United States Gasoline Fund, LP
Form 10-K
March 26, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2018.**

OR

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

Commission file number: 001-33975

United States Gasoline Fund, LP

(Exact name of registrant as specified in its charter)

Delaware	**20-8837263**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1850 Mt. Diablo Boulevard, Suite 640

Walnut Creek, California 94596

(Address of principal executive offices) (Zip code)

(510) 522-9600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Shares of United States Gasoline Fund, LP	**NYSE Arca, Inc.**
(Title of each class)	**(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. ¨

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

The aggregate market value of the registrant's shares held by non-affiliates of the registrant as of June 30, 2018 was: $46,588,500.

The registrant had 1,600,000 outstanding shares as of March 22, 2019.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

UNITED STATES GASOLINE FUND, LP

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Part I

Item 1. Business.

What is UGA?

The United States Gasoline Fund, LP ("UGA") is a Delaware limited partnership organized on April 13, 2007. UGA maintains its main business office at 1850 Mt. Diablo Boulevard, Suite 640, Walnut Creek, California 94596. UGA is a commodity pool that issues limited partnership interests ("shares") traded on the NYSE Arca, Inc. (the "NYSE Arca"). It operates pursuant to the terms of the Third Amended and Restated Agreement of Limited Partnership dated as of December 15, 2017 (as amended from time to time, the "LP Agreement"), which grants full management control to its general partner, United States Commodity Funds LLC ("USCF").

The investment objective of UGA is for the daily changes in percentage terms of its shares' per share net asset value ("NAV") to reflect the daily changes in percentage terms of the spot 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 daily changes in the price of the futures contract for gasoline traded on the New York Mercantile Exchange (the "NYMEX"), that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire (the "Benchmark Futures Contract"), less UGA's expenses. It is not the intent of UGA to be operated in a fashion such that the per share NAV will equal, in dollar terms, the spot price of gasoline or any particular futures contract based on gasoline, nor is UGA's investment objective for the percentage change in its per share NAV to reflect the percentage change of the price of any particular futures contract as measured over a time period *greater than one day*.

USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts (as defined below) and Other Gasoline-Related Investments (as defined below). UGA's shares began trading on February 26, 2008. USCF is the general partner of UGA and is responsible for the management of UGA.

Who is USCF?

USCF is a single member limited liability company that was formed in the state of Delaware on May 10, 2005. USCF maintains its main business office at 1850 Mt. Diablo Boulevard, Suite 640, Walnut Creek, California 94596. USCF is a wholly-owned subsidiary of Wainwright Holdings, Inc., a Delaware corporation ("Wainwright"), which is a wholly

owned subsidiary of Concierge Technologies, Inc. (publicly traded under the ticker CNCG) (“Concierge”). Mr. Nicholas D. Gerber (discussed below), along with certain family members and certain other shareholders, owns the majority of the shares in Concierge. Wainwright is a holding company that currently holds both USCF, as well as USCF Advisers LLC, an investment adviser registered under the Investment Advisers Act of 1940, as amended. USCF Advisers LLC serves as the investment adviser for the USCF SummerHaven SHPEN Index Fund (“BUYN”), the USCF SummerHaven SHPEI Index Fund (“BUY”) and USCF SummerHaven Dynamic Commodity Index Total Return[SM] (SDCI”), each a series of the USCF ETF Trust, as well as the USCF Commodity Strategy Fund, a series of the USCF Mutual Funds Trust. USCF ETF Trust and USCF Mutual Funds Trust are registered under the Investment Company Act of 1940, as amended (the “1940 Act”). USCF Advisers LLC was also the investment adviser for the Stock Split Index Fund (“TOFR”) and the USCF Restaurant Leaders Fund (“MENU”), each a series of the USCF ETF Trust, until October 2017 when both funds liquidated all of their assets and distributed cash pro rata to all remaining shareholders. The Board of Trustees for USCF ETF Trust and USCF Mutual Funds Trust consist of different independent trustees than those independent directors who serve on the Board of Directors of USCF. USCF is a member of the National Futures Association (the “NFA”) and registered as a commodity pool operator (“CPO”) with the Commodity Futures Trading Commission (the “CFTC”) on December 1, 2005 and as a swaps firm on August 8, 2013.

USCF serves as general partner of the United States Oil Fund, LP (“USO”), the United States Natural Gas Fund, LP (“UNG”), the United States 12 Month Oil Fund, LP (“USL”), the United States Diesel-Heating Oil Fund, LP (“UHN”), the United States Short Oil Fund, LP (“DNO”), the United States 12 Month Natural Gas Fund, LP (“UNL”) and the United States Brent Oil Fund, LP (“BNO”). USCF is also the sponsor of the United States Commodity Index Fund (“USCI”), the United States Copper Index Fund (“CPER”), the United States Agriculture Index Fund (“USAG”), and the USCF Canadian Crude Oil Index Fund (“UCCO”), each a series of the United States Commodity Index Funds Trust. UCCO was in registration and had not commenced operations. UCCO filed to withdraw from registration on December 19, 2018.

In addition, USCF is the sponsor of the USCF Funds Trust, a Delaware statutory trust, and each of its series, the United States 3x Oil Fund (“USOU”) and the United States 3x Short Oil Fund (“USOD”), which commenced operations on July 20, 2017.

On August 7, 2018, the Board of Directors of USCF authorized and approved the closing and liquidation for each of USAG, DNO and UHN together with a plan of liquidation for each of USAG, DNO and UHN. Each of the United States Commodity Index Funds Trust (“USCIFT”), of which USAG is a series, DNO and UHN filed a current report on Form 8-K dated August 8, 2018 with the U.S. Securities and Exchange Commission (“SEC”) that included, as an exhibit, the press release, the applicable plan of liquidation, and, in the case of DNO and UHN, a copy of the notice of required withdrawal from the limited partnership sent to shareholders. In addition, each of USAG, DNO and UHN filed a prospectus supplement with the SEC dated August 8, 2018.

