of Partnership funds pending utilization, and (iv) proceeds from any Capital Transaction), less the sum of the following: (x) all amounts expended by the Partnership pursuant to this Agreement in such period and (y) such working capital or reserves or other amounts as the General Partner reasonably deems to be necessary or appropriate for the proper operation of the Partnership s business or its winding up and liquidation. The General Partner in its sole discretion may from time to time declare other funds of the Partnership to be Distributable Cash.

1.21 *DTC Participants* shall have the meaning assigned to such term in Section 9.2.2.

1.22 *General Partner* shall mean Victoria Bay Asset Management, LLC, a Delaware limited liability company, or any Person who, at the time of reference thereto, serves as a general partner of the Partnership.

1.23 *Global Certificates* shall mean the global certificate or certificates issued to the Depository as provided in the Depository Agreement, each of which shall be in substantially the form attached hereto as Exhibit A.

1.24 *Indirect Participants* shall have the meaning assigned to such term in Section 9.2.2.

1.25 *Initial Limited Partner* shall have the meaning assigned to such term in Section 3.3.

1.26 *Initial Offering Period* shall mean the period commencing with the initial effective date of the Prospectus and terminating no later than the ninetieth (90th) day following such date unless extended for up to an additional 90 days

at the sole discretion of the General Partner.

1.27 *Limited Partner* shall mean the Organizational Limited Partner prior to its withdrawal from the Partnership and any other Person who is a limited partner (whether the Initial Limited Partner, a Limited Partner admitted pursuant to this Agreement or an assignee who is admitted as a Limited Partner) at the time of reference thereto, in such Person s capacity as a limited partner of the Partnership.

1.28 *Management Fee* shall mean the management fee paid to the General Partner pursuant to this Agreement.

1.29 *Net Asset Value* or *NAV* shall mean the current market value of the Partnership s total assets, less any liabilities, as reasonably determined by the General Partner or its designee.

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1.30 *Opinion of Counsel* shall mean a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner) acceptable to the General Partner.

1.31 *Organizational Limited Partner* shall mean Wainwright Holdings, Inc., a Delaware corporation, in its capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

1.32 *Outstanding* shall mean, with respect to the Units or other Partnership Securities, as the case may be, all Units or other Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership s books and records as of the date of determination.

1.33 *Participant* shall mean a Person that is a DTC Participant and has entered into an Authorized Purchaser Agreement which, at the relevant time, is in full force and effect.

1.34 *Partner* shall mean the General Partner or any Limited Partner. *Partners* shall mean the General Partner and all Limited Partners (unless otherwise indicated).

1.35 *Partnership* shall mean the limited partnership hereby formed, as such limited partnership may from time to time be constituted.

1.36 *Partnership Securities* shall mean any additional Units, options, rights, warrants or appreciation rights relating thereto, or any other type of equity security that the Partnership may lawfully issue, any unsecured or secured debt obligations of the Partnership or debt obligations of the Partnership convertible into any class or series of equity securities of the Partnership.

1.37 *Person* shall mean any natural person, partnership, limited partnership, limited liability company, trust, estate, corporation, association, custodian, nominee or any other individual or entity in its own or any representative capacity.

1.38 *Profit or Loss* with respect to any Accounting Period shall mean the excess (if any) of:

(a) the Net Asset Value as of the Valuation Time on the Valuation Date, less

(b) the Net Asset Value as of the Valuation Time on the Valuation Date immediately preceding the commencement of such Accounting Period,

adjusted as deemed appropriate by the General Partner to reflect any Capital Contributions, redemptions, withdrawals, distributions, or other events occurring or accounted for during such Accounting Period (including any allocation of Profit or Loss to a redeeming partner pursuant to Article 4.3.2 with respect to such Accounting Period).

If the amount determined pursuant to the preceding sentence is a positive number, such amount shall be the *Profit* for the Accounting Period and if such amount is a negative number, such amount shall be the *Loss* for the Accounting Period.

1.39 *Prospectus* shall mean the United States Gasoline Fund, LP prospectus, dated February 25, 2008, as the same may have been amended or supplemented, used in connection with the offer and sale of Units in the Partnership.

1.40 *Record Date* shall mean the date established by the General Partner for determining (a) the identity of Limited Partners (or Assignees if applicable) entitled to notice of, or to vote at any meeting of Limited Partners or entitled to vote by ballot or give approval of any Partnership action in writing without a meeting or entitled to exercise rights in

respect of any action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution.

1.41 *Record Holder* shall mean the Person in whose name such Unit is registered on the books of the Transfer Agent as of the open of business on a particular Business Day.

1.42 *Redeemable Units* shall mean any Units for which a redemption notice has been given.

1.43 *Redemption Basket* shall mean 100,000 Units or such other number of Units as may be determined by the General Partner from time to time, redeemed by a Participant.

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1.44 *Revolving Credit Facility* shall mean a revolving credit facility that the Partnership may enter into on behalf of the Partnership with one or more commercial banks or other lenders for liquidity or other purposes for the benefit of the Partnership.

1.45 *Substituted Limited Partner* shall mean a Person who is admitted as a Limited Partner to the Partnership pursuant to Article 11.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

1.46 *Tax Certificate* shall mean an Internal Revenue Service Form W-9 (or the substantial equivalent thereof) in the case of a Limited Partner that is a U.S. person within the meaning of the Code, or an Internal Revenue Service Form W-8BEN or other applicable form in the case of a Limited Partner that is not a U.S. person.

1.47 *Transfer Agent* shall mean Brown Brothers Harriman & Co. or such bank, trust company or other Person (including, without limitation, the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Units or any applicable Partnership Securities.

1.48 *Transfer Application* shall mean an application and agreement for transfer of Units, which shall be substantially in the form attached hereto as Exhibit C.

1.49 *Unit* shall mean an interest of a Limited Partner or an assignee of the Partnership representing such fractional part of the interests of all Limited Partners and assignees as shall be determined by the General Partner pursuant to this Agreement.

1.50 *Unit Register* shall have the meaning assigned to such term in Article 9.2.1.

1.51 *Unitholders* shall mean the General Partner and all holders of Units, where no distinction is required by the context in which the term is used.

1.52 *Valuation Date* shall mean the last Business Day of any Accounting Period.

1.53 *Valuation Time* shall mean (i) Close of Business on a Valuation Date or (ii) such other time or day as the General Partner in its discretion may determine from time to time either in any particular case or generally.

ARTICLE 2
General Provisions

2.1 This Agreement shall become effective on the date set forth in the preamble of this Agreement. The rights and liabilities of the Partners shall be as set forth in the Act, except as herein otherwise expressly provided. The Partnership shall continue without interruption as a limited partnership pursuant to the provisions of the Act.

2.2 The name of the Partnership shall be United States Gasoline Fund, LP; however, the business of the Partnership may be conducted, upon compliance with all applicable laws, under any other name designated in writing by the General Partner to the Limited Partners.

2.3 The Partnership s principal place of business shall be located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502 or such other place as the General Partner may designate from time to time. The registered agent for

the Partnership is Corporation Service Company and the registered office is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, County of New Castle. The Partnership may maintain such other offices at such other places as the General Partner deems advisable.

2.4 The investment objective of the Partnership is for changes in percentage terms of the Units NAV to reflect the changes in percentage terms of the price of unleaded gasoline (also known as reformulated gasoline blendstock for oxygen blending, or RBOB , for delivery to New York harbor), as measured by the Benchmark Futures Contract, less the Partnership s expenses. It is not the intent of the Partnership to be operated in such a fashion such that its NAV will equal, in dollar terms, the dollar price of spot gasoline or any particular futures contract based on gasoline. The Partnership will invest in futures contracts for gasoline, crude oil, natural gas, heating oil, and other petroleum based fuels that are traded on the New York Mercantile

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Exchange, ICE Futures or other U.S. and foreign exchanges (collectively, *Gasoline Futures Contracts*) and other gasoline related investments such as cash-settled options on Gasoline Futures Contracts, forward contracts for gasoline, and over-the-counter transactions that are based on the price of gasoline, oil and other petroleum-based fuels, Gasoline Futures Contracts and indices based on the foregoing.

2.5 The term of the Partnership shall be from the date of its formation in perpetuity, unless earlier terminated in accordance with the terms of this Agreement.

2.6 The General Partner shall execute, file and publish all such certificates, notices, statements or other instruments required by law for the formation or operation of a limited partnership in all jurisdictions where the Partnership may elect to do business. The General Partner shall not be required to deliver or mail to the Limited Partners a copy of the certificate of limited partnership of the Partnership or any certificate of amendment thereto.

2.7 The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes, business, protection and benefit of the Partnership.

2.8 The business and affairs of the Partnership shall be managed by the General Partner in accordance with Article 7 hereof. The General Partner has seven directors, a majority of whom may also be executive officers of the General Partner. The General Partner shall establish and maintain an audit committee of its board of directors for the Partnership (the *Audit Committee*) in compliance with, and granted the requisite authority and funding pursuant to, any applicable (1) federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002, and (2) rules, policies and procedures of any national securities exchange on which the securities issued by the Partnership are listed and traded.

ARTICLE 3
Partners and Capital Contributions

3.1 *General Partner.*

3.1.1 The name of the General Partner is Victoria Bay Asset Management, LLC, which maintains its principal business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502.

3.1.2 In consideration of management and administrative services rendered by the General Partner, the Partnership shall pay the Management Fee to the General Partner (or such other person or entity designated by the General Partner) including the payment of expenses in the ordinary course of business.Expenses in the ordinary course of business shall not include the payment of (i) brokerage fees, (ii) licensing fees for the use of intellectual property used by the Partnership, or (iii) registration or other fees paid to the Securities and Exchange Commission *(SEC)*, the Financial Industry Regulatory Authority (*FINRA*), or any other regulatory agency in connection with the offer and sale of the Units and all legal, accounting, printing and other expenses associated therewith; provided, however, that the fees and expenses incurred under (iii) in connection with the initial public offering of the Units shall be paid by the General Partner. The Partnership also pays (i) the fees and expenses, including directors and officers liability insurance, of the independent directors, and (ii) the fees and expenses associated with its tax accounting and reporting requirements with the exception of any fees for implementation of services and base service fees charged by the accounting firm responsible for preparing the Partnership s tax reporting forms, as such fees will be paid by the

General Partner. The Management Fee shall be 0.60% of NAV. Fees and Expenses, including the Management Fee, are calculated on a daily basis and paid on a monthly basis (accrued at 1/365 of applicable percentage of NAV on that day). The General Partner may, in its sole discretion, waive all or part of the Management Fee. The Partnership shall be responsible for all extraordinary expenses (i.e., expenses not in the ordinary course of business, including, without limitation, the items listed above in this Section 3.1.2, the indemnification of any Person against liabilities and obligations to the extent permitted by law and required under this Agreement and the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation).

3.1.3 In connection with the formation of the Partnership under the Act, the General Partner acquired a 2% interest in the profits and losses of the Partnership and made an initial capital contribution to the Partnership in the amount of $20.00, and the Organizational Limited Partner acquired a 98% interest in the

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profits and losses of the Partnership and made an initial capital contribution to the Partnership in the amount of $980.00. As of the date of the initial offering of Units to the public, the interest of the Organizational Limited Partner shall be redeemed, the initial capital contribution of the Organizational Limited Partner shall be refunded, and the Organizational Limited Partner shall thereupon withdraw and cease to be a Limited Partner. Ninety-eight percent of any interest or other profit that may have resulted from the investment or other use of such initial capital contribution was allocated and distributed to the Organizational Limited Partner, and the balance thereof was allocated and distributed to the General Partner. The General Partner may but shall not be required to make Capital Contributions to the Partnership on or after the date hereof. If the General Partner does make a Capital Contribution to the Partnership on or after the date hereof, it shall be issued Units based on the same terms and conditions applicable to the purchase of a Creation Basket under Article 16 hereof.

3.1.4 The General Partner may not, without written approval by all of the Limited Partners or by other written instrument executed and delivered by all of the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement; (ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose; (iii) admit a Person as a Partner, except as otherwise provided in this Agreement; (iv) amend this Agreement in any manner, except as otherwise provided in this Agreement or under applicable law; or (v) transfer its interest as general partner of the Partnership, except as otherwise provided in this Agreement.

3.1.5 Except as otherwise provided herein, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership s assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other Person) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, taken as a whole, without the approval of at least a majority of the Limited Partners; provided, however, that this provision shall not preclude or limit the General Partner s ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Partnership s assets and shall not apply to any forced sale of any or all of the Partnership s assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

3.1.6 Unless approved by a majority of the Limited Partners, the General Partner shall not take any action or refuse to take any reasonable action the effect of which, if taken or not taken, as the case may be, would be to cause the Partnership, to the extent it would materially and adversely affect the Limited Partners, to be taxable as a corporation for federal income tax purposes.

3.1.7 Notwithstanding any other provision of this Agreement, the General Partner is not authorized to institute or initiate on behalf of, or otherwise cause the Partnership to:

(a) make a general assignment for the benefit of creditors;

(b) file a voluntary bankruptcy petition; or

(c) file a petition seeking for the Partnership a reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief under any law.

3.2 *Issuance of Units.* Units in the Partnership will only be issued in a Creation Basket or whole number multiples thereof.

3.3 *Initial Limited Partner.* The name of the Initial Limited Partner is Kellogg Capital Group, LLC (the *Initial Limited Partner*). The business address and Capital Contribution of the Initial Limited Partner are 55 Broadway, New York, NY 10006. The Initial Limited Partner shall purchase the initial Creation Basket at an initial offering price per Unit equal to $50 per Unit.

3.4 *Capital Contribution.* Except as otherwise provided in this Agreement, no Partner shall have any right to demand or receive the return of its Capital Contribution to the Partnership. No Partner shall be entitled to interest on any Capital Contribution to the Partnership or on such Partner s Capital Account.

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ARTICLE 4
Capital Accounts of Partners and Operation Thereof

4.1 *Capital Accounts.* There shall be established on the books and records of the Partnership for each Partner (or Beneficial Owner in the case of Units held by a nominee) a capital account (a *Capital Account*). It is intended that each Partner s Capital Account shall be maintained at all times in a manner consistent with Section 704 of the Code and applicable Treasury regulations thereunder, and that the provisions hereof relating to the Capital Accounts shall be interpreted in a manner consistent therewith. For each Accounting Period, the Capital Account of each Partner shall be:

(i) credited with the amount of any Capital Contributions made by such Partner during such Accounting Period;

(ii) credited with any allocation of Profit made to such Partner for such Accounting Period;

(iii) debited with any allocation of Loss made to such Partners for such Accounting Period; and

(iv) debited with the amount of cash paid to such Partner as an amount withdrawn or distributed to such Partner during such Accounting Period, or, in the case of any payment of a withdrawal or distribution in kind, the fair value of the property paid or distributed during such Accounting Period.

4.1.1 For any Accounting Period in which Units are issued or redeemed for cash or other property, the General Partner shall, in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), adjust the Capital Accounts of all Partners and the carrying value of each Partnership asset upward or downward to reflect any unrealized gain or unrealized loss attributable to each such Partnership asset, as if such unrealized gain or unrealized loss had been recognized on an actual sale of the asset and had been allocated to the Partners at such time pursuant to Article 4.2 of this Agreement in the same manner as any item of gain or loss actually recognized during such period would have been allocated.

4.1.2 To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

4.2 *Allocation of Profit or Loss.* Profit or Loss for an Accounting Period shall be allocated among the Partners in proportion to the number of Units each Partner holds as of the Close of Business on the last Business Day of such Accounting Period. The General Partner may revise, alter or otherwise modify this method of allocation to the extent it deems necessary to comply with the requirements of Section 704 or Section 706 of the Code and Treasury Regulations or administrative rulings thereunder.

4.3 *Allocations for Tax Purposes*

4.3.1 Except as otherwise provided in this Agreement, for each fiscal year of the Partnership, items of income, deduction, gain, loss, and credit recognized by the Partnership for federal income tax purposes shall be allocated among the Partners in a manner that equitably reflects the amounts credited or debited to each Partner s Capital Account for each Accounting Period during such fiscal year. Allocations under this Article 4.3 shall be made by the

General Partner in accordance with the principles of Sections 704(b) and 704(c) of the Code and in conformity with applicable Treasury Regulations promulgated thereunder (including, without limitation, Treasury Regulations Sections 1.704-1(b)(2)(iv)(f), 1.704-1(b)(4)(i), and 1.704-3(e)).

4.3.2 Notwithstanding anything else contained in this Article 4, if any Partner has a deficit Capital Account for any Accounting Period as a result of any adjustment of the type described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d) (6), then the Partnership s income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate such deficit as quickly as possible. Any special allocation of items of income or gain pursuant to this Article 4.3.2 shall be taken into account in computing subsequent allocations pursuant to this Article 4 so that the cumulative net amount of all

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items allocated to each Partner shall, to the extent possible, be equal to the amount that would have been allocated to such Partner if there had never been any allocation pursuant to the first sentence of this Article 4.3.2.

4.3.3 Allocations that would otherwise be made to a Limited Partner under the provisions of this Article 4 shall instead be made to the Beneficial Owner of Units held by a nominee.

4.4 *Compliance.* In applying the provisions of this Article 4, the General Partner is authorized to utilize such reasonable accounting conventions, valuation methods and assumptions as the General Partner shall determine to be appropriate and in compliance with the Code and applicable Treasury Regulations. The General Partner may amend the provisions of this Agreement to the extent it determines to be necessary to comply with the Code and Treasury Regulations.

ARTICLE 5
Records and Accounting; Reports

5.1 *Records and Accounting.* The Partnership will keep proper books of record and account of the Partnership at its office located in 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502 or such office, including that of an administrative agent, as it may subsequently designate upon notice to the Limited Partners. These books and records are open to inspection by any person who establishes to the Partnership s satisfaction that such person is a Limited Partner upon reasonable advance notice at all reasonable times during the usual business hours of the Partnership.

5.2 *Annual Reports.* Within 90 days after the end of each fiscal year, the General Partner shall cause to be delivered to each Person who was a Partner at any time during the fiscal year, an annual report containing the following:

(i) financial statements of the Partnership, including, without limitation, a balance sheet as of the end of the Partnership s fiscal year and statements of income, Partners equity and changes in financial position, for such fiscal year, which shall be prepared in accordance with generally accepted accounting principles consistently applied and shall be audited by a firm of independent certified public accountants registered with the Public Company Accounting Oversight Board,

(ii) a general description of the activities of the Partnership during the period covered by the report, and

(iii) a report of any material transactions between the Partnership and the General Partner or any of its Affiliates, including fees or compensation paid by the Partnership and the services performed by the General Partner or any such Affiliate for such fees or compensation.

5.3 *Quarterly Reports.* Within 45 days after the end of each quarter of each fiscal year, the General Partner shall cause to be delivered to each Person who was a Partner at any time during the quarter then ended, a quarterly report containing a balance sheet and statement of income for the period covered by the report, each of which may be unaudited but shall be certified by the General Partner as fairly presenting the financial position and results of operations of the Partnership during the period covered by the report. The report shall also contain a description of any material event regarding the business of the Partnership during the period covered by the report.

5.4 *Monthly Reports.* Within 30 days after the end of each month, the General Partner shall cause to be delivered to each Person who was a Partner at any time during the month then ended, a monthly report containing an account statement, which will include a statement of income (or loss) and a statement of changes in NAV, for the prescribed

period. In addition, the account statement will disclose any material business dealings between the Partnership, General Partner, commodity trading advisor (if any), futures commission merchant, or the principals thereof that previously have not been disclosed in the Partnership s Prospectus or any amendment thereto, other account statements or annual reports.

5.5 *Tax Information.* The General Partner shall use its best efforts to prepare and to transmit a U.S. federal income tax form K-1 for each Partner, Assignee, or Beneficial Owner or a report setting forth in sufficient detail such transactions effected by the Partnership during each fiscal year as shall enable each

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Partner, Assignee, or Beneficial Owner to prepare its U.S. federal income tax return, if any, within a reasonable period after the end of such fiscal year.

5.6 *Tax Returns.* The General Partner shall cause income tax returns of the Partnership to be prepared and timely filed with the appropriate authorities.

5.7 *Tax Matters Partner.* The General Partner is hereby designated as the Partnership s *Tax Matters Partner,* as defined under Section 6231(a)(7) of the Code. The General Partner is specifically directed and authorized to take whatever steps the General Partner, in its discretion, deems necessary or desirable to perfect such designation, including filing any forms or documents with the U.S. Internal Revenue Service and taking such other action as may from time to time be required under U.S. Treasury regulations. Any Partner shall have the right to participate in any administrative proceedings relating to the determination of Partnership items at the Partnership level. Expenses of such administrative proceedings undertaken by the Tax Matters Partner shall be expenses of the Partnership. Each Partner who elects to participate in such proceedings shall be responsible for any expenses incurred by such Partner in connection with such participation. The cost of any resulting audits or adjustments of a Partner s tax return shall be borne solely by the affected Partner. In the event of any audit, investigation, settlement or review, for which the General Partner is carrying out the responsibilities of Tax Matters Partner, the General Partner shall keep the Partners reasonably apprised of the status and course of such audit, investigation, settlement or review and shall forward copies of all written communications from or to any regulatory, investigative or judicial authority with regard thereto.

ARTICLE 6
Fiscal Affairs

6.1 *Fiscal Year.* The fiscal year of the Partnership shall be the calendar year. The General Partner may select an alternate fiscal year.

6.2 *Partnership Funds.* Pending application or distribution, the funds of the Partnership shall be deposited in such bank account or accounts, or invested in such interest-bearing or non-interest bearing investment, including, without limitation, checking and savings accounts, certificates of deposit and time or demand deposits in commercial banks, U.S. government securities and securities guaranteed by U.S. government agencies as shall be designed by the General Partner. Such funds shall not be commingled with funds of any other Person. Withdrawals therefrom shall be made upon such signatures as the General Partner may designate.

6.3 *Accounting Decisions.* All decisions as to accounting principles, except as specifically provided to the contrary herein, shall be made by the General Partner.

6.4 *Tax Elections.* The General Partner shall, from time to time, make such tax elections as it deems necessary or desirable in its sole discretion to carry out the business of the Partnership or the purposes of this Agreement. Notwithstanding the foregoing, the General Partner shall make a timely election under Section 754 of the Code.

6.5 *Partnership Interests.* Title to the Partnership assets shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner shall be held by the General Partner for the exclusive use and benefit of the Partnership in accordance with the provisions of this

Agreement; provided, however, that the General Partner shall use its reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, that prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner will use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the Partnership. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets are held.

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ARTICLE 7
Rights and Duties of the General Partner

7.1 *Management Power.* The General Partner shall have exclusive management and control of the business and affairs of the Partnership, and all decisions regarding the management and affairs of the Partnership shall be made by the General Partner. The General Partner shall have all the rights and powers of general partner as provided in the Act and as otherwise provided by law. Except as otherwise expressly provided in this Agreement, the General Partner is hereby granted the right, power and authority to do on behalf of the Partnership all things which, in its sole judgment, are necessary, proper or desirable to carry out the aforementioned duties and responsibilities, including but not limited to, the right, power and authority from time to time to do the following:

(a) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations and the securing of same by mortgage, deed of trust or other lien or encumbrance;

(b) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(c) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership, or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (c) being subject, however, to any prior approval that may be required in accordance with this Agreement);

(d) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement including, without limitation, the financing of the conduct of the operations of the Partnership, the lending of funds to other Persons, and the repayment of obligations of the Partnership;

(e) the negotiation, execution and performance of any contracts, conveyances or other instruments (including, without limitation, instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(f) the distribution of Distributable Cash;

(g) the selection and dismissal of employees (including, without limitation, employees having titles such as *president, vice president, secretary* and *treasurer*), agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(h) the maintenance of insurance for the benefit of the Partners and the Partnership (including, without limitation, the assets and operations of the Partnership);

(i) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships;

(j) the control of any matters affecting the rights and obligations of the Partnership, including, without limitation, the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(k) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(l) the entering into of listing agreements with the American Stock Exchange and any other securities exchange and the delisting of some or all of the Units from, or requesting that trading be suspended on, any such exchange; and

(m) the purchase, sale or other acquisition or disposition of Units.

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7.2 *Best Efforts.* The General Partner will use its best efforts to cause the Partnership to be formed, reformed, qualified or registered under assumed or fictitious name statutes or similar laws in any state in which the Partnership owns property or transacts business if such formation, reformation, qualification or registration is necessary in order to protect the limited liability of the Limited Partners or to permit the Partnership lawfully to own property or transact business.

7.3 *Right of Public to Rely on Authority of a General Partner.* No person shall be required to determine the General Partner s authority to make any undertaking on behalf of the Partnership.

7.4 *Obligation of the General Partner.* The General Partner shall:

(a) devote to the Partnership and apply to the accomplishment of the Partnership purposes so much of its time and attention as is necessary or advisable to manage properly the affairs of the Partnership;

(b) maintain the Capital Account for each Partner; and

(c) cause the Partnership to enter into and carry out the obligations of the Partnership contained in the agreements with Affiliates of the General Partner as described in the Prospectus and cause the Partnership not to take any action in violation of such agreements.

7.5 *Good Faith.* The General Partner has a responsibility to the Limited Partners to exercise good faith and fairness in all dealings. In the event that a Limited Partner believes that the General Partner has violated its fiduciary duty to the Limited Partners, he may seek legal relief individually or on behalf of the Partnership under applicable laws, including under the Act and under securities and commodities laws, to recover damages from or require an accounting by the General Partner. Limited Partners should be aware that performance by the General Partner of its fiduciary duty is measured by the terms of this Agreement as well as applicable law. Limited Partners may also have the right, subject to applicable procedural and jurisdictional requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Limited Partners who have suffered losses in connection with the purchase or sale of the Units may be able to recover such losses from the General Partner where the losses result from a violation by the General Partner of the federal securities laws. State securities laws may also provide certain remedies to limited partners. Limited Partners are afforded certain rights to institute reparations proceedings under the Commodity Exchange Act for violations of the Commodity Exchange Act or of any rule, regulation or order of the Commodities Futures Trading Commission *(CFTC)* by the General Partner.

7.6 *Indemnification*

7.6.1 Notwithstanding any other provision of this Agreement, neither a General Partner nor any employee or other agent of the Partnership nor any officer, director, stockholder, partner, employee or agent of a General Partner (a *Protected Person*) shall be liable to any Partner or the Partnership for any mistake of judgment or for any action or inaction taken, nor for any losses due to any mistake of judgment or to any action or inaction or to the negligence, dishonesty or bad faith of any officer, director, stockholder, partner, employee or agent of the Partnership or any officer, director, stockholder, partner, employee or agent of such General Partner, provided that such officer, director, stockholder, partner, employee or agent of the Partner or officer, director, stockholder, partner, employee or agent of such General Partner was selected, engaged or retained by such General Partner with reasonable care, except with respect to any matter as to which such General Partner shall have been finally adjudicated in any action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Protected Person s action was in the best interests of the Partnership and except that no Protected Person shall be relieved of any liability to which such

Protected Person would otherwise be subject by reason of willful misfeasance, gross negligence or reckless disregard of the duties involved in the conduct of the Protected Person s office. A General Partner and its officers, directors, employees or partners may consult with counsel and accountants (except for the Partnership s independent auditors) in respect of Partnership affairs and be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such counsel or accountants (except for the Partnership s independent auditors), provided that they shall have been selected with reasonable care.

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Notwithstanding any of the foregoing to the contrary, the provisions of this Article 7.6.1 and of Article 7.6.2 hereof shall not be construed so as to relieve (or attempt to relieve) a General Partner (or any officer, director, stockholder, partner, employee or agent of such General Partner) of any liability to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Article 7.6.1 and of Article 7.6.2 hereof to the fullest extent permitted by law.

7.6.2 The Partnership shall, to the fullest extent permitted by law, but only out of Partnership assets, indemnify and hold harmless a General Partner and each officer, director, stockholder, partner, employee or agent thereof (including persons who serve at the Partnership s request as directors, officers or trustees of another organization in which the Partnership has an interest as a Unitholder, creditor or otherwise) and their respective legal representatives and successors (hereinafter referred to as a *Covered Person*) against all liabilities and expenses, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by any Covered Person in connection with the defense or disposition of any action, suit or other proceedings, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such Covered Person may be or may have been threatened, while in office or thereafter, by reason of an alleged act or omission as a General Partner or director or officer thereof, or by reason of its being or having been such a General Partner, director or officer, except with respect to any matter as to which such Covered Person shall have been finally adjudicated in any such action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Covered Person s action was in the best interest of the Partnership, and except that no Covered Person shall be indemnified against any liability to the Partnership or Limited Partners to which such Covered Person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person s office. Expenses, including counsel fees so incurred by any such Covered Person, may be paid from time to time by the Partnership in advance of the final disposition of any such action, suit or proceeding on the condition that the amounts so paid shall be repaid to the Partnership if it is ultimately determined that the indemnification of such expenses is not authorized hereunder.

As to any matter disposed of by a compromise payment by any such Covered Person, pursuant to a consent decree or otherwise, no such indemnification either for said payment or for any other expenses shall be provided unless such compromise shall be approved as in the best interests of the Partnership, after notice that it involved such indemnification by any disinterested person or persons to whom the questions may be referred by the General Partner, provided that there has been obtained an opinion in writing of independent legal counsel to the effect that such Covered Person appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Partnership and that such indemnification would not protect such persons against any liability to the Partnership or its Limited Partners to which such person would otherwise by subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of office. Approval by any disinterested person or persons shall not prevent the recovery from persons of indemnification if such Covered Person is subsequently adjudicated by a court of competent jurisdiction not to have acted in good faith in the reasonable belief that such Covered Person s action was in the best interests of the Partnership or to have been liable to the Partnership or its Limited Partners by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person s office.

The right of indemnification hereby provided shall not be exclusive of or affect any other rights to which any such Covered Person may be entitled. As used in this Article 7.6.2, an *interested Covered Person* is one against whom the action, suit or other proceeding on the same or similar grounds is then or has been pending and a *disinterested person* is a person against whom no actions, suits or other proceedings or another action, suit or other proceeding on the same or similar grounds is then or has been pending. Nothing contained in this Article 7.6.2 shall affect any rights to indemnification to which personnel of a General Partner, other than directors and officers, and other persons may be

entitled by contract or otherwise under law, nor the power of the Partnership to purchase and maintain liability insurance on behalf of any such person.

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Nothing in this Article 7.6.2 shall be construed to subject any Covered Person to any liability to which he or she is not already liable under this Agreement or applicable law.

7.6.3 Each Limited Partner agrees that it will not hold any Affiliate or any officer, director, stockholder, partner, employee or agent of any Affiliate of the General Partner liable for any actions of such General Partner or any obligations arising under or in connection with this Agreement or the transactions contemplated hereby.

7.7 *Resolutions of Conflicts of Interest; Standard of Care.*

7.7.1 Unless otherwise expressly provided in this Agreement or any other agreement contemplated hereby, whenever a conflict of interest exists or arises between the General Partner on the one hand, and the Partnership or any Limited Partner, on the other hand, any resolution or course of action by the General Partner in respect of such conflict of interest shall be permitted and deemed approved by all Partners and shall not constitute a breach of this Agreement or of any agreement contemplated hereby or of a duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. If a dispute arises, it will be resolved through negotiations with the General Partner or by a court located in the State of Delaware. Any resolution of a dispute is deemed to be fair and reasonable to the Partnership if the resolution is:

approved by the Audit Committee, although no party is obligated to seek such approval and the General Partner may adopt a resolution or course of action that has not received such approval;

on terms no less favorable to the Limited Partners than those generally being provided to or available from unrelated third parties; or

fair to the Limited Partners, taking into account the totality of the relationships of the parties involved including other transactions that may be particularly favorable or advantageous to the Limited Partners.