The liquidation date for each of USAG, DNO and UHN was September 12, 2018 and the proceeds of the liquidation were sent to all remaining shareholders of USAG, DNO and UHN, respectively, on or about September 13, 2018, with a subsequent distribution of additional liquidation proceeds sent to UHN shareholders on or about September 18, 2018. Each of USAG, DNO and UHN also filed a post-effective amendment to the registration statement with the SEC to terminate the offering of registered and unsold shares of USAG, DNO and UHN, respectively, and the NYSE Arca filed Forms 25 to effect the withdrawal of the listings for shares of each of USAG, DNO and UHN.

All funds listed previously, other than DNO, UHN and USAG, are referred to collectively herein as the "Related Public Funds."

The Related Public Funds are subject to reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For more information about each of the Related Public Funds, investors in UGA may call 1-800-920-0259 or visit www.uscfinvestments.com or the SEC's website at www.sec.gov.

USCF is required to evaluate the credit risk of UGA to the futures commission merchant ("FCM"), oversee the purchase and sale of UGA's shares by certain authorized purchasers ("Authorized Participants"), review daily positions and margin requirements of UGA and manage UGA's investments. USCF also pays the fees of ALPS Distributors, Inc. ("ALPS Distributors"), which serves as the marketing agent for UGA (the "Marketing Agent"), and Brown Brothers Harriman & Co. ("BBH&Co."), which serves as the administrator (the "Administrator") and the custodian (the "Custodian") for UGA.

Limited partners have no right to elect USCF as the general partner on an annual or any other continuing basis. If USCF voluntarily withdraws as general partner, however, the holders of a majority of UGA's outstanding shares (excluding for purposes of such determination shares owned, if any, by the withdrawing USCF and its affiliates) may elect its successor. USCF may not be removed as general partner except upon approval by the affirmative vote of the holders of at least 66 and 2/3 percent of UGA's outstanding shares (excluding shares owned, if any, by USCF and its affiliates), subject to the satisfaction of certain conditions set forth in the LP Agreement.

UGA has no executive officers or employees. Pursuant to the terms of the LP Agreement, UGA's affairs are managed by USCF.

The business and affairs of USCF are managed by a board of directors (the "Board"), which is comprised of four management directors (the "Management Directors"), each of whom are also executive officers or employees of USCF, and three independent directors who meet the independent director requirements established by the NYSE Arca Equities Rules and the Sarbanes-Oxley Act of 2002. The Management Directors have the authority to manage USCF

pursuant to the terms of the Sixth Amended and Restated Limited Liability Company Agreement of USCF, dated as of May15, 2015 (as amended from time to time, the "LLC Agreement"). Through its Management Directors, USCF manages the day-to-day operations of UGA. The Board has an audit committee which is made up of the three independent directors (Gordon L. Ellis, Malcolm R. Fobes III and Peter M. Robinson). For additional information relating to the audit committee, please see *"Item 10. Directors, Executive Officers and Corporate Governance – Audit Committee"* in this annual report on Form 10-K.

How Does UGA Operate?

An investment in the shares provides a means for diversifying an investor's portfolio or hedging exposure to changes in gasoline prices. An investment in the shares allows both retail and institutional investors to easily gain this exposure to the gasoline market in a transparent, cost-effective manner.

The net assets of UGA consist primarily of investments in futures contracts for gasoline, other types of gasoline, crude oil, diesel-heating oil, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, "Futures Contracts") and, to a lesser extent, in order to comply with regulatory requirements or in view of market conditions, other gasoline-related investments such as cash-settled options on Futures Contracts, forward contracts for gasoline, cleared swap contracts and non-exchange traded over-the-counter ("OTC") 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"). Market conditions that USCF currently anticipates could cause UGA to invest in Other Gasoline-Related Investments include those allowing UGA to obtain greater liquidity or to execute transactions with more favorable pricing. For convenience and unless otherwise specified, Futures Contracts and Other Gasoline-Related Investments collectively are referred to as "Gasoline Interests" in this annual report on Form 10-K. UGA invests substantially the entire amount of its assets in Futures Contracts while supporting such investments by holding the amounts of its margin, collateral and other requirements relating to these obligations in short-term obligations of the United States of two years or less ("Treasuries"), cash and cash equivalents. The daily holdings of UGA are available on UGA's website at www.uscfinvestments.com.

The investment objective of UGA is for the daily changes in percentage terms of its shares' per share NAV to reflect the daily changes in percentage terms of the spot price of gasoline, as measured by the daily changes in the price of the futures contract on gasoline (also known as RBOB, for delivery to the New York harbor), traded on 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 it will be measured by the futures contract that is the next month contract to expire (the "Benchmark Futures Contract"), plus interest earned on UGA's collateral holdings, less UGA's expenses. UGA's investment objective is *not* for its NAV or market price of shares to equal, in dollar terms, the spot price of gasoline or any particular futures contract based on gasoline, *nor* is UGA's investment objective for the percentage change in its NAV to reflect the percentage change of the price of any particular futures contract as measured over a time period *greater than one day*. UGA may invest in interests other than the Benchmark Futures Contract to comply with accountability levels and position limits. For a detailed discussion of accountability levels and position limits, see *"Item 1. Business – What are Futures Contracts?"* below in this annual report on Form 10-K.

USCF employs a "neutral" investment strategy in order to track changes in the price of the Benchmark Futures Contract regardless of whether the price goes up or goes down. UGA's "neutral" investment strategy is designed to permit investors generally to purchase and sell UGA's shares for the purpose of investing indirectly in gasoline in a cost-effective manner, and/or to permit participants in the gasoline or other industries to hedge the risk of losses in their gasoline-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in gasoline and/or the risks involved in hedging may exist. In addition, an investment in UGA involves the risk that the daily changes in the price of UGA's shares, in percentage terms, will not accurately track the daily changes in the Benchmark Futures Contract, in percentage terms, and that daily changes in the Benchmark Futures Contract, in percentage terms, will not closely correlate with daily changes in the spot prices of gasoline, in percentage terms.

The Benchmark Futures Contract is changed from the near month contract to expire to the next month contract to expire during one day each month. On that day, USCF closes or sells UGA’s Gasoline Interests and also reinvests or “rolls” in new Gasoline Interests.

The anticipated dates on which the Benchmark Futures Contracts will be changed and UGA’s Gasoline Interests will be “rolled” are posted on UGA’s website at www.uscfinvestments.com, and are subject to change without notice.