7.7.2 Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner is permitted or required to make a decision (i) in its discretion or under a grant of similar authority or latitude, the General Partner shall be entitled to the extent permitted by applicable law, to consider only such interest and factors as it desires and shall have no duty or obligation to give any consideration to any interest of or factors affecting the partnership or the Limited Partners, or (ii) in its good faith or under another express standard, the General Partner shall act under such express standard and except as required by applicable law, shall not be subject to any other different standards imposed by this Agreement, any other agreement contemplated hereby or applicable law.

7.8 *Other Matters Concerning the General Partner.*

7.8.1 The General Partner (including the Audit Committee) may rely on and shall be protected in acting or refraining from acting upon any certificate, document or other instrument believed by it to be genuine and to have been signed or presented by the proper party or parties.

7.8.2 The General Partner (including the Audit Committee) may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors selected by it and any opinion or advice of any such person as to matters which the General Partner (including the Audit Committee) believes to be within such person s professional or expert competence shall be the basis for full and complete authorization of indemnification and provide legal protection with respect to any action taken or suffered or omitted by the General Partner (including the Audit Committee) hereunder in good faith and in accordance with such opinion or advice.

7.8.3 The General Partner (including the Audit Committee) may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner (including the Audit Committee) shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

7.9 *Other Business Ventures.* Any Partner, director, employee, Affiliate or other person holding a legal or beneficial interest in any entity which is a Partner, may engage in or possess an interest in other business

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ventures of every nature and description, independently or with others, whether such ventures are competitive with the Partnership or otherwise; and, neither the Partnership nor the Partners shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived there from.

7.10 *Contracts with the General Partner or its Affiliates.* The General Partner may, on behalf of the Partnership, enter into contracts with any Affiliate. The validity of any transaction, agreement or payment involving the Partnership and any General Partner or any Affiliate of a General Partner otherwise permitted by the terms of this Agreement shall not be affected by reason of (i) the relationship between the Partnership and the Affiliate of the General Partner, or (ii) the approval of said transaction agreement or payment by officers or directors of the General Partner.

7.11 *Additional General Partners.* Additional general partners may be admitted with the consent of the General Partner.

ARTICLE 8
Rights and Obligations of Limited Partners

8.1 *No Participation in Management.* No Limited Partner (other than a General Partner if it has acquired an interest of a Limited Partner) shall take part in the management of the Partnership s business, transact any business in the Partnership s name or have the power to sign documents for or otherwise bind the Partnership.

8.2 *Limitation of Liability.* Except as provided in the Act, the debts, obligations, and liabilities of the Partnership, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Partnership. A Limited Partner will not be liable for assessments in addition to its initial capital investment in any capital securities representing limited partnership interests. However, a Limited Partner may be required to repay to the Partnership any amounts wrongfully returned or distributed to it under some circumstances.

8.3 *Indemnification and Terms of Admission.* Each Limited Partner shall indemnify and hold harmless the Partnership, the General Partner and every Limited Partner who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of or arising from any actual or alleged misrepresentation or misstatement of facts or omission to state facts made (or omitted to be made) by such Limited Partner in connection with any assignment, transfer, encumbrance or other disposition of all or any part of an interest, or the admission of a Limited Partner to the Partnership, against expenses for which the Partnership or such other Person has not otherwise been reimbursed (including attorneys fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by him in connection with such action, suit or proceeding.

8.4 *Effective Date.* The effective date of admission of a Limited Partner shall be the date designated by the General Partner in writing to such assignee or transferee.

8.5 *Death or Incapacity of Limited Partner.* The death or legal incapacity of a Limited Partner shall not cause dissolution of the Partnership.

8.6 *Rights of Limited Partner Relating to the Partnership.*

(a) In addition to other rights provided by this Agreement or by applicable law, and except as otherwise limited under this Agreement, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner s

interest as a Limited Partner in the Partnership, upon reasonable demand and at such Limited Partner s own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership s federal, state and local tax returns for each year;

(iii) to have furnished to it, upon notification to the General Partner, a current list of the name and last known business, residence or mailing address of each Partner;

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(iv) to have furnished to it, upon notification to the General Partner, a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto;

(v) to obtain true and full information regarding the amount of cash contributed by and a description and statement of the value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) Notwithstanding any other provision of this Agreement, the General Partner may keep confidential from the Limited Partners and Assignees for such period of time as the General Partner deems reasonable, any information that the General Partner reasonably believes to be in the nature of trade secrets or other information, the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or that the Partnership is required by law or by agreements with third parties to keep confidential (other than agreements with Affiliates the primary purpose of which is to circumvent the obligations set forth in this Article 8.6).

ARTICLE 9
Unit Certificates

9.1 *Unit Certificates.* Certificates shall be executed on behalf of the Partnership by any officer either of the General Partner or, if any, of the Partnership.

9.2 *Registration Form, Registration of Transfer and Exchange.*

9.2.1 The General Partner shall cause to be kept on behalf of the Partnership a register (the *Unit Register*) in which, subject to such reasonable regulations as it may prescribe, the General Partner will provide for the registration and the transfer of Units. The Transfer Agent has been appointed registrar and transfer agent for the purpose of registering and transferring Units as herein provided. The Partnership shall not recognize transfers of Certificates representing Units unless same are effected in the manner described in this Article 9.2. Upon surrender for registration of transfer of any Units evidenced by a Certificate, the General Partner on behalf of the Partnership will execute, and the Transfer Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder s instructions, one or more new Certificates evidencing the same aggregate number of Units as was evidenced by the Certificate so surrendered.

9.2.2 *Book-Entry-Only System.*

(a) *Global Certificate Only.* Unless otherwise authorized by the General Partner, Certificates for Units will not be issued, other than the one or more Global Certificates issued to the Depository. So long as the Depository Agreement is in effect, Creation Baskets will be issued and redeemed and Units will be transferable solely through the book-entry systems of the Depository and the DTC Participants and their Indirect Participants as more fully described below.

(1) *Global Certificate.* The Partnership and the General Partner will enter into the Depository Agreement pursuant to which the Depository will act as securities depository for the Units. Units will be represented by the Global Certificate (which may consist of one or more certificates as required by the Depository), which will be registered, as the

Depository shall direct, in the name of Cede & Co., as nominee for the Depository and deposited with, or on behalf of, the Depository. No other certificates evidencing Units will be issued. The Global Certificate shall be in the form attached hereto as Exhibit A and shall represent such Units as shall be specified therein, and may provide that it shall represent the aggregate amount of outstanding Units from time to time endorsed thereon and that the aggregate amount of outstanding Units represented thereby may from time to time be increased or decreased to reflect creations or redemptions of Baskets (as defined in Section 16.1). Any endorsement of a Global Certificate to reflect the amount, or any increase or decrease in the amount, of outstanding Units represented thereby shall be made in such manner and upon instructions given by the General Partner on behalf of the Partnership as specified in the Depository Agreement.

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(2) *Legend.* Any Global Certificate issued to the Depository or its nominee shall bear a legend substantially to the following effect:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (DTC), TO THE FUND OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(3) *The Depository.* The Depository has advised the Partnership and the General Partner as follows: the Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the U.S. Federal Reserve System, a *clearing corporation* within the meaning of the New York Uniform Commercial Code, and a *clearing agency* registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depository was created to hold securities of DTC Participants and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. *DTC Participants* include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository s system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly *(Indirect Participants)*. The Depository may determine to discontinue providing its service with respect to Creation Baskets and Units by giving notice to the General Partner pursuant to and in conformity with the provisions of the Depository Agreement and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the General Partner shall take action either to find a replacement for the Depository to perform its functions at a comparable cost and on terms acceptable to the General Partner or, if such a replacement is unavailable, to terminate the Partnership.

(4) *Beneficial Owners.* As provided in the Depository Agreement, upon the settlement date of any creation, transfer or redemption of Units, the Depository will credit or debit, on its book-entry registration and transfer system, the number of Units so created, transferred or redeemed to the accounts of the appropriate DTC Participants. The accounts to be credited and charged shall be designated by the General Partner on behalf of the Partnership and each Participant, in the case of a creation or redemption of Baskets. Ownership of beneficial interest in Units will be limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Beneficial Owners will be shown on, and the transfer of beneficial ownership by Beneficial Owners will be effected only through, in the case of DTC Participants, records maintained by the Depository and, in the case of Indirect Participants and Beneficial Owners holding through a DTC Participant or an Indirect Participant, through those records or the records of the relevant DTC Participants. Beneficial Owners are expected to receive, from or through the broker or bank that maintains the account through which the Beneficial Owner has purchased Units, a written confirmation relating to their purchase of Units.

(5) *Reliance on Procedures.* Except for those who have provided Transfer Applications to the General Partner, so long as Cede & Co., as nominee of the Depository, is the registered owner of Units, references herein to the registered or record owners of Units shall mean Cede & Co. and shall not mean the Beneficial Owners of Units. Beneficial Owners of Units will not be entitled to have Units registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered the record or registered holder of Units under this Agreement. Accordingly, to exercise any rights of a holder of Units under the Agreement, a Beneficial

Owner must rely on the procedures of the Depository and, if such Beneficial Owner is not a DTC Participant, on the procedures of each DTC Participant or Indirect Participant through which such Beneficial Owner holds its interests. The Partnership and the General Partner understand that under existing industry practice, if the

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Partnership requests any action of a Beneficial Owner, or a Beneficial Owner desires to take any action that the Depository, as the record owner of all outstanding Units, is entitled to take, the Depository will notify the DTC Participants regarding such request, such DTC Participants will in turn notify each Indirect Participant holding Units through it, with each successive Indirect Participant continuing to notify each person holding Units through it until the request has reached the Beneficial Owner, and in the case of a request or authorization to act that is being sought or given by a Beneficial Owner, such request or authorization is given by the Beneficial Owner and relayed back to the Partnership through each Indirect Participant and DTC Participant through which the Beneficial Owner s interest in the Units is held.

(6) *Communication between the Partnership and the Beneficial Owners.* As described above, the Partnership will recognize the Depository or its nominee as the owner of all Units for all purposes except as expressly set forth in this Agreement. Conveyance of all notices, statements and other communications to Beneficial Owners will be effected in accordance with this paragraph. Pursuant to the Depository Agreement, the Depository is required to make available to the Partnership, upon request and for a fee to be charged to the Partnership, a listing of the Unit holdings of each DTC Participant. The Partnership shall inquire of each such DTC Participant as to the number of Beneficial Owners holding Units, directly or indirectly, through such DTC Participant. The Partnership shall provide each such DTC Participant with sufficient copies of such notice, statement or other communication, in such form, number and at such place as such DTC Participant may reasonably request, in order that such notice, statement or communication may be transmitted by such DTC Participant, directly or indirectly, to such Beneficial Owners. In addition, the Partnership shall pay to each such DTC Participant an amount as reimbursement for the expenses attendant to such transmittal, all subject to applicable statutory and regulatory requirements.

(7) *Distributions.* Distributions on Units pursuant to this Agreement shall be made to the Depository or its nominee, Cede & Co., as the registered owner of all Units. The Partnership and the General Partner expect that the Depository or its nominee, upon receipt of any payment of distributions in respect of Units, shall credit immediately DTC Participants accounts with payments in amounts proportionate to their respective beneficial interests in Units as shown on the records of the Depository or its nominee. The Partnership and the General Partner also expect that payments by DTC Participants to Indirect Participants and Beneficial Owners held through such DTC Participants and Indirect Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in a *street name,* and will be the responsibility of such DTC Participants and Indirect Participants. Neither the Partnership nor the General Partner will have any responsibility or liability for any aspects of the records relating to or notices to Beneficial Owners, or payments made on account of beneficial ownership interests in Units, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the Depository and the DTC Participants or the relationship between such DTC Participants and the Indirect Participants and Beneficial Owners owning through such DTC Participants or Indirect Participants or between or among the Depository, any Beneficial Owner and any person by or through which such Beneficial Owner is considered to own Units.

(8) *Limitation of Liability.* The Global Certificate to be issued hereunder is executed and delivered solely on behalf of the Partnership by the General Partner in its capacity as such and in the exercise of the powers and authority conferred and vested in it by this Agreement. The representations, undertakings and agreements made on the part of the Partnership in the Global Certificate are made and intended not as personal representations, undertakings and agreements by the General Partner, but are made and intended for the purpose of binding only the Partnership. Nothing in the Global Certificate shall be construed as creating any liability on the General Partner, individually or personally, to fulfill any representation, undertaking or agreement other than as provided in this Agreement.

(9) *Successor Depository.* If a successor to the Depository shall be employed as Depository hereunder, the Partnership and the General Partner shall establish procedures acceptable to such successor with respect to the matters addressed

in this Section 9.2.2.

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(10) *Transfer of Units.* Beneficial Owners that are not DTC Participants may transfer Units by instructing the DTC Participant or Indirect Participant holding the Units for such Beneficial Owner in accordance with standard securities industry practice. Beneficial Owners that are DTC Participants may transfer Units by instructing the Depository in accordance with the rules of the Depository and standard securities industry practice.

9.2.3 Except as otherwise provided in this Agreement, the Partnership shall not recognize any transfer of Units until the Certificates (if applicable) and a Transfer Application have been provided to the General Partner evidencing such Units are surrendered for registration of transfer. Such Certificates must be accompanied by a Transfer Application duly executed by the transferee (or the transferee s attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer, provided, that, as a condition to the issuance of any new Certificate under this Article 9.2, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

9.3 *Mutilated, Destroyed, Lost or Stolen Certificates.*

9.3.1 If any mutilated Certificate is surrendered to the Transfer Agent, the General Partner on behalf of the Partnership, shall execute, and upon its request, the Transfer Agent shall countersign and deliver in exchange therefore, a new Certificate evidencing the same number of Units as the Certificate so surrendered.

9.3.2 The General Partner, on behalf of the Partnership, shall execute, and upon its request, the Transfer Agent shall countersign and deliver a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(a) makes proof by affidavit, in form and substance satisfactory to the General Partner, that a previously issued Certificate has been lost, destroyed or stolen;

(b) requests the issuance of a new Certificate before the Partnership has received notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(c) if requested by the General Partner, delivers to the Partnership a bond or such other form of security or indemnity as may be required by the General Partner, in form and substance satisfactory to the General Partner, with surety or sureties and with fixed or open penalty as the General Partner may direct, in its sole discretion, to indemnify the Partnership, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(d) satisfies any other reasonable requirements imposed by the General Partner.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after it has notice of the loss, destruction or theft of a Certificate, and a transfer of the Units represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

9.3.3 As a condition to the issuance of any new Certificate under this Article 9.3, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including, without limitation, the fees and expenses of the Transfer Agent) connected therewith.

9.4 *Record Holder.* The Partnership shall be entitled to recognize the Record Holder as the Limited Partner or Assignee with respect to any Units and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Units on the part of any other Person, whether or not the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any national securities exchange on which the Units are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for

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another Person in acquiring and/or holding Units, as between the Partnership on the one hand and such other Persons on the other hand such representative Person (a) shall be the Limited Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Limited Partner or Assignee (as the case may be) hereunder and as provided for herein.

9.5 *Partnership Securities.* The General Partner is hereby authorized to cause the Partnership to issue Partnership Securities, for any Partnership purpose, at any time or from time to time, to the Partners or to other Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners. The General Partner shall have sole discretion, subject to the requirements of the Act, in determining the consideration and terms and conditions with respect to any future issuance of Partnership Securities.

9.5.1 The General Partner shall do all things necessary to comply with the Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities, including, without limitation, compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any national securities exchange on which the Units or other Partnership Securities are listed for trading.

ARTICLE 10
Transfer of Interests

10.1 *Transfer.*

10.1.1 The term *transfer,* when used in this Article 10 with respect to an interest, shall be deemed to refer to an appropriate transaction by which the General Partner assigns its interest as General Partner to another Person or by which the holder of a Unit assigns such Unit to another Person who is or becomes an Assignee and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

10.1.2 No interest shall be transferred in whole or in part, except in accordance with the terms and conditions set forth in this Article 10. Any transfer or purported transfer of an interest not made in accordance with this Article 10 shall be null and void.

10.2 *Transfer of General Partner s Interest.*

10.2.1 Except as set forth in this Article 10.2.1, the General Partner may transfer all, but not less than all, of its interest as the general partner to a single transferee if, but only if, (i) at least a majority of the Limited Partners approve of such transfer and of the admission of such transferee as general partner, (ii) the transferee agrees to assume the rights and duties of the General Partner and be bound by the provisions of this Agreement and other applicable agreements, and (iii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of the Partnership or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. The foregoing notwithstanding, the General Partner is expressly permitted to pledge its interest as General Partner to secure the obligations of the Partnership under a

Revolving Credit Facility, as the same may be amended, supplemented, replaced, refinanced or restated from time to time, or any successor or subsequent loan agreement.

10.2.2 Neither Article 10.2.1 nor any other provision of this Agreement shall be construed to prevent (and all Partners do hereby consent to) (i) the transfer by the General Partner of all of its interest as a general partner to an Affiliate or (ii) the transfer by the General Partner of all its interest as a general partner upon its merger or consolidation with or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the interest so transferred are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of any Limited Partner or of the Partnership or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purpose. In the case of a transfer pursuant to this Article 10.2.2, the

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transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the interest, and the business of the Partnership shall continue without dissolution.

10.3 *Transfer of Units.*

10.3.1 Units may be transferred only in the manner described in Article 9.2. The transfer of any Units and the admission of any new Partner shall not constitute an amendment to this Agreement.

10.3.2 Until admitted as a Substituted Limited Partner pursuant to Article 11, the Record Holder of a Unit shall be an Assignee in respect of such Unit. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

10.3.3 Each distribution in respect of Units shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holders thereof as of the Record Date set for the distribution. Such payment shall constitute full payment and satisfaction of the Partnership s liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

10.3.4 A transferee who has completed and delivered a Transfer Application provided by the seller of the Units (or if purchased on an exchange directly from the Partnership), shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the capacity and authority to enter into this Agreement, (iv) made the powers of attorney set forth in this Agreement, and (v) given the consents and made the waivers contained in this Agreement.

10.4 *Restrictions on Transfers.* Notwithstanding the other provisions of this Article 10, no transfer of any Unit or interest therein of any Limited Partner or Assignee shall be made if such transfer would (a) violate the then applicable federal or state securities laws or rules and regulations of the SEC, any state securities commission, the CFTC, or any other governmental authorities with jurisdiction over such transfer, (b) cause the Partnership to be taxable as a corporation or (c) affect the Partnership s existence or qualification as a limited partnership under the Act. The General Partner may request each Record Holder to furnish certain information, including that holder s nationality, citizenship or other related status. A transferee who is not a U.S. resident may not be eligible to become a Record Holder or a Limited Partner if such ownership would subject the Partnership to the risk of cancellation or forfeiture of any of its assets under any federal, state or local law or regulation. If the Record Holder fails to furnish the information or if the General Partner determines, on the basis of the information furnished by the holder in response to the request, that such holder is not qualified to become a Limited Partner, the General Partner may be substituted as a holder for the Record Holder, who will then be treated as a non-citizen assignee, and the Partnership will have the right to redeem those securities held by the Record Holder.

10.5 *Tax Certificates.*

10.5.1 All Limited Partners or Assignees (or, if the Limited Partner or Assignee is a nominee holding for the account of a Beneficial Owner, the Beneficial Owner) are required to provide the Partnership with a properly completed Tax Certificate.

10.5.2 If a Limited Partner or Assignee (or, if the Limited Partner or Assignee is a nominee holding for the account of a Beneficial Owner, the Beneficial Owner) fails to provide the Partnership with a properly completed Tax Certificate, the General Partner may request at any time and from time to time, that such Limited Partner or Assignee (or Beneficial Owner) shall, within 15 days after request (whether oral or written) therefore by the General Partner, furnish to the Partnership, a properly completed Tax Certificate. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 15-day period such Tax Certificate, the Units owned by such Limited Partner or Assignee (or in the case of a Limited Partner or Assignee that holds Units on behalf of a Beneficial Owner, the Units held on behalf of the Beneficial Owner) shall be subject to redemption in accordance with the provisions of Article 10.6.

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10.6 *Redemption of Units for Failure to Provide Tax Certificate.*

10.6.1 If at any time a Limited Partner or Assignee fails to furnish a properly completed Tax Certificate within the 15-day period specified in Article 10.5.2, the Partnership may redeem the Units of such Limited Partner or Assignee as follows:

(a) The General Partner shall not later than the tenth (10th) Business Day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at its last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed (the *Notice Date*). The notice shall specify the Redeemable Units, the date fixed for redemption, the place of payment, and that payment of the redemption price will be made upon surrender of the certification evidencing the Redeemable Units.

(b) The aggregate redemption price for Redeemable Units shall be an amount equal to the market price as of the Close of Business on the Business Day immediately prior to the date fixed for redemption of Units to be so redeemed multiplied by the number of Units included among the Redeemable Units. The redemption price shall be paid in the sole discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the Prime Rate (as established by the Federal Reserve Board) and payable in three equal annual installments of principal together with accrued interest commencing one year after the redemption date.

(c) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the certification evidencing the Redeemable Units, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or its duly authorized representative shall be entitled to receive the payment therefore.

(d) In the event the Partnership is required to pay withholding tax or otherwise withhold any amount on behalf of, or with respect to, a Limited Partner or Assignee (or Beneficial Owner) who has failed to provide a properly completed Tax Certificate, such amounts paid or withheld by the Partnership shall be deemed to have been paid to such Limited Partner or Assignee (or Beneficial Owner) as part of the redemption price for the Redeemable Units and the Partnership shall reduce the amount of the payment made to such Limited Partner or Assignee (or Beneficial owner) in redemption of such Redeemable Units by any amounts so withheld.

10.6.2 After the Notice Date, Redeemable Units shall no longer constitute issued and Outstanding Units and no allocations or distributions shall be made with respect to such Redeemable Units. In addition, after the Notice Date, the Redeemable Units shall not be transferable.

10.6.3 The provisions of this Article 10.6 shall also be applicable to Units held by a Limited Partner or Assignee as nominee of a Beneficial Owner.

ARTICLE 11
Admission of Partners

11.1 *Admission of Initial Limited Partners and Other Creation Basket Purchases.* Subject to the requirements of this Article 11, upon the issuance by the Partnership of Units to the Initial Limited Partner and any other purchasers of a Creation Basket, the General Partner shall admit the Initial Limited Partner and such other purchasers of the Creation

Basket to the Partnership as Limited Partners in respect of the Units purchased.

11.2 *Admission of Substituted Limited Partners.* By transfer of a Unit in accordance with Article 10, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (i) the right to negotiate such Certificate to a purchaser or other transferee, and (ii) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Units. Each transferee of a Unit (including, without limitation, any nominee holder or an agent acquiring such Unit for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee

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and be deemed to have applied to become a Substituted Limited Partner with respect to the Units so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (i) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner s sole discretion, and (ii) when any such admission is shown on the books and records of the Partnership, following the consent of the General Partner to such admission. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including, without limitation, liquidating distributions, of the Partnership. With respect to voting rights attributable to Units that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Units on any matter, vote such Units at the written direction of the Assignee who is the Record Holder of such Units. If no such written direction is received, such Units will not be voted. An Assignee shall have none of the other rights of a Limited Partner.

11.3 *Admission of Successor General Partner.* A successor General Partner approved pursuant to this Article 11.3 or the transferee of or successor to all of the General Partner s interest pursuant to Article 10.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the General Partner pursuant to Article 12 or the transfer of the General Partner s interest pursuant to Article 10.2; provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Article 10.2 has occurred. Any such successor shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

11.4 *Admission of Additional Limited Partners.*

11.4.1 A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in this Agreement, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person s admission as an Additional Limited Partner.

11.4.2 Notwithstanding anything to the contrary in this Article 11.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner s sole discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

11.5 *Amendment of Agreement and Certificate of Limited Partnership.* To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and if necessary, to prepare as soon as practical an amendment of this Agreement and if required by law, to prepare and file an amendment to the Certificate of Limited Partnership and may for this purpose, among others, exercise the power of attorney granted pursuant to Article 15.

ARTICLE 12
Withdrawal or Removal of Partners

12.1 *Withdrawal of the General Partner.*

12.1.1 The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an *Event of Withdrawal*):

(a) the General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(b) the General Partner transfers all of its rights as general partner pursuant to this Agreement;

(c) the General Partner is removed;

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(d) the General Partner (1) makes a general assignment for the benefit of creditors; (2) files a voluntary bankruptcy petition; (3) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief under any law; (4) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (1) (3) of this sentence; or (5) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(e) a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or

(f) a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

If an Event of Withdrawal specified in this Article 12.1.1(d), (e) or (f) occurs, the withdrawing General Partner shall give written notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Article 12.1 shall result in the withdrawal of the General Partner from the Partnership.

12.1.2 Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal will not constitute a breach of this Agreement under the following circumstances: (i) the General Partner voluntarily withdraws by giving at least 90 days advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; or (ii) at any time that the General Partner ceases to be a General Partner pursuant to Article 12.1.1(b) or is removed pursuant to Article 12.2. If the General Partner gives a notice of withdrawal pursuant to Article 12.1.1(a), holders of at least a majority of such Outstanding Units (excluding for purposes of such determination any Units owned by the General Partner and its Affiliates) may, prior to the effective date of such withdrawal, elect a successor General Partner. If, prior to the effective date of the General Partner s withdrawal, a successor is not selected by the Unitholders as provided herein, the Partnership shall be dissolved in accordance with Article 13. If a successor General Partner is elected, such successor shall be admitted immediately prior to the effective time of the withdrawal or removal of the Departing Partner and shall continue the business of the Partnership without dissolution.

12.2 *Removal of the General Partner.* The General Partner may be removed only if such removal is approved by the Unitholders holding at least 66 2/3% of the Outstanding Units (excluding for this purpose any Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a majority of the Outstanding Units (excluding for this purpose any Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner.

12.3 *Withdrawal of a Limited Partner other than the Organizational Limited Partner.* In addition to withdrawal of a Limited Partner due to its redemption of Units constituting a Redemption Basket under this Agreement, the General Partner may, at any time, in its sole discretion, require any Limited Partner to withdraw entirely from the Partnership or to withdraw a portion of its Partner Capital Account, by giving not less than 15 days advance written notice to the Limited Partner thus designated. In addition, the General Partner without notice may require at any time, or retroactively, withdrawal of all or any portion of the Capital Account of any Limited Partner: (i) that made a misrepresentation to the General Partner in connection with its purchase of Units; or (ii) whose ownership of Units

would result in the violation of any law or regulations applicable to the Partnership or a Partner. The Limited Partner thus designated shall withdraw from the Partnership or withdraw that portion of its Partner Capital Account specified in such notice, as the case may be, as of the Close of Business on such date as determined by the General Partner. The Limited Partner thus designated shall be deemed to have withdrawn from the Partnership or to have made a partial

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withdrawal from its Partner Capital Account, as the case may be, without further action on the part of said Limited Partner and the provisions of Article 17.6 shall apply.

ARTICLE 13
Termination and Distribution

13.1 *Termination.* The Partnership shall continue in effect from the date of its formation in perpetuity, unless sooner terminated upon the occurrence of any one or more of the following events:

(a) The death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of a General Partner who is the sole remaining General Partner, unless a majority in interest of the Limited Partners within 90 days after such event elects to continue the Partnership and appoints a successor General Partner; or

(b) The affirmative vote of a majority in interest of the Limited Partners; provided, however, that any such termination shall be subject to the conditions set forth in this Agreement.

13.2 *Assumption of Agreements.* No vote by the Limited Partners to terminate the Partnership pursuant to Section 13.1(b) shall be effective unless, prior to or concurrently with such vote, there shall have been established procedures for the assumption of the Partnership s obligations arising under any agreement to which the Partnership is a party and which is still in force immediately prior to such vote regarding termination, and there shall have been an irrevocable appointment of an agent who shall be empowered to give and receive notices, reports and payments under such agreements, and hold and exercise such other powers as are necessary to permit all other parties to such agreements to deal with such agent as if the agent were the sole owner of the Partnership s interest, which procedures are agreed to in writing by each of the other parties to such agreements.

13.3 *Distribution*

13.3.1 Upon termination of the Partnership, the affairs of the Partnership shall be wound up and all of its debts and liabilities discharged or otherwise provided for in the order of priority as provided by law. The fair market value of the remaining assets of the Partnership shall then be determined by the General Partner. Thereupon, the assets of the Partnership shall be distributed to the Partners pro rata in accordance with their Units. Each Partner shall receive its share of the assets in cash or in kind, and the proportion of such share that is received in cash may vary from Partner to Partner, all as the General Partner in its sole discretion may decide. If such distributions are insufficient to return to any Partner the full amount of its Capital Contributions, such Partner shall have no recourse against any other Partner.

13.3.2 The winding up of the affairs of the Partnership and the distribution of its assets shall be conducted exclusively by the General Partner or its successor, which is hereby authorized to do all acts authorized by law for these purposes. Without limiting the generality of the foregoing, the General Partner, in carrying out such winding up and distribution, shall have full power and authority to sell all or any of the Partnership s assets or to distribute the same in kind to the Partners.

ARTICLE 14
Meetings

14.1 *Meeting of Limited Partners.* Upon the written request of 20% or more in interest of the Limited Partners, the General Partner may, but is not required to, call a meeting of the Limited Partners. Notice of such meeting shall be given within 30 days after, and the meeting shall be held within 60 days after, receipt of such request. The General Partner may also call a meeting not less than 20 and not more than 60 days prior to the meeting. Any such notice shall state briefly the purpose of the meeting, which shall be held at a reasonable time and place.

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ARTICLE 15
Power of Attorney

15.1 *Appointment.* Each Limited Partner and each Assignee hereby constitutes and appoints each of the General Partner and, if a liquidator shall have been selected, the liquidator severally (and any successor to either thereof by merger, transfer, assignment, election or otherwise) and each of their respective authorized officers and attorneys-in-fact with full power of substitution, as its true and lawful agent and attorney-in-fact with full power and authority in its name, place and stead to:

(a) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (i) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate of Limited Partnership and all amendments or restatements thereof) that the General Partner or the liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property, (ii) all certificates, documents and other instruments that the General Partner or the liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement, (iii) all certificates, documents and other instruments (including, without limitation, conveyances and a certificate of cancellation) that the General Partner or the liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, (iv) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner or the Capital Contribution of any Partner, (v) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Units issued, and (vi) all certificates documents and other instruments (including, without limitation, agreements and a certificate of merger) relating to a merger or consolidation of the Partnership;

(b) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approval waivers, certificates and other instruments necessary or appropriate, in the sole discretion of the General Partner or the liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the sole discretion of the General Partner or the liquidator, to effectuate the terms or intent of this Agreement, provided, that when required by this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner or the liquidator may exercise the power of attorney made in this Article 15 only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series;

15.2 *Survival.* The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest and it shall survive and not be affected by the subsequent death, incompetence, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner s or Assignee s Partnership interest and shall extend to such Limited Partners or Assignee s heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the liquidator, within 15 days after receipt of the General Partner s or the liquidator s request therefor, such further designations, powers of attorney and other instruments as the General Partner or the liquidator deems necessary to effectuate this Agreement

and the purposes of the Partnership.

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ARTICLE 16
Creation of Units

16.1 *General.* The Partnership will create and redeem Units from time to time, but only in one or more Creation Baskets or Redemption Baskets (a block of 100,000 Units shall be referred to as a Basket). The creation and redemption of Baskets will only be made in exchange for delivery to the Partnership or the distribution by the Partnership of the amount of United States government securities with maturities of 2 years or less (*Treasuries*) and any cash represented by the Baskets being created or redeemed, the amount of which will be based on the combined NAV of the number of Units included in the Baskets being created or redeemed determined on the day the order to create or redeem Baskets is properly received.