UGA's total portfolio composition is disclosed on its website each business day that the NYSE Arca is open for trading. The website disclosure of portfolio holdings is made daily and includes, as applicable, the name and value of each Gasoline Interest, the specific types of Other Gasoline-Related Investments and characteristics of such Other Gasoline-Related Investments, the name and value of each Treasury and cash equivalent, and the amount of cash held in UGA's portfolio. UGA's website is publicly accessible at no charge. UGA's assets used for margin and collateral are held in segregated accounts pursuant to the Commodity Exchange Act (the "CEA") and CFTC regulations.

The shares issued by UGA may only be purchased by Authorized Participants and only in blocks of 50,000 shares, called "Creation Baskets". The amount of the purchase payment for a Creation Basket is equal to the aggregate NAV of the shares in the Creation Basket. Similarly, only Authorized Participants may redeem shares and only in blocks of 50,000 shares, called "Redemption Baskets". The amount of the redemption proceeds for a Redemption Basket is equal to the aggregate NAV of shares in the Redemption Basket. The purchase price for Creation Baskets and the redemption price for Redemption Baskets are the actual NAV calculated at the end of the business day when a request for a purchase or redemption is received by UGA. The NYSE Arca publishes an approximate per share NAV intra-day based on the prior day's per share NAV and the current price of the Benchmark Futures Contract, but the price of Creation Baskets and Redemption Baskets is determined based on the actual per share NAV calculated at the end of the day.

While UGA issues shares only in Creation Baskets, shares are listed on the NYSE Arca and investors may purchase and sell shares at market prices like any listed security.

What is UGA's Investment Strategy?

In managing UGA's assets, USCF does not use a technical trading system that issues buy and sell orders. USCF instead employs a quantitative methodology whereby each time a Creation Basket is sold, USCF purchases Gasoline Interests, such as the Benchmark Futures Contract, that have an aggregate market value that approximates the amount of Treasuries and/or cash received upon the issuance of the Creation Basket.

By remaining invested as fully as possible in Futures Contracts or Other Gasoline-Related Investments, USCF believes that the daily changes in percentage terms in UGA's per share NAV will continue to closely track the daily changes in percentage terms in the price of the Benchmark Futures Contract. USCF believes that certain arbitrage opportunities result in the price of the shares traded on the NYSE Arca closely tracking the per share NAV of UGA. Additionally, Futures Contracts traded on the NYMEX have closely tracked the spot price of gasoline for delivery to the New York harbor. Based on these expected interrelationships, USCF believes that the daily changes in the price of UGA's shares traded on the NYSE Arca, on a percentage basis, have closely tracked and will continue to closely track the daily changes in the spot price of gasoline, on a percentage basis. For performance data relating to UGA's ability to track its benchmark, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of*

Operations – Tracking UGA's Benchmark" in this annual report on Form 10-K.

USCF endeavors to place UGA's trades in Futures Contracts and Other Gasoline-Related Investments and otherwise manage UGA's investments so that "A" will be within plus/minus ten percent (10%) of "B", where:

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

USCF believes that market arbitrage opportunities will cause the daily changes in UGA's share price on the NYSE Arca on a percentage basis to closely track daily changes in UGA's per share NAV on a percentage basis. USCF further believes that daily changes in prices of the Benchmark Futures Contract have historically closely tracked the daily changes in spot prices of gasoline. USCF believes that the net effect of these relationships will be that the daily changes in the price of UGA's shares on the NYSE Arca on a percentage basis will closely track, the daily changes in the spot price of gasoline on a percentage basis, plus interest earned on UGA's collateral holdings, less UGA's expenses. For performance data relating to UGA's ability to track its benchmark, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Tracking UGA's Benchmark"* in this annual report on Form 10-K.

The specific Futures Contracts purchased depend on various factors, including a judgment by USCF as to the appropriate diversification of UGA's investments in futures contracts with respect to the month of expiration, and the prevailing price volatility of particular contracts. While USCF has made significant investments in NYMEX Futures Contracts, for various reasons, including the ability to enter into the precise amount of exposure to the crude oil market, position limits or other regulatory requirements limiting UGA's holdings, and market conditions, it may invest in futures contracts traded on other exchanges or invest in Other Gasoline-Related Investments. To the extent that UGA invests in Other Gasoline-Related Investments, it would prioritize investments in contracts and instruments that are economically equivalent to the Benchmark Futures Contract, including cleared swaps that satisfy such criteria, and then, to a lesser extent, it would invest in other types of cleared swaps and other contracts, instruments and non-cleared swaps, such as swaps in the OTC market. If UGA is required by law or regulation, or by one of its regulators, including a futures exchange, to reduce its position in the Benchmark Futures Contracts to the applicable position limit or to a specified accountability level or if market conditions dictate it would be more appropriate to invest in Other Gasoline-Related Investments, a substantial portion of UGA's assets could be invested in accordance with such priority in Other Gasoline-Related Investments that are intended to replicate the return on the Benchmark Futures Contract. As UGA's assets reach higher levels, it is more likely to exceed position limits, accountability levels or other regulatory limits and, as a result, it is more likely that it will invest in accordance with such priority in Other Gasoline-Related Investments at such higher levels. In addition, market conditions that USCF currently anticipates could cause UGA to invest in Other Gasoline-Related Investments include those allowing UGA to obtain greater liquidity or to execute transactions with more favorable pricing. See *"Item 1. Business – Commodities Regulation"* in this annual report on Form 10-K for a discussion of the potential impact of regulation on UGA's ability to invest in OTC transactions and cleared swaps.

USCF may not be able to fully invest UGA's assets in Futures Contracts having an aggregate notional amount exactly equal to UGA's NAV. For example, as standardized contracts, the Futures Contracts are for a specified amount of a particular commodity, and UGA's NAV and the proceeds from the sale of a Creation Basket are unlikely to be an exact multiple of the amounts of those contracts. As a result, in such circumstances, UGA may be better able to achieve the exact amount of exposure to changes in price of the Benchmark Futures Contract through the use of Other Gasoline-Related Investments, such as OTC contracts that have better correlation with changes in price of the Benchmark Futures Contract.

UGA anticipates that to the extent it invests in Futures Contracts other than contracts on gasoline (such as futures contracts for diesel-heating 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.