16.2 *Creation Procedures.* On any Business Day, a Participant, may place an order with the Partnership s marketing agent to create one or more Baskets. Purchase orders must be placed by 12:00 PM New York time or the close of regular trading on the American Stock Exchange, whichever is earlier; except in the case of the Initial Limited Partner s initial order to purchase one or more Creation Baskets on the first day the Baskets are to be offered and sold, when such orders shall be placed by 9:00 AM New York time on the day agreed to by the General Partner and the Initial Limited Partner. The day on which the marketing agent receives a valid purchase order is the purchase order date. By placing a purchase order, a Participant agrees to (1) deposit Treasuries, cash, or a combination of Treasuries and cash with the Partnership, and (2) if required by the General Partner in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other over-the-counter energy transaction (through itself or a designated acceptable broker) with the Partnership for the purchase of a number and type of futures contracts at the closing settlement price for such contracts on the purchase order date, as specified in the purchase order form attached to the Authorized Purchaser Agreement. Failure to consummate (1) and (2) above shall result in the cancellation of the order. The number and type of contracts specified shall be determined by the General Partner, in its sole discretion, to meet the Partnership s investment objective and shall be purchased as a result of the Participant s purchase of Units. Prior to the delivery of Baskets for a purchase order, the Participant must also have wired to the custodian the non-refundable creation transaction fee described in this Article 16.

16.3 *Determination of Required Deposits.* The total deposit required to create each Basket *(Creation Basket Deposit)* is an amount of Treasuries and cash with a value that is in the same proportion to the total assets of the Partnership (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to purchase is properly received as the number of Units to be created under the purchase order is in proportion to the total number of Units outstanding on the date the order is received. The General Partner determines, in its sole discretion or in consultation with the administrator of the Partnership, the requirements for Treasuries that may be included in deposits to create Baskets and publishes, or its agent publishes on its behalf, such requirements at the beginning of each Business Day. The amount of cash deposit required is the difference between (i) the aggregate market value of the Treasuries included in a Creation Basket Deposit as of 4:00 PM on the date the order to purchase properly was made and (ii) the total required deposit.

16.4 *Delivery of Required Deposits.* A Participant who places a purchase order is responsible for transferring to the Partnership s account with the custodian the required amount of Treasuries and cash by the end of the third Business Day following the purchase order date. Upon receipt of the deposit amount, the administrator will direct DTC to credit the number of Baskets ordered to the Participant s DTC account on the third Business Day following the purchase order date. The expense and risk of delivery and ownership of Treasuries until such Treasuries have been received by the custodian on behalf of the Partnership shall be borne solely by the Participant.

16.5 *Rejection of Purchase Orders.* The General Partner, or its marketing agent on its behalf, may reject a purchase order or a Creation Basket Deposit if: (1) it determines that the purchase order or the Creation Basket Deposit is not in proper form; (2) the General Partner believes that the purchase order or the Creation Basket Deposit would have adverse tax consequences to the Partnership or Limited Partners; (3) the acceptance or receipt of the Creation Basket Deposit would, in the opinion of counsel to the General Partner, be unlawful; or (4) circumstances outside the control of the General Partner, marketing agent or custodian make it, for all practical purposes, not feasible to process creations of Baskets. None of the General Partner, marketing agent or custodian will be liable for the rejection of any purchase order or Creation Basket Deposit.

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16.6 *Creation Transaction Fee.* To compensate the Partnership for its expenses in connection with the creation of Baskets, a Participant is required to pay a transaction fee to the Partnership of $1,000 per order to create Baskets. An order may include multiple Baskets. The transaction fee may be reduced, increased or otherwise changed by the General Partner. The General Partner shall notify DTC in advance of any change in the transaction fee and will not implement any increase in the fee for the creation of Baskets until 30 days after the date of the notice.

ARTICLE 17
Redemption of Units

17.1 *General.* The procedures by which a Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any Business Day, a Participant may place an order with the marketing agent to redeem one or more Baskets. Redemption orders must be placed by 12:00 PM New York time or the close of regular trading on the American Stock Exchange, whichever is earlier. A redemption order so received is effective on the date it is received in satisfactory form by the marketing agent. The day on which the marketing agent receives a valid redemption order is the redemption order date. By placing a redemption order, a Participant agrees to (1) deliver the redemption basket to be redeemed through DTC s book-entry system to the Partnership s account with its custodian not later than 3:00 PM New York time on the third Business Day following the effective date of the redemption order, and (2) if required by the General Partner in its sole discretion, enter into or arrange for a block trade, an exchange for physical or exchange for swap, or any other over-the-counter energy transaction (through itself or a designated acceptable broker) with the Partnership for the sale of a number and type of futures contracts at the closing settlement price for such contracts on the redemption order date, as specified in the redemption order form attached to the Authorized Purchaser Agreement. Failure to consummate (1) and (2) above shall result in the cancellation of the order. The number and type of contracts specified shall be determined by the General Partner, in its sole discretion, to meet the Partnership s investment objective and shall be sold as a result of the Participant s sale of Units. Prior to the delivery of the redemption distribution for a redemption order, the Participant must also have wired to the Partnership s account with the custodian the non-refundable redemption transaction fee described in this Article 17.

17.2 *Determination of Redemption Distribution.* The redemption distribution from the Partnership consists of a transfer to the redeeming Participant of an amount of Treasuries and/or cash with a value that is in the same proportion to the total assets of the Partnership (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the order to redeem is properly received as the number of Units to be redeemed under the redemption order is in proportion to the total number of Units outstanding on the date the order to redeem is received. The General Partner, directly or through its agent, will determine the requirements for Treasuries and the amount of cash, including the maximum permitted remaining maturity of a Treasury, and the proportions of Treasuries and cash, that may be included in distributions to redeem Baskets. The marketing agent will publish such requirements as of 4:00 PM New York time on the redemption order date.

17.3 *Delivery of Redemption Distribution.* The redemption distribution due from the Partnership is delivered to the Participant by 3:00 PM New York time on the third Business Day following the redemption order date if, by 3:00 PM New York time on such third Business Day, the Partnership s DTC account has been credited with the Baskets to be redeemed. If the Partnership s DTC account has not been credited with all of the Baskets to be redeemed by such time, the redemption distribution is delivered to the extent of whole Baskets received. Any remainder of the redemption distribution is delivered on the next Business Day to the extent of remaining whole Baskets received if the Partnership (1) receives the fee applicable to the extension of the redemption distribution date which the General Partner may, from time to time, determine and (2) the remaining Baskets to be redeemed are credited to the Partnership s DTC account by 3:00 PM New York time on such next Business Day. Any further remaining amount of the redemption

order shall be cancelled and the Participant will indemnify the Partnership for any losses, if any, due to such cancellation, including but not limited to the difference in the price of investments sold as a result of the redemption order and investments made to reflect that such order has been cancelled. The custodian is also authorized to deliver the redemption distribution notwithstanding that the Baskets to be redeemed are not credited to the Partnership s DTC account by 3:00 PM New York time on the third Business Day following the redemption order date if the Participant

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has collateralized its obligation to deliver the Baskets through DTC s book entry system on such terms as the General Partner may from time to time determine.

17.4 *Suspension or Rejection of Redemption orders.* The General Partner may, in its discretion, suspend the right of redemption, or postpone the redemption settlement date, (1) for any period during which any of the New York Mercantile Exchange, the American Stock Exchange or the New York Stock Exchange is closed other than customary weekend or holiday closings, or trading on the American Stock Exchange is suspended or restricted, (2) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of Treasuries is not reasonably practicable, or (3) for such other period as the General Partner determines to be necessary for the protection of the Limited Partners. None of the General Partner, the marketing agent or the custodian will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement. The General Partner will reject a redemption order if the order is not in proper form or if the fulfillment of the order, in the opinion of its counsel, might be unlawful.

17.5 *Redemption Transaction Fee.* To compensate the Partnership for its expenses in connection with the redemption of Baskets, a Participant is required to pay a transaction fee to the Partnership of $1,000 per order to redeem Baskets. An order may include multiple Baskets. The transaction fee may be reduced, increased or otherwise changed by the General Partner. The General Partner shall notify DTC in advance of any change in the transaction fee and will not implement any increase in the fee for the redemption of Baskets until 30 days after the date of the notice.

17.6 *Required Redemption.* The General Partner may, at any time, in its sole discretion, require any Limited Partner to withdraw entirely from the Partnership or to withdraw a portion of its Partner Capital Account, by giving not less than 15 days advance written notice to the Limited Partner thus designated. In addition, the General Partner without notice may require at any time, or retroactively, withdrawal of all or any portion of the Capital Account of any Limited Partner: (i) that the General Partner determines is a benefit plan investor (within the meaning of the Department of Labor Regulation (s) 2510.3-101(f)(2)) in order for the assets of the Partnership not to be treated as plan assets under ERISA; (ii) that made a misrepresentation to the General Partner in connection with its purchase of Units; or (iii) whose ownership of Units would result in the violation of any law or regulations applicable to the Partnership or a Partner. The Limited Partner thus designated shall withdraw from the Partnership or withdraw that portion of its Partner Capital Account specified in such notice, as the case may be, as of the Close of Business on such date as determined by the General Partner. The Limited Partner thus designated shall be deemed to have withdrawn from the Partnership or to have made a partial withdrawal from its Partner Capital Account, as the case may be, without further action on the part of said Limited Partner.

ARTICLE 18
Miscellaneous

18.1 *Notices.* Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) 5 Business Days after being mailed by first-class mail, postage prepaid, if to the Partnership or to a General Partner, or if to a Limited Partner, to the address set forth on Exhibit B hereof. Any Partner may change its address for the purpose of this Article by giving notice of such change to the Partnership, such change to become effective on the tenth Business Day after such notice is given.

18.2 *Waiver of Partition.* Each Partner hereby irrevocably waives during the term of the Partnership any right that it may have to maintain any action for partition with respect to any Partnership property.

18.3 *Governing Law, Successors, Severability.* This Agreement shall be governed by the laws of the State of Delaware, as such laws are applied by Delaware courts to agreements entered into and to be performed in Delaware by and between residents of Delaware and shall, subject to the restrictions on transferability set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives successors and assigns of the parties hereto. If any provision of this Agreement shall be held to be invalid, the remainder of this Agreement shall not be affected thereby.

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18.4 *Consent to Jurisdiction.* The General Partner and the Limited Partners hereby (i) irrevocably submit to the non-exclusive jurisdiction of any Delaware state court or federal court sitting in Wilmington, Delaware in any action arising out of or relating to this Agreement, and (ii) consent to the service of process by mail. Nothing herein shall affect the right of any party to serve legal process in any manner permitted by law or affect its right to bring any action in any other court. Each party agrees that, in the event that any dispute arising from or relating to this Agreement becomes subject to any judicial proceeding, such party, to the fullest extent permitted by applicable law, waives any right it may otherwise have to (a) seek punitive or consequential damages, or (b) request a trial by jury.

18.5 *Entire Agreement.* This Agreement constitutes the entire agreement among the parties; it supercedes any prior agreement or understanding among them, oral or written, all of which are hereby canceled. This Agreement may not be modified or amended other than pursuant to Articles 3 and 15.

18.6 *Headings.* The headings in this Agreement are inserted for convenience of reference only and shall not affect interpretation of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in either the masculine or the neuter gender shall include the masculine, the feminine and the neuter.

18.7 *No Waiver.* The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant or condition of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

18.8 *Legends.* If certificates for any interest or interests are issued evidencing a Limited Partner s interest in the Partnerships, each such certificate shall bear such legends as may be required by applicable federal and state laws, or as may be deemed necessary or appropriate by the General Partner to reflect restrictions upon transfer contemplated herein.

18.9 *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

18.10 *Relationship between the Agreement and the Act.* Regardless of whether any provisions of this Agreement specifically refer to particular Default Rules (as defined below), (a) if any provision of this Agreement conflicts with a Default Rule, the provision of this Agreement controls and the Default Rule is modified or negated accordingly, and (b) if it is necessary to construe a Default Rule as modified or negated in order to effectuate any provision of this Agreement, the Default Rule is modified or negated accordingly. For purposes of this Article 18.10, *Default Rule* shall mean a rule stated in the Act that applies except to the extent it is negated or modified through the provisions of the Partnership s certificate of limited partnership or this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first appearing above.

General Partner
Victoria Bay Asset Management, LLC

By: /s/ Howard Mah
Name: Howard Mah
Title: Marketing Director

Organizational Limited Partner
Wainwright Holdings, Inc.

By: /s/ Howard Mah
Name:Howard Mah
Title:Director

Initial Limited Partner
Kellogg Capital Group, LLC

By: /s/ Stephen G. O Grady
Name: Stephen G. O Grady
Title: Sr. Managing Director

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EXHIBIT A

FORM OF GLOBAL CERTIFICATE

Evidencing Units Representing Limited Partner Interests in United States Gasoline Fund, LP

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (DTC), TO THE FUND OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

This is to certify that Cede & Co. is the owner and registered holder of this Certificate evidencing the ownership of issued and outstanding Limited Partner Units *(Units)*, each of which represents a fractional undivided unit of a beneficial interest in United States Gasoline Fund, LP (the *Fund*), a Delaware limited partnership. Capitalized terms used not defined herein have the meaning given to such terms in the Amended and Restated Agreement of Limited Partnership, as amended, supplemented or restated to the date hereof (the Limited Partnership Agreement).

At any given time, this Certificate shall represent the limited units of beneficial interest in the Fund purchased by a particular authorized Participant on the date of this Certificate. The Limited Partnership Agreement of the Fund provides for the deposit of cash with the Fund from time to time and the issuance by the Fund of additional Creation Baskets representing the undivided units of beneficial interest in the assets of the Fund. At the request of the registered holder, this Certificate may be exchanged for one or more Certificates issued to the registered holder in such denominations as the registered holder may request; provided, however, that in the aggregate, the Certificates issued to the registered holder hereof shall represent all Units outstanding at any given time.

Each authorized Participant hereby grants and conveys all of its rights, title and interest in and to the Fund to the extent of the undivided interest represented hereby to the registered holder of this Certificate subject to and in pursuance of the Limited Partnership Agreement, all the terms, conditions and covenants of which are incorporated herein as if fully set forth at length.

The registered holder of this Certificate is entitled at any time upon tender of this Certificate to the Fund, endorsed in blank or accompanied by all necessary instruments of assignment and transfer in proper form, at its principal office in the State of California and, upon payment of any tax or other governmental charges, to receive at the time and in the manner provided in the Limited Partnership Agreement, such holder s ratable portion of the assets of the Fund for each Redemption Basket tendered and evidenced by this Certificate.

The holder of this Certificate, by virtue of the purchase and acceptance hereof, assents to and shall be bound by the terms of the Limited Partnership Agreement, copies of which are on file and available for inspection at reasonable times during business hours at the principal business office of the General Partner.

The Fund may deem and treat the person in whose name this Certificate is registered upon the books of the Fund as the owner hereof for all purposes and the Fund shall not be affected by any notice to the contrary.

The Limited Partnership Agreement and this Certificate are executed and delivered by Victoria Bay Asset Management, LLC as General Partner of the Fund, in the exercise of the powers and authority conferred and vested in it by the Limited Partnership Agreement. The representations, undertakings and agreements made on the part of the Fund in the Limited Partnership Agreement or this Certificate are made and intended not as personal representations, undertakings and agreements by the General Partner, other than acting in its capacity as such, but are made and intended for the purpose of binding only the Fund. Nothing in the Limited Partnership Agreement or this Certificate shall be construed as imposing any liability on the General Partner, individually or personally, to fulfill any representation, undertaking or agreement other than as provided in the Limited Partnership Agreement or this Certificate.

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THE HOLDER OF THIS SECURITY ACKNOWLEDGES FOR THE BENEFIT OF UNITED STATES GASOLINE FUND, LP THAT THIS SECURITY MAY NOT BE SOLD, OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IF SUCH TRANSFER WOULD VIOLATE THE THEN APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER GOVERNMENTAL AUTHORITY WITH JURISDICTION OVER SUCH TRANSFER, TERMINATE THE EXISTENCE OR QUALIFICATION OF UNITED STATES GASOLINE FUND, LP UNDER THE LAWS OF THE STATE OF DELAWARE, OR CAUSE UNITED STATES GASOLINE FUND, LP TO BE TREATED AS AN ASSOCIATION TAXABLE AS A CORPORATION OR OTHERWISE TO BE TAXED AS AN ENTITY FOR FEDERAL INCOME TAX PURPOSES (TO THE EXTENT NOT ALREADY SO TREATED OR TAXED). VICTORIA BAY ASSET MANAGEMENT, LLC, THE GENERAL PARTNER OF UNITED STATES GASOLINE FUND, LP, MAY IMPOSE ADDITIONAL RESTRICTIONS ON THE TRANSFER OF THIS SECURITY IF IT RECEIVES AN OPINION OF COUNSEL THAT SUCH RESTRICTIONS ARE NECESSARY TO AVOID A SIGNIFICANT RISK OF UNITED STATES GASOLINE FUND, LP BECOMING TAXABLE AS A CORPORATION OR OTHERWISE BECOMING TAXABLE AS AN ENTITY FOR FEDERAL INCOME TAX PURPOSES. THE RESTRICTIONS SET FORTH ABOVE SHALL NOT PRECLUDE THE SETTLEMENT OF ANY TRANSACTIONS INVOLVING THIS SECURITY ENTERED INTO THROUGH THE FACILITIES OF ANY NATIONAL SECURITIES EXCHANGE ON WHICH THIS SECURITY IS LISTED OR ADMITTED TO TRADING.

This Certificate shall not become valid or binding for any purpose until properly executed by the General Partner.

IN WITNESS WHEREOF, the General Partner of the Fund has caused this Certificate to be executed in its name by the manual or facsimile signature of one of its Authorized Persons.

Victoria Bay Asset Management, LLC,
as General Partner

By:

Date:

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EXHIBIT B

ADDRESSES FOR NOTICE

Victoria Bay Asset Management, LLC
1320 Harbor Bay Parkway, Suite 145
Alameda, California 9450

with a copy to

Brown Brothers Harriman & Co.
40 Water Street
Boston, MA 02109
Attention: Manager, Fund Administration Department

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EXHIBIT C

APPLICATION FOR TRANSFER OF UNITS

Transferees of Units must execute and deliver this application to **United States Gasoline Fund, LP, c/o Victoria Bay Asset Management, LLC, 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502,** to be admitted as limited partners to United States Gasoline Fund, LP.

The undersigned (*Assignee*) hereby applies for transfer to the name of the Assignee of the Units evidenced hereby and hereby certifies to United States Gasoline Fund, LP (the *Partnership*) that the Assignee (including to the best of Assignee s knowledge, any person for whom the Assignee will hold the Units) is an Eligible Holder.*

The Assignee (a) requests admission as a Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended, supplemented or restated to the date hereof (the *Limited Partnership Agreement*), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Limited Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee s attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Limited Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee s admission as a Substituted Limited Partner and as a party to the Limited Partnership Agreement, (d) gives the powers of attorney provided for in the Limited Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Limited Partnership Agreement. Capitalized terms used but not defined herein have the meanings given to such terms in the Limited Partnership Agreement.

Date:

Social Security or other identifying number of Assignee

Signature of Assignee

Purchase Price including commissions, if any

Name and Address of Assignee

Type of Entity (check one):

o Individual
o Trust
o Partnership
o Other (specify)
o Corporation

If not an Individual (check one):

o the entity is subject to United States federal income taxation on the income generated by the Partnership;

o the entity is not subject to United States federal income taxation, but it is a pass-through entity and all of its beneficial owners are subject to United States federal income taxation on the income generated by the Partnership;

o the entity is not subject to United States federal income taxation and it is (a) not a pass-through entity or (b) a pass-through entity, but not all of its beneficial owners are subject to United States federal income taxation on the income generated by the Partnership. **Important Note** by checking this box, the Assignee is contradicting its certification that it is an Eligible Holder.

The Term *Eligible Holder* means (a) an individual or entity subject to United States federal income taxation on the income generated by the Partnership; or (b) an entity not subject to United States federal income taxation on the
* income generated by the Partnership, so long as all of the entity s owners are subject to United States federal income taxation on the income generated by the Partnership. Individuals or entities are subject to taxation, in the context of defining an Eligible Holder, to the extent they are

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taxable on the items of income and gain allocated by the Partnership. Schedule I hereto contains a list of various types of investors that are categorized and identified as either Eligible Holders or Non-Eligible Holders.

Nationality (check one):

o U.S. Citizen, Resident or Domestic Entity** o Non-resident Alien**
o Foreign Corporation**

** As those terms are defined in the Code.

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the *Code*), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder s interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.
2. My U.S. taxpayer identification number (Social Security Number) is
3. My home address is

B. Partnership, Corporation or Other Interestholder

1. The interestholder is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).
2. The interestholder s U.S. employer identification number is
3. The interestholder s office address and place of incorporation (if applicable) is

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of:

Name of Interestholder
Signature and Date
Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of FINRA, or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Units shall be made to the best of the Assignee s knowledge.

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STATEMENT OF ADDITIONAL INFORMATION

United States Gasoline Fund, LP

Before you decide whether to invest, you should read this entire prospectus carefully and consider the risk factors beginning on page 12.

This prospectus is in two parts: a disclosure document and a statement of additional information. These parts are bound together, and both parts contain important information.

This statement of additional information and accompanying disclosure document are both dated , 2009.

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The following information was taken from the United States Government s Energy Information Administration s (EIA) website.

Introduction.

Gasoline is one of the major fuels consumed in the United States and the main product refined from crude oil. Consumption in 2008 was about 138 billion gallons, an average about 380 million gallons per day and the equivalent of about 62% of all the energy used for transportation, 46% of all petroleum consumption, and 17% of total U.S. energy consumption. About 44 barrels of gasoline are produced in U.S. refineries from every 100 barrels of oil refined to make numerous petroleum products. Most gasoline is used in cars and light trucks. It also fuels boats, recreational vehicles, and farm, construction, and landscaping equipment. While gasoline is produced year-round, extra volumes are made and imported to meet higher demand in the summer. Gasoline is delivered from oil refineries mainly through pipelines to an extensive distribution chain serving about 162,000 retail gasoline stations in the United States. There are three main grades of gasoline that are based on octane levels: regular, mid-grade, and premium. Premium grade is the most expensive; the price difference between grades is generally constant at about ten cents per gallon.

Figure 1. What Do We Pay for in a Gallon of Regular Grade?

What are the components of the retail price of gasoline?

The cost to produce and sell gasoline to consumers includes the cost of crude oil to refiners, the costs to refine, market and distribute the gasoline, and finally the retail station costs and taxes. Retail prices pump prices reflect these costs, as well as the profits (and sometimes losses) of refiners, marketers, distributors, and retail station owners.

The cost of crude oil as a share of the retail price varies over time and among regions of the country. In 2007, the price of crude oil averaged about $68 per barrel and accounted for about 58% of the national average retail price of a gallon of regular grade gasoline (Figure 1). In comparison, in 2005 the average crude oil price was $50 per barrel and the crude oil cost was 53% of the retail price. From 2000 to 2007 the average crude oil price was about $39 per barrel and the crude oil cost share of the retail gasoline prices averaged 48%.

Federal, State, and local government taxes are the next largest part of the retail price of gasoline. In 2007, taxes (not including county and local taxes) accounted for about 15% of the cost of a gallon of regular gasoline. Federal excise taxes were 18.4 cents per gallon and State excise taxes averaged 21.5 cents per gallon.[1] Eleven States levy additional State sales and other taxes, some of which are applied to the Federal

(1) Energy Information Administration, Petroleum Marketing Monthly, October 2009.

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and State excise taxes. Additional county and city taxes can have a significant impact on the price of gasoline in some locations. From 2000 to 2007, taxes averaged about 24% of the retail gasoline price.

Refining costs and profits were about 17% of the national average retail price of regular gasoline in 2007, close to the 2000 to 2007 average of 16%. This component s share varies from region to region mainly due to the different gasoline formulations required in different parts of the country.

Distribution, marketing, and retail dealer costs and profits in 2007 were 10% of the gasoline price, down from the 2000 to 2007 average of 12%. Most gasoline is shipped from the refinery first by pipeline to terminals near consuming areas where it may be blended with other products (such as ethanol) to meet local government and market specifications, and is then delivered by tanker truck to individual stations. Some retail outlets are owned and operated by refiners, while others are independent businesses that purchase gasoline from refiners and marketers for resale to the public. The price on the pump includes the retailer s cost to purchase the finished gasoline and the costs of operating the service station. It also reflects local market conditions and factors, such as the desirability of the location and the marketing strategy of the owner.

Why do gasoline prices fluctuate?

Retail gasoline prices are mainly affected by crude oil prices and the level of gasoline supply relative to demand. Strong and increasing demand for gasoline and other petroleum products in the United States and the rest of the world is exerting intense pressure on available supplies. Even when crude oil prices are stable, gasoline prices fluctuate due to seasonal demand and local retail station competition. Gasoline prices can change rapidly if something disrupts the supply of crude oil or if there are problems at refineries or with delivery pipelines.

Seasonal demand for gasoline. Retail gasoline prices tend to gradually rise in the spring and peak in late summer when people drive more, and then drop in the winter. Good weather and vacations cause U.S. summer gasoline demand to average about 5% higher than during the rest of the year. If crude oil prices do not change, gasoline prices typically increase by 10-20 cents from January to the summer.

Crude oil supply and prices. Crude oil prices are determined by worldwide supply and demand. Events in crude oil markets that caused spikes in crude oil prices were a major factor in all but one of the five major run-ups in gasoline prices between 1992 and 1997. Rapid gasoline price increases occurred in response to crude oil shortages caused by the Arab oil embargo in 1973, the Iranian revolution in 1978, the Iran/Iraq war in 1980, and the Persian Gulf conflict in 1990. The cost of crude oil has been the main contributor to recent increases in gasoline prices. World crude oil prices reached record levels in 2008 due mainly to high worldwide oil demand relative to supply. Other factors contributing to higher crude oil prices include political events and conflicts in some major oil producing regions, as well as other factors such as the declining value of the U.S. dollar (the currency at which crude oil is traded globally).

The Organization of Petroleum Exporting Countries (OPEC) has significant influence on world oil prices, because its members produce over 40% of the world s crude oil and have more than two-thirds of the world s estimated crude oil reserves. OPEC members are also the only countries that have spare production capacity and the ability to bring more oil into production relatively quickly. Since it was organized in 1960, OPEC has tried to keep world oil prices at a target level by setting production levels for its members.

Gasoline supply and demand imbalances. Gasoline prices tend to increase as the available supply of gasoline grows smaller relative to real or expected demand or consumption. The supply of gasoline is a function of crude oil supply and refining, imports of refined gasoline, and gasoline inventories (stocks). Stocks are the cushion between major short-term supply and demand imbalances, and their levels can have a significant impact on gasoline prices. If refinery

or pipeline problems and/or reductions in imports cause supplies to decline unexpectedly, gasoline inventories (stocks) may drop rapidly. This may cause wholesalers to bid higher for available supply over concern that future supplies may not be adequate. Imbalances have also occurred when a region has changed from one fuel type to another (e.g., to cleaner-burning gasoline) as refiners, distributors, and marketers adjust to the new product. Gasoline may be less expensive in one summer when supplies are plentiful vs. another summer when they are not. Prices for all commodities fluctuate, but gasoline prices are generally more volatile than prices of other goods. For example, consumers generally have options to substitute between food products when prices change but most do not have that option for fueling their vehicles.

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Why do gasoline prices differ according to region?

Although price levels vary over time, Energy Information Administration (EIA) data indicate that average retail gasoline prices are often highest in certain States or regions (Figure 3). Aside from taxes, there are other factors that contribute to regional and even local differences in gasoline prices:

Figure 3. 2007 Average Regular Grade Gasoline Prices at Retail Outlets by Region (dollars per gallon, including taxes).

Distance from supply. Retail gasoline prices tend to be higher with greater distance from the source of supply: ports, refineries, and pipeline and blending terminals. About 67% of the crude oil processed by U.S. refineries in 2008 was imported, with most transported by ocean tankers. The U.S. Gulf Coast is the source of about 37% of the gasoline produced in the United States and the starting point for most major gasoline pipelines.

Supply disruptions. Any event that slows or stops production of gasoline for even a short time, such as planned or unplanned refinery maintenance or the refinery shutdowns that occurred when the Hurricanes Katrina and Rita hit the Gulf Coast in 2005, can prompt bidding for available supplies. If the transportation system cannot support the flow of surplus supplies from one region to another, prices will remain relatively high.

Retail competition and operating costs. Pump prices are often highest in locations with few retail gasoline stations. Even stations located close together have may have different traffic patterns, rents, and sources of supply that influence their pricing. Drivers face a trade-off between stations with high prices and the inconvenience of driving further to find a station with lower prices.

Environmental programs. Some areas of the country are required to use special reformulated gasoline with additives to help reduce carbon monoxide, smog, and air toxics that result when gasoline is burned or when gasoline evaporates during fueling. Other environmental programs put restrictions on fuel transportation and storage. These programs tend to add to the cost of producing, storing, and distributing gasoline. About a third of the gasoline sold in the U.S. is reformulated. Each oil company prepares its own formulation to meet Federal emission standards.

Why are California Gasoline Prices More Variable than Others?

California prices are higher and more variable than prices in other States because there are relatively few supply sources of its unique blend of gasoline outside the State. The State of California s reformulated gasoline program is more stringent than the Federal government s. In addition to the higher cost of this cleaner fuel, there is a State sales tax of 7.25 percent on top of an 18.4 cent-per-gallon Federal excise tax and an 18.0 cent-per-gallon State excise tax.

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California refineries need to be running near full capacity to meet the State s gasoline demand. If more than one of its refineries experiences operating problems at the same time, California s gasoline supply may become very tight and prices can soar. Even when supplies can be obtained from some Gulf Coast and foreign refineries, they can take a relatively long time to arrive due to California s substantial distance from those sources. The farther away the necessary relief supplies are, the higher and longer the price spike will be.

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CFTC ANNUAL REPORT

UNITED STATES COMMODITY FUNDS LLC
General Partner of the United States Gasoline Fund, LP

March 31, 2009

Dear United States Gasoline Fund, LP Investor,

Enclosed with this letter is your copy of the 2008 financial statements for the United States Gasoline Fund, LP (ticker symbol UGA). We have mailed this statement to all investors in UGA who held shares as of December 31, 2008 to satisfy our annual reporting requirement under federal commodities laws. In addition, we have enclosed a copy of the current United States Gasoline Fund, LP s Privacy Policy. Additional information concerning UGA s 2008 results may be found by referring to the Annual Report on Form 10-K (the Form 10-K), which has been filed with the U.S. Securities and Exchange Commission (the SEC). You may obtain a copy of the Form 10-K by going to the SEC s website at ***www.sec.gov***, or by going to UGA s own website at ***www.unitedstatesgasolinefund.com***. You may also call UGA at **1-800-920-0259** to speak to a representative and request additional material, including a current UGA Prospectus.

United States Commodity Funds LLC is the general partner of the United States Gasoline Fund, LP. United States Commodity Funds LLC is also the general partner and manager of several other commodity based exchange traded security funds that are structured like UGA. These other funds are referred to in the attached financial statements and include:

United States Oil Fund, LP	(ticker symbol: **USO**)
United States Natural Gas Fund, LP	(ticker symbol: **UNG**)
United States 12 Month Oil Fund, LP	(ticker symbol: **USL**)
United States Heating Oil Fund, LP	(ticker symbol: **UHN**)

Information about these other funds is contained within the Annual Report as well as in the current UGA Prospectus. Investors in UGA who wish to receive additional information about these other funds may do so by going to their respective websites.* The websites may be found at:

www.unitedstatesoilfund.com
www.unitedstatesnaturalgasfund.com
www.unitedstates12monthoilfund.com
www.unitedstatesheatingoilfund.com

You may also call United States Commodity Funds LLC at **1-800-920-0259** to request additional information.