USCF does not anticipate letting UGA's Futures Contracts expire and taking delivery of the underlying commodity. Instead, USCF closes existing positions, e.g., when it changes the Benchmark Futures Contract or Other Gasoline-Related Investments or it otherwise determines it would be appropriate to do so and reinvests the proceeds in new Futures Contracts or Other Gasoline-Related Investments. Positions may also be closed out to meet orders for Redemption Baskets and in such case proceeds for such baskets will not be reinvested.

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 NYMEX, ICE Futures Exchange and other U.S. and foreign exchanges.

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.

Light, Sweet Crude Oil. Light, sweet crudes are preferred by refiners because of their low sulfur content and relatively high yields of high-value products such as gasoline, diesel fuel, diesel-heating oil, and jet fuel. The price of light, sweet crude oil has historically exhibited periods of significant volatility.

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 the Organization of Petroleum Exporting Countries (“OPEC”) also affect supply and prices. Oil export embargoes and the current conflicts in the Middle East 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.

Diesel-Heating Oil. Diesel-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 diesel-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 ICE Futures also offers a diesel-heating Oil Futures Contract which trades in units of 42,000 U.S. gallons (1,000 barrels). The diesel-heating Oil Futures Contract is cash-settled against the prevailing market price for heating oil delivered to the New York Harbor.

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 million British thermal units 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.

What are Futures Contracts?

Futures contracts are agreements between two parties. One party agrees to buy a commodity such as gasoline from the other party at a later date at a price and quantity agreed-upon when the contract is made. Futures Contracts are traded on futures exchanges, including the NYMEX. For example, the Benchmark Futures Contract is traded on the NYMEX in units of 42,000 gallons (1,000 barrels). Futures Contracts traded on the NYMEX are priced by floor brokers and other exchange members both through an "open outcry" of offers to purchase or sell the contracts and through an electronic, screen-based system that determines the price by matching electronically offers to purchase and sell. Additional risks of investing in Futures Contracts are included in *"Item 1A. Risk Factors"* in this annual report on Form 10-K.

Accountability Levels, Position Limits and Price Fluctuation Limits. Designated contract markets ("DCMs"), such as the NYMEX and ICE Futures, have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by UGA is not) may hold, own or control. These levels and position limits apply to the futures contracts that UGA invests in to meet its investment objective. In addition to accountability levels and position limits, the NYMEX and ICE Futures also set daily price fluctuation limits on futures contracts. The daily price fluctuation limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price. Once the daily price fluctuation limit has been reached in a particular futures contract, no trades may be made at a price beyond that limit.

The accountability levels for the Benchmark Futures Contract and other Futures Contracts traded on U.S. based futures exchanges, such as the NYMEX, are not a fixed ceiling, but rather a threshold above which the NYMEX may exercise greater scrutiny and control over an investor's positions. The current accountability level for investments for any one month in the Benchmark Futures Contract is 5,000 contracts. In addition, the NYMEX imposes an accountability level for all months of 7,000 net futures contracts for gasoline. In addition, the ICE Futures maintains the same accountability levels, position limits and monitoring authority for its gasoline contract as the NYMEX. If UGA and the Related Public Funds exceed these accountability levels for investments in the futures contracts for gasoline, the NYMEX and ICE Futures will monitor such exposure and may ask for further information on their activities, including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of UGA and the Related Public Funds. If deemed necessary by the NYMEX and/or ICE Futures, UGA could be ordered to reduce its aggregate position back to the accountability level. As of December 31, 2018, UGA held 582 NYMEX RBOB Gasoline Futures RB contracts. As of December 31, 2018, UGA did not hold any Futures Contracts traded on the ICE Futures. For the year ended December 31, 2018, UGA did not exceed accountability levels on the NYMEX or ICE Futures.

Position limits differ from accountability levels in that they represent fixed limits on the maximum number of futures contracts that any person may hold and cannot allow such limits to be exceeded without express CFTC authority to do so. In addition to accountability levels and position limits that may apply at any time, the NYMEX and 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 of UGA's investment strategy is to close out its positions and "roll" from the near month contract to expire to the next month contract to expire during one day each month. For the year ended December 31, 2018, UGA did not exceed position limits imposed by the NYMEX and ICE Futures.

The CFTC has proposed to adopt limits on speculative positions in 25 physical commodity futures and option contracts as well as swaps that are economically equivalent to such contracts in the agriculture, energy and metals markets (the "Position Limit Rules"). The Position Limit Rules would, among other things: identify which contracts are subject to speculative position limits; set thresholds that restrict the size of speculative positions that a person may hold in the spot month, other individual months, and all months combined; create an exemption for positions that constitute bona fide hedging transactions; impose responsibilities on DCMs and swap execution facilities ("SEFs") to establish position limits or, in some cases, position accountability rules; and apply to both futures and swaps across four relevant venues: OTC, DCMs, SEFs as well as certain non-U.S. located platforms. The CFTC's first attempt at finalizing the Position Limit Rules, in 2011, was successfully challenged by market participants in 2012 and, since then, the CFTC has re-proposed them and solicited comments from market participants multiple times. At this time, it is unclear how the Position Limit Rules may affect UGA, but the effect may be substantial and adverse. By way of example, the Position Limit Rules may negatively impact the ability of UGA to meet its investment objectives through limits that may inhibit USCF's ability to sell additional Creation Baskets of UGA. See *"The Commodity Interest Markets-Commodities Regulation"* in this annual report on Form 10-K for additional information.

Until such time as the Position Limit Rules are adopted, the regulatory architecture in effect prior to the adoption of the Position Limit Rules will govern transactions in commodities and related derivatives. Under that system, the

CFTC enforces federal limits on speculation in nine agricultural products (e.g., corn, wheat and soy), while futures exchanges establish and enforce position limits and accountability levels for other agricultural products and certain energy products (e.g., oil and natural gas). As a result, UGA may be limited with respect to the size of its investments in any commodities subject to these limits.

Under existing and recently adopted CFTC regulations, for the purpose of position limits, a market participant is generally required, subject to certain narrow exceptions, to aggregate all positions for which that participant controls the trading decisions with all positions for which that participant has a 10 percent or greater ownership interest in an account or position, as well as the positions of two or more persons acting pursuant to an express or implied agreement or understanding with that participant (the “Aggregation Rules”). The Aggregation Rules will also apply with respect to the Position Limit Rules if and when such Position Limit Rules are adopted.