Thank you for your continued interest in the United States Gasoline Fund, LP.

Regards,

/s/ Nicholas Gerber
Nicholas Gerber
President and CEO
United States Commodity Funds LLC

* This letter is not an offer to buy or sell securities. Investment in any of these other funds is only made by prospectus. Please consult the relevant prospectus for a description of the risks and expenses involved in any such investment.

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PRIVACY POLICY
UNITED STATES COMMODITY FUNDS, LLC

This privacy policy explains the policies of United States Commodity Funds LLC (the General Partner), a commodity pool operator registered with the Commodity Futures Trading Commission that serves as general partner to a number of commodity pools, including the United States Oil Fund, LP, United States 12 Month Oil Fund, LP, United States Natural Gas Fund, LP, United States Heating Oil Fund, LP, United States Gasoline Fund, LP, United States 12 Month Natural Gas Fund, LP and United States Short Oil Fund, LP (collectively, the Funds), relating to the collection, maintenance and use of nonpublic personal information about the Funds investors, as required under Federal legislation. This privacy policy applies to the nonpublic personal information of investors who are individuals and who obtain financial products or services primarily for personal, family or household purposes.

Collection of Investor Information

Units of the Funds are registered in the name of Cede & Co., as nominee for the Depository Trust Company. However, the General Partner may collect or have access to personal information about Fund investors for certain purposes relating to the operation of the Funds, including for the distribution of certain required tax reports to investors. This information may include information received from investors and information about investors holdings and transactions in units of the Funds.

Disclosure of Nonpublic Personal Information

The General Partner does not sell or rent investor information. The General Partner does not disclose nonpublic personal information about Fund investors, except as required by law or as described below. Specifically, the General Partner may share nonpublic personal information in the following situations:

To service providers in connection with the administration and servicing of the Funds, which may include attorneys, accountants, auditors and other professionals. The General Partner may also share information in connection with the servicing or processing of Fund transactions.

To affiliated companies, i.e., any company that controls, is controlled by, or is under common control with the General Partner, to introduce Fund investors to other products and services that may be of value to them;

To respond to subpoenas, court orders, judicial process or regulatory authorities;

To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and

Upon consent of an investor to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the investor.

Fund investors have no right to opt out of the General Partner s disclosure of non-public personal information under the circumstances described above.

Protection of Investor Information

The General Partner holds Fund investor information in the strictest confidence. Accordingly, the General Partner s policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

The General Partner maintains safeguards that comply with federal standards to protect investor information. The General Partner restricts access to the personal and account information of investors to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the General Partner shares investor information must agree to follow appropriate standards of security and confidentiality, which includes safeguarding such information physically, electronically and procedurally.

The General Partner s privacy policy applies to both current and former investors. The General Partner will only disclose nonpublic personal information about a former investor to the same extent as for a current investor.

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Changes to Privacy Policy

The General Partner may make changes to its privacy policy in the future. The General Partner will not make any change affecting Fund investors without first sending investors a revised privacy policy describing the change. In any case, the General Partner will send Fund investors a current privacy policy at least once a year as long as they continue to be Fund investors.

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UNITED STATES GASOLINE FUND, LP
A Delaware Limited Partnership

FINANCIAL STATEMENTS

For the period from February 26, 2008 (commencement of operations) to December 31, 2008 and the period from April 12, 2007 (inception) to December 31, 2007

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the Unitholders of the United States Gasoline Fund, LP

Pursuant to Rule 4.22(h) under the Commodity Exchange Act, the undersigned represents that, to the best of his knowledge and belief, the information contained in this Annual Report for the period from February 26, 2008 (commencement of operations) to December 31, 2008 and the period from April 12, 2007 (inception) to December 31, 2007 is accurate and complete.

/s/ Nicholas Gerber
Nicholas Gerber
By: United States Gasoline Fund, LP
President & CEO of United States Commodity Funds LLC
(General Partner of the United States Gasoline Fund, LP)

CERTIFIED PUBLIC ACCOUNTANTS
5251 SOUTH QUEBEC STREET, SUITE 200
GREENWOOD VILLAGE, CO 80111
TELEPHONE: (303) 753-1959
FAX: (303) 753-0338
www.spicerjeffries.com

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
United States Gasoline Fund, LP

We have audited the accompanying statements of financial condition of United States Gasoline Fund, LP (the Fund) as of December 31, 2008 and 2007, including the schedule of investments as of December 31, 2008, and the related statements of operations, changes in partners capital and cash flows for the period from February 26, 2008 (commencement of operations) through December 31, 2008 and the period from April 12, 2007 (inception) through December 31, 2007. These financial statements are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Gasoline Fund, LP as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the period from February 26, 2008 (commencement of operations) through December 31, 2008 and the period from April 12, 2007 (inception) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Greenwood Village, Colorado
March 20, 2009

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UNITED STATES GASOLINE FUND, LP

STATEMENTS OF FINANCIAL CONDITION

At December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 11,691,510	$ 1,000
Equity in UBS Securities LLC trading accounts:		
Cash	7,114,841	
Unrealized gain on open commodity futures contracts	1,431,721	
Receivable from general partner	126,348	
Interest receivable	4,251	
Total assets	$ 20,368,671	$ 1,000
LIABILITIES AND PARTNERS CAPITAL		
General Partner management fees (Note 3)	$ 5,902	$
Audit and tax reporting fees payable	150,794	
Brokerage commissions payable	1,400	
Other liabilities	1,156	
Total liabilities	159,252	
Commitments and Contingencies (Notes 3, 4 and 5)		
Partners Capital		
General Partner		20
Limited Partners	20,209,419	980
Total Partners Capital	20,209,419	1,000
Total liabilities and partners capital	$ 20,368,671	$ 1,000
Limited Partners units outstanding	1,000,000	
Net asset value per unit	$ 20.21	$
Market value per unit	$ 19.46	$

See accompanying notes to financial statements.

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UNITED STATES GASOLINE FUND, LP

SCHEDULE OF INVESTMENTS

At December 31, 2008

Open Futures Contracts		Number of Contracts	Gain on Open Commodity Contracts	% of Partners Capital
United States Contracts				
Gasoline Futures contracts, expire February 2009		453	$1,431,721	7.08
Cash Equivalents				
		Cost	**Market Value**	
United States Money Market Funds				
Goldman Sachs Financial Square Funds	Government Fund	$3,031,801	3,031,801	15.00
Goldman Sachs Financial Square Funds Fund	Treasury Instruments	1,812,771	1,812,771	8.97
		$4,844,572	4,844,572	23.97
Cash			6,846,938	33.88
Total Cash and Cash Equivalents			11,691,510	57.85
Cash on deposit with broker			7,114,841	35.21
Liabilities, less receivables			(28,653)	(0.14)
Total Partners Capital			$20,209,419	100.00

See accompanying notes to financial statements.

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UNITED STATES GASOLINE FUND, LP

STATEMENTS OF OPERATIONS

For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

	Period from February 26, 2008 to December 31, 2008	Period from April 12, 2007 to December 31, 2007
Income		
Gains (losses) on trading of commodity futures contracts:		
Realized losses on closed positions	$(11,364,767)	$
Change in unrealized gains on open positions	1,431,721	
Interest income	270,986	
Other income	10,000	
Total loss	(9,652,060)	
Expenses		
General Partner management fees (Note 3)	97,932	
Brokerage commission fees	16,173	
Audit and tax reporting fees	150,794	
Other expenses	7,979	
Total expenses	272,878	
Expense waiver	(126,348)	
Net expenses	146,530	
Net loss	$(9,798,590)	$
Net loss per limited partnership unit	$(29.79)	$
Net loss per weighted average limited partnership unit	$(23.69)	$
Weighted average limited partnership units outstanding	413,548	

See accompanying notes to financial statements.

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UNITED STATES GASOLINE FUND, LP

STATEMENTS OF CHANGES IN PARTNERS CAPITAL

For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

	General Partner	Limited Partners	Total
Balances, at Inception	$	$	$
Initial contribution of capital	20	980	1,000
Balances, at December 31, 2007	20	980	1,000
Addition of 1,300,000 partnership units		46,114,901	46,114,901
Redemption of 300,000 partnership units	(20)	(16,107,872)	(16,107,892)
Net loss		(9,798,590)	(9,798,590)
Balances, at December 31, 2008	$	$ 20,209,419	$ 20,209,419
Net Asset Value Per Unit			
At April 12, 2007 (inception)	$		
At February 26, 2008 (commencement of operations)	$ 50.00		
At December 31, 2008	$ 20.21		

See accompanying notes to financial statements.

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UNITED STATES GASOLINE FUND, LP

STATEMENTS OF CASH FLOWS

For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

	Period from February 26, 2008 to December 31, 2008	Period from April 12, 2007 to December 31, 2007
Cash Flows from Operating Activities:		
Net loss	$(9,798,590)	$
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in commodity futures trading account cash	(7,114,841)	
Unrealized gains on futures contracts	(1,431,721)	
Increase in receivable from general partner	(126,348)	
Increase in interest receivable	(4,251)	
Increase in General Partner management fees payable	5,902	
Increase in audit and tax reporting fees payable	150,794	
Increase in brokerage commission fees payable	1,400	
Increase in other liabilities	1,156	
Net cash used in operating activities	(18,316,499)	
Cash Flows from Financing Activities:		
Subscription of partnership units	46,114,901	1,000
Redemption of partnership units	(16,107,892)	
Net cash provided by financing activities	30,007,009	1,000
Net Increase in Cash and Cash Equivalents	11,690,510	1,000
Cash and Cash Equivalents, beginning of period	1,000	
Cash and Cash Equivalents, end of period	$11,691,510	$ 1,000

See accompanying notes to financial statements.

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UNITED STATES GASOLINE FUND, LP

NOTES TO FINANCIAL STATEMENTS
For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

Note 1 Organization and Business

The United States Gasoline Fund, LP (UGA), was organized as a limited partnership under the laws of the state of Delaware on April 12, 2007. UGA is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the NYSE Arca). Prior to November 25, 2008, UGA s units traded on the American Stock Exchange (the AMEX). UGA will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Amended and Restated Agreement of Limited Partnership dated as of February 11, 2008 (the LP Agreement). The investment objective of UGA is for the changes in percentage terms of its net asset value to reflect the changes in percentage terms of the price of gasoline (also known as reformulated gasoline blendstock for oxygen blending, or RBOB) for delivery to the New York harbor as measured by the changes in the price of the futures contract on gasoline as 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, less UGA s expenses. UGA accomplishes its objective through investments in futures contracts for gasoline, crude oil, natural gas, heating oil and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, Futures Contracts) and other gasoline-related investments such as cash-settled options on Futures Contracts, forward contracts for gasoline and over-the-counter transactions that are based on the price of gasoline, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, Other Gasoline-Related Investments). As of December 31, 2008, UGA held 453 Futures Contracts traded on the NYMEX.

UGA commenced investment operations on February 26, 2008 and has a fiscal year ending on December 31. United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) (the General Partner) is responsible for the management of UGA. The General Partner is a member of the National Futures Association (the NFA) and became a commodity pool operator with the Commodity Futures Trading Commission effective December 1, 2005. The General Partner 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) and the United States Heating Oil Fund, LP (USHO), which listed their limited partnership units on the AMEX under the ticker symbols USO on April 10, 2006, UNG on April 18, 2007, USL on December 6, 2007 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, UGA s and USHO s units commenced trading on the NYSE Arca on November 25, 2008.

UGA issues limited partnership interests (units) to certain authorized purchasers (Authorized Purchasers) by offering baskets consisting of 100,000 units (Creation Baskets) through ALPS Distributors, Inc. (the Marketing Agent). The

purchase price for a Creation Basket is based upon the net asset value of a unit determined as of the earlier of the close of the New York Stock Exchange (the NYSE) or 4:00 p.m. New York time on the day the order to create the basket is properly received.

In addition, Authorized Purchasers pay UGA a $1,000 fee for each order to create one or more Creation Baskets. Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the net asset value of UGA but rather at market prices quoted on such exchange.

In November 2007, UGA initially registered 30,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the SEC). On February 26, 2008, UGA listed its units on the AMEX under the ticker symbol UGA . On that day, UGA established its initial net asset value by setting the price at $50.00 per unit and issued 300,000 units in exchange for $15,001,000. UGA also commenced investment operations on February 26, 2008 by purchasing Futures Contracts traded on the NYMEX based on gasoline. As a result of the acquisition of the AMEX by NYSE Euronext, UGA s units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, UGA had registered a total of 30,000,000 units.

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For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

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 statement of financial condition and in 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 financial statements. Changes in the unrealized gains or losses between periods are reflected in the statement of operations. UGA 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, UGA earns interest on funds held at the custodian 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

UGA 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.

Additions and Redemptions

Authorized Purchasers may purchase Creation Baskets or redeem units (Redemption Baskets) only in blocks of 100,000 units equal to the net asset value of the units determined as of the earlier of the close of the NYSE or 4:00 p.m. New York time on the day the order is placed.

UGA records units sold or redeemed one business day after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in UGA s statement 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 UGA in proportion to the number of units each partner holds as of the close of each month. The General Partner may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

Calculation of Net Asset Value

UGA calculates its net asset value on each trading day by taking the current market value of its total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. UGA 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 net asset value per unit 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 redeemed based on the amount of time the units were outstanding during such period. There were no units held by the General Partner at December 31, 2008.

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Note 2 Summary of Significant Accounting Policies (continued)

Offering Costs

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by UGA. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated therewith. These costs will be 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 and cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of three months or less.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires UGA s management 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 financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Note 3 Fees Paid by the Fund and Related Party Transactions

General Partner Management Fee

Under the LP Agreement, the General Partner is responsible for investing the assets of UGA in accordance with the objectives and policies of UGA. In addition, the General Partner has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to UGA. For these services, UGA is contractually obligated to pay the General Partner a fee, which is paid monthly and based on average daily net assets, that is equal to 0.60% per annum on average daily net assets.

Ongoing Registration Fees and Other Offering Expenses

UGA pays all costs and expenses associated with the ongoing registration of 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 period from February 26, 2008 (commencement of operations) to December 31, 2008 and the period from April 12, 2007 (inception) to December 31, 2007, UGA incurred $0 and $0, respectively, in registration fees and other offering expenses.

Directors Fees

UGA is responsible for paying the fees and expenses, including directors and officers liability insurance, of the independent directors of the General Partner who are also audit committee members. During the period from February 26, 2008 (commencement of operations) to December 31, 2008, UGA shared these fees with USOF, USNG, US12OF and USHO based on the relative assets of each fund, computed on a daily basis. These fees for calendar year 2008 amounted to a total of $282,000 for all five funds, and UGA s portion of such fees was $2,759. For the period from April 12, 2007 (inception) to December 31, 2007, these fees were $286,000 and UGA s portion of such fees was $0.

Licensing Fees

As discussed in Note 4, UGA entered into a licensing agreement with the NYMEX on May 30, 2007. The agreement has an effective date of April 10, 2006. Pursuant to the agreement, UGA and the affiliated funds managed by the General Partner pay a licensing fee that is equal to 0.04% for the first $1,000,000,000

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NOTES TO FINANCIAL STATEMENTS For the Period from February 26, 2008 (Commencement of Operations) to December 31, 2008 And the Period from April 12, 2007 (Inception) to December 31, 2007

Note 3 Fees Paid by the Fund and Related Party Transactions (continued)

of combined assets of the funds and 0.02% for combined assets above $1,000,000,000. During the period from February 26, 2008 (commencement of operations) to December 31, 2008 and the period from April 12, 2007 (inception) to December 31, 2007, UGA incurred $5,219 and $0, respectively, under this arrangement.

Investor Tax Reporting Cost

The fees and expenses associated with UGA s audit expenses and tax accounting and reporting requirements, with the exception of certain initial implementation service fees and base service fees which were borne by the General Partner, are paid by UGA. The General Partner, though under no obligation to do so, agreed to pay certain expenses, including those relating to audit expenses and tax accounting and reporting requirements normally borne by UGA to the extent that such expenses exceeded 0.15% (15 basis points) of UGA s NAV, on an annualized basis, through December 31, 2008. The General Partner has no obligation to continue such payment into subsequent years. The total amount of these costs to be paid by the General Partner and UGA is estimated to be $126,348 for the year ended December 31, 2008.