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Price Volatility. 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. Because UGA invests a significant portion of its assets in Futures Contracts, the assets of UGA, and therefore the prices of UGA shares, 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 "variation margin" to cover this decline. Alternatively, if UGA futures positions have increased in value, this increase will be credited to UGA's account.

Why Does UGA Purchase and Sell Futures Contracts?

UGA's investment objective is for the daily changes in percentage terms of its shares' per share NAV to reflect the daily 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.

In connection with investing in Futures Contracts and Other Gasoline-Related Investments, UGA holds 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 notional 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 30% 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 FCM and would separately hold, through its Custodian or FCM, 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 million (assuming a 10% margin).

As a result of the foregoing, typically 5% to 30% of UGA's assets are held as margin in segregated accounts with an FCM. In addition to the Treasuries and cash it posts with the FCM for the Futures Contracts it owns, UGA may hold, through the Custodian, Treasuries, cash and/or cash equivalents that can be posted as additional margin or as other collateral to support its OTC contracts. UGA earns income from the Treasuries and/or cash equivalents that it purchases, and on the cash it holds through the Custodian or FCM. UGA anticipates that the earned income will increase the NAV and limited partners' capital contribution accounts. UGA reinvests the earned income, holds it in cash, or uses it to pay its expenses. If UGA reinvests the earned income, it makes investments that are consistent with

its investment objective.

What are the Trading Policies of UGA?

Liquidity

UGA invests only in Futures Contracts and Other Gasoline-Related Investments that, in the opinion of USCF, are traded in sufficient volume to permit the ready taking and liquidation of positions in these financial interests and in Other Gasoline-Related Investments that, in the opinion of USCF, may be readily liquidated with the original counterparty or through a third party assuming the position of UGA.

Spot Commodities

While the gasoline Futures Contracts traded 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.

Leverage

USCF endeavors to have the value of UGA's Treasuries, cash and cash equivalents, whether held by UGA or posted as margin or other collateral, at all times approximate the aggregate market value of its obligations under its Futures Contracts and Other Gasoline-Related Investments. Commodity pools' trading positions in futures contracts or other related investments are typically required to be secured by the deposit of margin funds that represent only a small percentage of a futures contract's (or other commodity interest's) entire market value. While USCF has not and does not intend to leverage UGA's assets, it is not prohibited from doing so under the LP Agreement.

Borrowings

Borrowings are not used by UGA unless UGA is required to borrow money in the event of physical delivery, if UGA trades in cash commodities, or for short-term needs created by unexpected redemptions.

OTC 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 OTC contracts) are usually entered into between two parties in private contracts. 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 of the other party, i.e., the risk that the other party may not be able to perform its obligations under its contract. To reduce the credit risk that arises in connection with such contracts, UGA will generally enter into an agreement with each counterparty based on the Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA") that provides for the netting of its overall exposure to its counterparty.

USCF assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty to an OTC contract pursuant to guidelines approved by USCF's Board.

UGA may enter into certain transactions where an OTC component is exchanged for a corresponding futures contract ("Exchange for Related Position" or "EFRP" transactions). In the most common type of EFRP transaction entered into by UGA, the OTC component is the purchase or sale of one or more baskets of UGA shares. These EFRP transactions may expose UGA to counterparty risk during the interim period between the execution of the OTC component and the exchange for a corresponding futures contract. Generally, the counterparty risk from the EFRP transaction will exist only on the day of execution.

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.

During the reporting period of this annual report on Form 10-K, UGA limited its OTC activities to EFRP transactions.

Pyramiding

UGA has 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?

In its capacity as the Custodian for UGA, BBH&Co. holds UGA's Treasuries, cash and/or cash equivalents pursuant to a custodial agreement. BBH&Co. is also the registrar and transfer agent for the shares. In addition, in its capacity as Administrator for UGA, BBH&Co. performs certain administrative and accounting services for UGA and prepares certain SEC, NFA and CFTC reports on behalf of UGA. USCF pays BBH&Co.'s fees for these services.

BBH&Co.'s principal business address is 50 Post Office Square, Boston, MA 02110-1548. BBH&Co., a private bank founded in 1818, is neither a publicly held company nor insured by the Federal Deposit Insurance Corporation. BBH&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 Department of Financial Services. BBH&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 as its marketing agent. USCF pays the Marketing Agent an annual fee. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution-related services in connection with the offering of shares exceed ten percent (10%) of the gross proceeds of the offering.

ALPS Distributors' principal business address is 1290 Broadway, Suite 1100, Denver, CO 80203. ALPS Distributors is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and a member of the Securities Investor Protection Corporation.

On October 8, 2013, USCF entered into a Futures and Cleared Derivatives Transactions Customer Account Agreement with RBC Capital Markets, LLC ("RBC Capital" or "RBC") to serve as UGA's FCM, effective October 10, 2013. This agreement requires RBC Capital to provide services to UGA, as of October 10, 2013, in connection with the purchase and sale of Futures Contracts and Other Gasoline-Related Investments that may be purchased or sold by

or through RBC Capital for UGA's account. For the period October 10, 2013 and after, UGA pays RBC Capital commissions for executing and clearing trades on behalf of UGA.

RBC Capital's primary address is 500 West Madison Street, Suite 2500, Chicago, Illinois 60661. Effective October 10, 2013, RBC Capital became the futures clearing broker for UGA. RBC Capital is registered in the United States with FINRA as a broker-dealer and with the CFTC as an FCM. RBC Capital is a member of various U.S. futures and securities exchanges.

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

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

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

On April 27, 2017, pursuant to an offer of settlement, a Panel of the Chicago Board of Trade Business Conduct Committee (“Panel”) found that RBC Capital engaged in EFRP transactions which failed to satisfy the Rules of the Chicago Board of Trade (the “Exchange”) in one or more ways. Specifically, the Panel found that RBC Capital traders entered into EFRP trades in which RBC Capital accounts were on both sides of the transactions. While the purpose of the transactions was to transfer positions between the RBC Capital accounts, the Panel found that the manner in which the trades occurred violated the Exchange’s prohibition on wash trades. The Panel found that RBC Capital thereby violated CBOT Rules 534 and (legacy) 538.B. and C. In accordance with the settlement offer, the Panel ordered RBC Capital to pay a $175,000 fine.

On June 18, 2015, in connection with the Municipalities Continuing Disclosure Cooperation initiative of the SEC, the SEC commenced and settled an administrative proceeding against RBC Capital for willful violations of Sections 17(a)(2) of the Securities Act of 1933, as amended (“1933 Act”) after the firm self-reported instances in which it conducted inadequate due diligence in certain municipal securities offerings and as a result, failed to form a reasonable basis for believing the truthfulness of certain material representations in official statements issued in connection with those offerings. RBC Capital paid a fine of $500,000.

RBC Capital and certain affiliates were named as defendants in a lawsuit relating to their role in transactions involving investments made by a number of Wisconsin school districts in certain collateralized debt obligations. These transactions were also the subject of a regulatory investigation, which was resolved in 2011. RBC Capital reached a final settlement with all parties in the civil litigation, and the civil action against RBC Capital was dismissed with prejudice on December 6, 2016.

Beginning in 2015, putative class actions were brought against RBC Capital and/or Royal Bank of Canada in the U.S., Canada and Israel. These actions were each brought against multiple foreign exchange dealers and allege, among other things, collusive behavior in foreign exchange trading. Various regulators are also conducting inquiries regarding potential violations of law by a number of banks and other entities, including RBC Capital, regarding foreign exchange trading. In August 2018, the U.S. District Court entered a final order approving RBC Capital’s pending settlement with class plaintiffs. Certain institutional plaintiffs opted out of participating in the settlement and have brought their own claims. The Canadian class actions, one other U.S. action that is purportedly brought on behalf of different classes of plaintiffs, and an action filed in Israel remain pending. Based on the facts currently known, it is not possible at this time for us to predict the ultimate outcome of these investigations or proceedings or the timing of their

resolution.

On April 13, 2015, RBC Capital's affiliate, Royal Bank of Canada Trust Company (Bahamas) Limited (RBC Bahamas), was charged in France with complicity in tax fraud. RBC Bahamas believes that its actions did not violate French law and contested the charge in the French court. The trial of this matter has concluded and a verdict was delivered on January 12, 2017, acquitting the company and the other defendants and on June 29, 2018, the French appellate court affirmed the acquittals. The acquittals are being appealed.

Various regulators and competition and enforcement authorities around the world, including in Canada, the United Kingdom, and the U.S., are conducting investigations related to certain past submissions made by panel banks in connection with the setting of the U.S. dollar London interbank offered rate ("LIBOR"). These investigations focus on allegations of collusion between the banks that were on the panel to make submissions for certain LIBOR rates. Royal Bank of Canada, RBC Capital's indirect parent, is a member of certain LIBOR panels, including the U.S. dollar LIBOR panel, and has in the past been the subject of regulatory requests for information. In addition, Royal Bank of Canada and other U.S. dollar panel banks have been named as defendants in private lawsuits filed in the U.S. with respect to the setting of LIBOR including a number of class action lawsuits which have been consolidated before the U.S. District Court for the Southern District of New York. The complaints in those private lawsuits assert claims against us and other panel banks under various U.S. laws, including U.S. antitrust laws, the U.S. Commodity Exchange Act, and state law. On February 28, 2018, the motion by the plaintiffs in the class action lawsuits to have the class certified was denied in relation to Royal Bank of Canada. As such, unless that ruling is reversed on appeal, Royal Bank of Canada is no longer a defendant in any pending class action. Royal Bank of Canada is still a party to the various individual LIBOR actions. Based on the facts currently known, it is not possible at this time for us to predict the ultimate outcome of these investigations or proceedings or the timing of their resolution.

Thornburg Mortgage Inc. (now known as "TMST") and RBC Capital were parties to a master repurchase agreement executed in September 2003 whereby TMST financed its purchase of residential mortgage-backed securities. Upon TMST's default during the financial crisis, RBC Capital valued TMST's collateral at allegedly deflated prices. After TMST's bankruptcy filing, TMST's trustee brought suit against RBC Capital in 2011 for breach of contract. In 2015, TMST was awarded more than $45 million in damages. RBC Capital has appealed. The appeals court set a briefing schedule and simultaneously ordered the parties to participate in a mediation. The parties subsequently reached an agreement to settle the matter; a motion to approve the settlement was filed with the bankruptcy court on January 10, 2016 and granted on February 27, 2017.

On October 14, 2014, the Delaware Court of Chancery (the "Court of Chancery") in a class action brought by former shareholders of Rural/Metro Corporation, held RBC Capital liable for aiding and abetting a breach of fiduciary duty by three Rural/Metro directors, but did not make an additional award for attorney's fees. A final judgment was entered on February 19, 2015 in the amount of US$93 million plus post judgment interest. RBC Capital appealed the Court of Chancery's determination of liability and quantum of damages, and the plaintiffs cross-appealed the ruling on additional attorneys' fees. On November 30, 2015, the Delaware Supreme Court affirmed the Court of Chancery with respect to both the appeal and cross-appeal. RBC Capital is cooperating with an investigation by the SEC relating to this matter. In particular, the SEC contended that RBC Capital caused materially false and misleading information to be included in the proxy statement that Rural filed to solicit shareholder approval for the sale in violation of section 14(A) of the Exchange Act and Rule 14A-9 thereunder. On August 31, 2016, RBC Capital was ordered by the SEC to cease and desist and paid $500,000 in disgorgement, plus interest of $77,759 and a civil penalty of $2 million.

Please see RBC Capital's Form BD, which is available on the FINRA BrokerCheck program, for more details.

RBC will act only as clearing broker for UGA and as such will be paid commissions for executing and clearing trades on behalf of UGA. RBC has not passed upon the adequacy or accuracy of this annual report on Form 10-K. RBC will not act in any supervisory capacity with respect to USCF or participate in the management of USCF or UGA.

RBC is not affiliated with UGA or USCF. Therefore, neither USCF nor UGA believes that there are any conflicts of interest with RBC or its trading principals arising from its acting as UGA's FCM.