Other Expenses and Fees

In addition to the fees described above, UGA pays all brokerage fees, taxes and other expenses in connection with the operation of UGA, excluding costs and expenses paid by the General Partner as outlined in Note 4.

Note 4 Contracts and Agreements

UGA is party to a marketing agent agreement, dated as of January 18, 2008, with the Marketing Agent, whereby the Marketing Agent provides certain marketing services for UGA as outlined in the agreement. The fee of the Marketing Agent, which is borne by the General Partner, is equal to 0.06% on UGA s assets up to $3 billion; and 0.04% on UGA s assets in excess of $3 billion.

The above fees do not include the following expenses, which are also borne by the General Partner: the cost of placing advertisements in various periodicals; web construction and development; or the printing and production of various

marketing materials.

UGA is also party to a custodian agreement, dated January 16, 2008, with Brown Brothers Harriman & Co. (BBH&Co.), whereby BBH&Co. holds investments on behalf of UGA. The General Partner pays the fees of the custodian, which are determined by the parties from time to time. In addition, UGA is party to an administrative agency agreement, dated February 7, 2008, with the General Partner and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for UGA. The General Partner also pays the fees of BBH&Co. for its services under this agreement and such fees are determined by the parties from time to time.

Currently, the General Partner pays BBH&Co. for its services, in the foregoing capacities, the greater of a minimum amount of $75,000 annually for its custody, fund accounting and fund administration services rendered to all funds, as well as a $20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first $500 million of UGA s, USOF s, USNG s, US12OF s and USHO s combined net assets, (b) 0.0465% for UGA s, USOF s, USNG s, US12OF s and USHO s combined net assets greater than $500 million but less than $1 billion, and (c) 0.035% once UGA s, USOF s, USNG s, US12OF s and USHO 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. The General Partner also pays transaction fees ranging from $7.00 to $15.00 per transaction.

UGA has entered into a brokerage agreement with UBS Securities LLC (UBS Securities). The agreement requires UBS Securities to provide services to UGA in connection with the purchase and sale of Futures Contracts and Other Gasoline-Related Investments that may be purchased and sold by or through UBS

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Note 4 Contracts and Agreements (continued)

Securities for UGA s account. The agreement provides that UBS Securities charge UGA commissions of approximately $7 per round-turn trade, plus applicable exchange and NFA fees for Futures Contracts and options on Futures Contracts.

UGA invests primarily in Futures Contracts traded on the NYMEX. On May 30, 2007, UGA and the NYMEX entered into a license agreement whereby UGA was granted a non-exclusive license to use certain of the NYMEX s settlement prices and service marks. The agreement has an effective date of April 10, 2006. Under the license agreement, UGA and the affiliated funds managed by the General Partner pay the NYMEX an asset-based fee for the license, the terms of which are described in Note 3.

UGA expressly disclaims any association with the NYMEX or endorsement of UGA by the NYMEX and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of the NYMEX.

Note 5 Financial Instruments, Off-Balance Sheet Risks and Contingencies

UGA engages in the trading of Futures Contracts and options on Futures Contracts (collectively, derivatives). UGA 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.

All of the contracts currently traded by UGA are exchange-traded. 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, UGA must rely solely on the credit of its respective individual counterparties. However, in the future, if UGA 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. UGA also has credit risk since the sole counterparty to all domestic and foreign futures contracts is the exchange on which the relevant contracts are traded. In addition, UGA bears the risk of financial failure by the clearing broker.

The purchase and sale of futures and options on futures contracts 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.

UGA s cash and other property, such as U.S. 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 UGA s assets posted with that futures commission merchant; however, the vast majority of UGA s assets are held in Treasuries, cash and/or cash equivalents with UGA s custodian and would not be impacted by the insolvency of a futures commission merchant. Also, the failure or insolvency of UGA s custodian could result in a substantial loss of UGA s assets.

UGA invests its cash in money market funds that seek to maintain a stable net asset value. UGA is exposed to any risk of loss associated with an investment in these money market funds. As of December 31, 2008, UGA had deposits in domestic and foreign financial institutions, including cash investments in money market funds, in the amount of $18,806,351. This amount is subject to loss should these institutions cease operations.

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Note 5 Financial Instruments, Off-Balance Sheet Risks and Contingencies (continued)

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, UGA is exposed to a 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, UGA 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.

UGA 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, UGA 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 UGA are reported in its statement 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 period from February 26, 2008 (commencement of operations) to December 31, 2008 and the period from April 12, 2007 (inception) to December 31, 2007. This information has been derived from information presented in the financial statements.

	For the Period from February 26, 2008 to December 31, 2008	For the Period from April 12, 2007 to December 31, 2007
Per Unit Operating Performance:		
Net asset value, beginning of period	$ 50.00	$
Total loss	(29.44)	

Net expenses	(0.35)	
Net decrease in net asset value	(29.79)	
Net asset value, end of period	$ 20.21	$
Total Return	(59.58)%	%
Ratios to Average Net Assets		
Total loss	(50.09)%	%
Management fees	0.60 %	%
Total expenses excluding management fees	1.07 %	%
Expenses waived	0.77%*	%
Net expenses excluding management fees	0.30%*	%
Net loss	(50.85)%	%

*Annualized

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

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Note 7 Quarterly Financial Data (Unaudited)

The following summarized (unaudited) quarterly financial information presents the results of operations and other data for three-month periods ended March 31, June 30, September 30 and December 31, 2008 and 2007.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008
Total Income (Loss)	$ (626,337)	$ 6,213,819	$ (7,086,745)	$ (8,152,797)
Total Expenses	12,513	169,233	137,198	(46,066)
Expense Waivers		(115,094)	(81,054)	69,800
Net Expenses	12,513	54,139	56,144	23,734
Net Income (Loss)	$ (638,850)	$ 6,159,680	$ (7,142,889)	$ (8,176,531)
Net Income (Loss) per Unit	$ (1.47)	$ 16.70	$ (15.67)	$ (29.35)

	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007
Total Income (Loss)	$	$	$	$
Total Expenses				
Net Income (Loss)	$	$	$	$
Net Income (Loss) per Unit	$	$	$	$

Note 8 Fair Value of Financial Instruments

Effective January 1, 2008, UGA adopted FAS 157 Fair Value Measurements (FAS 157 or the Statement). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurement. The changes to current practice resulting from the application of the Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. The Statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of UGA (observable inputs) and (2) UGA 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 FAS 157 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.

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Note 8 Fair Value of Financial Instruments (continued)

In some instances, the inputs used to measure fair value might fall in 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 UGA s securities at December 31, 2008 using the fair value hierarchy:

At December 31, 2008	Total	Level I	Level II	Level III
Investments	$ 4,844,572	$ 4,844,572	$	$
Derivative assets	1,431,721	1,431,721		

Note 9 Recently Issued Accounting Pronouncements

In March 2008, Statement of Financial Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161), was issued and became effective for fiscal years that began after November 15, 2008. SFAS 161 requires enhanced disclosures to provide information about the reasons UGA invests in derivative instruments, the accounting treatment of derivative instruments and the effect derivatives have on UGA s financial performance. The General Partner is currently evaluating the impact the adoption of SFAS 161 will have on UGA s financial statement disclosures.

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PART II

Information Not Required in the Prospectus

Item 13. Other Expenses of Issuance and Distribution

Set forth below is an estimate (except as indicated) of the amount of fees and expenses (other than underwriting commissions and discounts) payable by the registrant in connection with the issuance and distribution of the units pursuant to the prospectus contained in this registration statement.

	Amount
SEC registration fee (actual)	$ 95,530
Listing Fee	$ 5,000
FINRA filing fees	$ 75,500
Blue Sky expenses	N/A
Auditor s fees and expenses (estimate)	$ 25,000
Legal fees and expenses (estimate)	$ 20,000
Printing expenses (estimate)	$ 5,000
Miscellaneous expenses	N/A
Total	$ 226,030

Item 14. Indemnification of Directors and Officers

Neither the General Partner nor any employee or other agent of United States Gasoline Fund, LP (UGA) nor any officer, director, stockholder, partner, employee or agent of the General Partner (a Protected Person) shall be liable to any partner or UGA for any mistake of judgment or for any action or inaction taken, nor for any losses due to any mistake of judgment or to any action or inaction or to the negligence, dishonesty or bad faith of any officer, employee, broker or other agent of UGA or any officer, director, stockholder, partner, employee or agent of such General Partner, provided that such officer, director, stockholder, employee, broker or agent of the partner or officer, employee, partner or agent of such General Partner was selected, engaged or retained by such General Partner with reasonable care, except with respect to any matter as to which such General Partner shall have been finally adjudicated in any action, suit or other proceeding not to have acted in good faith in the reasonable belief that such Protected Person s actions was in the best interests of UGA and except that no Protected person shall be relieved of any liability to which such Protected Person would otherwise be subject by reason of willful misfeasance, gross negligence or reckless disregard of the duties involved in the conduct of the Protected Person s office. A General Partner and its officers, directors, employees or partners may consult with counsel and accountants (except for UGA s independent auditors) in respect of UGA affairs and be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such counsel or accountants (except for the Partnership s independent auditors), provided that they shall have been selected with reasonable care.

Notwithstanding any of the foregoing to the contrary, these indemnification provisions as set forth in the LP Agreement shall not be construed so as to relieve (or attempt to relieve) a General Partner (or any employee or other agent thereof or any partner, employee or agent of such General Partner) of any liability to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate these indemnification provisions as set forth in the LP Agreement to the fullest extent permitted by law.

UGA shall, to the fullest extent permitted by law, but only out of UGA assets, indemnify and hold harmless the General Partner and each officer, director, employee and agent thereof (including persons who serve at UGA s request as directors, officers or trustees of another organization in which UGA has an interest as a unitholder, creditor or otherwise) and their respective legal representatives and successors (hereinafter referred to as a Covered Person against all liabilities and expenses, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by any Covered Person in connection with the defense or disposition of any action, suit or other proceedings, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such person may be or may have been threatened, while in office or thereafter, by reason of an alleged act or omission as a

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General Partner or officer thereof or by reason of its being or having been such a General Partner or officer, except with respect to any matter as to which such Covered Person shall have been finally adjudicated in any such action, suit or other proceeding not to have acted in good faith in the reasonable believe that such Covered Person s action was in the best interest of the Fund, and except that no Covered Person shall be indemnified against any liability to UGA or Limited Partners to which such Covered Person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person s office. Expenses, including counsel fees so incurred by any such Covered Person, may be paid from time to time by UGA in advance of the final disposition of any such action, suit or proceeding on the condition that the amounts so paid shall be repaid to UGA if it is ultimately determined that the indemnification of such expenses is not authorized hereunder.

As to any matter disposed of by a compromise payment by any such Covered Person, pursuant to a consent decree or otherwise, no such indemnification either for said payment or for any other expenses shall be provided unless such compromise shall be approved as in the best interests of UGA, after notice that it involved such indemnification by any disinterested person or persons to whom the questions may be referred by the General Partner, provided that there has been obtained an opinion in writing of independent legal counsel to the effect that such Covered Person appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of UGA and that such indemnification would not protect such persons against any liability to UGA or its Limited Partners to which such person would otherwise by subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of office. Approval by any disinterested person or persons shall not prevent the recovery from persons as indemnification if such Covered Person is subsequently adjudicated by a court of competent jurisdiction not to have acted in good faith in the reasonable belief that such Covered Person s action was in the best interests of UGA or to have been liable to UGA or its Limited Partners by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person s office.

The right of indemnification hereby provided shall not be exclusive of or affect any other rights to which any such Covered Person may be entitled. An interested Covered Person is one against whom the action, suit or other proceeding on the same or similar grounds is then or has been pending and a disinterested person is a person against whom none of such actions, suits or other proceedings or another action, suit or other proceeding on the same or similar grounds is then or has been pending. Nothing contained herein shall affect any rights to indemnification to which personnel of a General Partner, other than directors and officers, and other persons may be entitled by contract or otherwise under law, nor the power of UGA to purchase and maintain liability insurance on behalf of any such person.

Item 15. Recent Sales of Unregistered Securities

On April 12, 2007, the General Partner made a $20 capital contribution to UGA. Additionally, Wainwright Holdings, Inc. (Wainwright) contributed $980 to UGA for its limited partnership interest. The General Partner is 100% owned by Wainwright which is controlled by the President of the General Partner.

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Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit No.	Description
3.1**	Certificate of Limited Partnership of the registrant.
3.2**	Agreement of Limited Partnership of the registrant.
3.3	Amended and Restated Agreement of Limited Partnership (attached hereto as Appendix B to the prospectus).
3.4******	Amended and Restated Limited Liability Company Agreement of the General Partner.
5.1*	Opinion of Sutherland Asbill & Brennan LLP relating to the legality of the units.
8.1*	Opinion of Sutherland Asbill & Brennan LLP with respect to federal income tax consequences.
10.1***	Form of Authorized Purchaser Agreement.
10.2*	Marketing Agent Agreement.
10.3*****	Custodian Agreement.
10.4*****	Administrative Agency Agreement.
10.5****	Amendment Agreement to the Custodian Agreement.
10.6****	Amendment Agreement to the Administrative Agency Agreement.
23.1*	Consent of Sutherland Asbill & Brennan LLP (included in Exhibit 5.1).
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****** Incorporated by reference to the Quarterly Report on Form 10-Q for the United States Oil Fund, LP, for the period ended September 30, 2009, filed on November 9, 2009.

(b) Financial Statement Schedules

The financial statement schedules are either not applicable or the required information is included in the financial statements and footnotes related thereto.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if,

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in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is subject to Rule 430C (§230.430C of this chapter), each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or

controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled

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by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes:

(1) To send to each limited partner at least on an annual basis a detailed statement of any transactions with the General Partner or its affiliates, and of fees, commissions, compensation and other benefits paid, or accrued to the General Partner or its affiliates for the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed.

(2) To provide to the limited partners the financial statements required by Form 10-K for the first full fiscal year of operations of the partnership.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Moraga, state of California, on December 24, 2009.

UNITED STATES GASOLINE FUND, LP

By: United States Commodity Funds LLC as general partner

/s/ Nicholas D. Gerber

By: Nicholas D. Gerber

Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated. The document may be executed by signatories hereto on any number of counterparts, all of which shall constitute one and the same instrument.

Signature	Position	Date
/s/ Nicholas D. Gerber Nicholas D. Gerber	Management Director Chief Executive Officer	December 24, 2009
/s/ Howard Mah Howard Mah	Management Director Chief Financial Officer and Secretary	December 24, 2009
* Andrew Ngim	Management Director Treasurer	December 24, 2009
* Robert Nguyen	Management Director	December 24, 2009
* Peter M. Robinson	Independent Director	December 24, 2009
* Gordon L. Ellis	Independent Director	December 24, 2009
* Malcolm R. Fobes III	Independent Director	December 24, 2009

* Signed by Howard Mah pursuant to a power of attorney signed by each of the directors noted above and filed as part of this registration statement on Form S-1 filed October 28, 2009.

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EXHIBIT INDEX

Exhibit No.	Description
3.1**	Certificate of Limited Partnership of the registrant.
3.2**	Agreement of Limited Partnership of the registrant.
3.3	Amended and Restated Agreement of Limited Partnership (attached hereto as Appendix B to the prospectus).
3.4******	Amended and Restated Limited Liability Company Agreement of the General Partner.
5.1*	Opinion of Sutherland Asbill & Brennan LLP relating to the legality of the units.
8.1*	Opinion of Sutherland Asbill & Brennan LLP with respect to federal income tax consequences.
10.1***	Form of Authorized Purchaser Agreement.
10.2*	Marketing Agent Agreement.
10.3*****	Custodian Agreement.
10.4*****	Administrative Agency Agreement.
10.5****	Amendment Agreement to the Custodian Agreement.
10.6****	Amendment Agreement to the Administrative Agency Agreement.
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