Currently, USCF does not employ commodity trading advisors for the trading of UGA contracts. USCF currently does, however, employ SummerHaven Investment Management, LLC as a trading advisor for USCI and CPER. If, in the future, USCF does employ commodity trading advisors for UGA, 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 USCF and Non-Affiliated Service Providers *(1)*

Service Provider	Compensation Paid by USCF
BBH&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's and the Related Public Funds' combined net assets, (b) 0.0465% for UGA's and the Related Public Funds' combined net assets greater than $500 million but less than $1 billion, and (c) 0.035% once UGA's and the Related Public Funds' combined net assets exceed $1 billion.(2)
ALPS Distributors - Marketing Agent	0.06% on UGA's assets up to $3 billion and 0.04% on UGA's assets in excess of $3 billion.

(1) USCF pays this compensation.

(2) The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds $75,000. USCF also will pay transaction charge fees to BBH&Co., ranging from $7 to $15 per transaction for the funds.

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Compensation to USCF

UGA is contractually obligated to pay USCF a management fee based on 0.60% per annum on its average daily total net assets. Fees are calculated on a daily basis (accrued at 1/365 of the applicable percentage of total net assets on that day) and paid on a monthly basis. Total net assets are calculated by taking the current market value of UGA's total assets and subtracting any liabilities.

Fees and Compensation Arrangements between UGA and Non-Affiliated Service Providers [(3)]

Service Provider	**Compensation Paid by UGA**
RBC Capital Futures Commission Merchant	Approximately $3.50 per buy or sell; charges may vary

(3) UGA pays this compensation.

New York Mercantile Exchange Licensing Fee [(4)] – 0.015% on all net assets

(4) 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, other than BNO, USCI, CPER, USAG, USOU and USOD.

Expenses Paid or Accrued by UGA from Inception through December 31, 2018 in dollar terms:

Expenses:	Amount in Dollar Terms
Amount Paid or Accrued to USCF:	$ 4,336,431
Amount Paid or Accrued in Portfolio Brokerage Commissions:	$ 694,689
Other Amounts Paid or Accrued[(5)]:	$ 3,104,593
Total Expenses Paid or Accrued:	$ 8,135,713
Expenses Waived[(6)]:	$ (2,126,914)
Total Expenses Paid or Accrued Including Expenses Waived:	$ 6,008,799

(5) Includes expenses relating to the registration of additional shares, legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees, prepaid insurance expenses and miscellaneous expenses and fees and expenses paid to the independent directors of USCF.

(6) USCF has voluntarily agreed to pay certain expenses typically borne by UGA, to the extent that such expenses exceeded 0.15% (15 basis points) of UGA's NAV, on an annualized basis. USCF has no obligation to pay such expenses in subsequent periods.

Expenses Paid or Accrued by UGA from Inception through December 31, 2018 as a Percentage of Average Daily Net Assets:

Expenses:	Amount as a Percentage of Average Daily Net Assets
Amount Paid or Accrued to USCF:	0.60% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions:	0.10% annualized
Other Amounts Paid or Accrued[7]:	0.42% annualized
Total Expenses Paid or Accrued:	1.12% annualized
Expenses Waived[8]:	(0.29)% annualized
Total Expenses Paid or Accrued Including Expenses Waived:	0.83% annualized

(7) Includes expenses relating to the registration of additional shares, legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees, prepaid insurance expenses and miscellaneous expenses and fees and expenses paid to the independent directors of USCF.

(8) USCF has voluntarily agreed to pay certain expenses typically borne by UGA, to the extent that such expenses exceeded 0.15% (15 basis points) of UGA's NAV, on an annualized basis, through at least. USCF has no obligation to pay such expenses in subsequent periods.

Other Fees. UGA also pays the fees and expenses associated with its audit expenses, tax accounting and reporting requirements. These fees were approximately $150,695 for the fiscal year ended December 31, 2018. In addition, UGA is responsible for paying its portion of the directors' and officers' liability insurance for UGA and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of UGA and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, those Related Public Funds organized as a series of a Delaware statutory trust. UGA shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ended December 31, 2018 were $521,689 for UGA and the Related Public Funds. UGA's portion of such fees and expenses for the year ended December 31, 2018 was $7,560.

Form of Shares

Registered Form. Shares 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 shares in certificated form. The Administrator keeps a record of all l31, Ended March 31, 2007 2006 2007 2006

Net sales
$33 $59 $54 $78
Income (loss) before income taxes and minority interests
(4) 4 (13) 1
Income (loss) per share from discontinued operations

Basic
$(0.02) $0.02 $(0.05) $

Diluted
$(0.02) $0.01 $(0.05) $

Loss per share on sale of discontinued operations

Basic
$(0.15) $ $(0.15) $

Diluted
$(0.15) $ $(0.15) $

Net assets of the Bristol Compressor business at the disposal date totaled approximately $86 million, which consisted of current assets of $97 million, fixed assets of $6 million and liabilities of $17 million.

5. Percentage-of-Completion Contracts

The building efficiency business records certain long term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. The Company records costs and earnings in excess of billings on uncompleted contracts within accounts receivable net and billings in excess of costs and earnings on uncompleted contracts within other current liabilities in the condensed consolidated statements of financial position. Amounts included within accounts receivable net related to these contracts were $525 million, $455 million and $382 million at March 31, 2007, September 30, 2006, and March 31, 2006, respectively. Amounts included within other current liabilities were $430 million, $314 million and $275 million at March 31, 2007, September 30, 2006, and March 31, 2006, respectively.

6. Inventories

Inventories consisted of the following (in millions):

	March 31, 2007	September 30, 2006	March 31, 2006
Raw materials and supplies	$ 730	$ 655	$ 626
Work-in-process	284	294	283
Finished goods	885	834	738
FIFO inventories	1,899	1,783	1,647
LIFO reserve	(52)	(52)	(49)
Inventories	$ 1,847	$ 1,731	$ 1,598

Johnson Controls, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
7. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill in each of the Company s reporting segments for the six month periods ended September 30, 2006 and March 31, 2007 were as follows (in millions):

	March 31, 2006	Business Acquisitions	Currency Translation and Other	September 30, 2006
Building efficiency				
North America Systems	$ 45	$ 451	$	$ 496
North America Service	10	601	4	615
North America Unitary Products		473		473
Global Workplace Solutions	182		(16)	166
Europe	207	147	16	370
Rest of World	71	411	5	487
York Acquisition	1,952	(1,952)		
Automotive experience				
North America	1,176			1,176
Europe	1,008		58	1,066
Asia	191	7	2	200
Power solutions	830	1	30	861
Total	$ 5,672	$ 139	$ 99	$ 5,910

	September 30, 2006	Currency Translation and Other	March 31, 2007
Building efficiency			
North America Systems	$ 496	$ 6	$ 502
North America Service	615	5	620
North America Unitary Products	473	7	480
Global Workplace Solutions	166	2	168
Europe	370	17	387
Rest of World	487	21	508
Automotive experience			
North America	1,176	4	1,180
Europe	1,066	43	1,109
Asia	200	(7)	193
Power solutions	861	11	872
Total	$ 5,910	$ 109	$ 6,019

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Johnson Controls, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The Company s other intangible assets, primarily from business acquisitions, are valued based on independent appraisals and consisted of (in millions):

	March 31, 2007			September 30, 2006			March 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets									
Patented technology	$298	$ (133)	$165	$300	$ (126)	$174	$291	$ (113)	$178
Unpatented technology	33	(11)	22	31	(9)	22	31	(8)	23
Customer relationships	311	(22)	289	304	(15)	289	260	(10)	250
Miscellaneous	29	(23)	6	33	(20)	13	29	(12)	17
Total amortized intangible assets	671	(189)	482	668	(170)	498	611	(143)	468
Unamortized intangible assets									
Trademarks	295		295	295		295	309		309
Pension asset	6		6	6		6	7		7
Total unamortized intangible assets	301		301	301		301	316		316
Total intangible assets	$972	$ (189)	$783	$969	$ (170)	$799	$927	$ (143)	$784

Amortization of other intangible assets for the six month periods ended March 31, 2007 and 2006 was $24 million and $20 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates amortization of other intangible assets will average approximately $36 million per year over the next five years.

8. Product Warranties

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates. Based on analysis of return rates and other factors, the adequacy of the Company s warranty provisions are adjusted as necessary. While the Company s warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could exceed those estimates. The Company s product warranty liability is included in other current liabilities in the condensed consolidated statements of financial position.

The change in the carrying amount of the Company s total product warranty liability for the six months ended March 31, 2007 was as follows (in millions):

Balance as of September 30, 2006	$ 189
Accruals for warranties issued during the period	61
Accruals related to pre-existing warranties (including changes in estimates)	2
Settlements made (in cash or in kind) during the period	(71)
Currency translation	3
Balance as of March 31, 2007	$ 184

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9. Restructuring Costs

As part of its continuing efforts to reduce costs and improve the efficiency of its global operations, the Company committed to a restructuring plan (2006 Plan) in the third quarter of fiscal year 2006 and recorded a $197 million restructuring charge in that quarter. During the fourth quarter of fiscal year 2006, the Company increased its 2006 Plan restructuring charge by $8 million for additional employee severance and termination benefits. The 2006 Plan, which primarily includes workforce reductions and plant consolidations in the automotive experience and building efficiency businesses, is expected to be substantially completed by the end of fiscal year 2007. The automotive experience business related restructuring is focused on improving the profitability associated with the manufacturing and supply of instrument panels, headliners and other interior components in North America and increasing the efficiency of seating component operations in Europe. The charges associated with the building efficiency business mostly relate to Europe where the Company has launched a systems redesign initiative. The Company expects to incur other related and ancillary costs associated with some of these restructuring activities in future periods. These costs are not expected to be material and will be expensed as incurred.

The 2006 Plan includes workforce reductions of approximately 5,000 employees (2,500 for automotive experience North America, 1,400 for automotive experience Europe, 200 for building efficiency North America, 600 for building efficiency Europe, 280 for building efficiency Rest of World and 20 for power solutions). Restructuring charges associated with employee severance and termination benefits will be paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of March 31, 2007, approximately 2,200 employees have been separated from the Company. In addition, the 2006 Plan includes 15 plant closures (10 in automotive experience North America, 3 in automotive experience Europe, 1 in building efficiency Europe and 1 in building efficiency Rest of World). The restructuring charge for the impairment of the long-lived assets associated with the plant closures was determined using an undiscounted cash flow analysis.

The following table summarizes the changes in the Company s 2006 Plan reserve, included within other current liabilities in the condensed consolidated statement of financial position (in millions):

	Employee Severance and Termination Benefits	Other	Currency Translation	Total
Balance at September 30, 2006	$ 125	$ 12	$ 1	$ 138
Utilized Cash	(18)	(1)		(19)
Utilized Noncash			(1)	(1)
Balance at December 31, 2006	107	11		118
Utilized Cash	(15)	(1)		(16)
Utilized Noncash			1	1
Balance at March 31, 2007	$ 92	$ 10	$ 1	$ 103

Included within the other category are exit costs for terminating supply contracts associated with changes in the Company s manufacturing footprint and strategies, lease termination costs and other direct costs.

In the second quarter of fiscal year 2005, the Company committed to a restructuring plan (2005 Plan) involving cost reduction actions and recorded a $210 million restructuring charge in that quarter. During the fourth quarter of fiscal year 2006, the Company reversed $6 million of restructuring reserves that were not expected to be utilized. This restructuring charge included workforce reductions of approximately

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Johnson Controls, Inc.
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3,900 employees. Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of March 31, 2007, approximately 3,300 employees have separated from the Company pursuant to the 2005 Plan. In addition, the 2005 Plan included 12 plant closures. The charge for the impairment of the long-lived assets associated with the plant closures was determined using an undiscounted cash flow analysis. The closures/restructuring activities are primarily concentrated in Europe and North America.

The following table summarizes the 2005 Plan reserve, included within other current liabilities in the condensed consolidated statement of financial position (in millions):

	Employee Severance and Termination Benefits	Other	Currency Translation	Total
Balance at September 30, 2006	$ 33	$ 2	$ (4)	$ 31
Utilized Cash	(4)			(4)
Utilized Noncash			(1)	(1)
Balance at December 31, 2006	29	2	(5)	26
Utilized Cash	(6)			(6)
Utilized Noncash			3	3
Balance at March 31, 2007	$ 23	$ 2	$ (2)	$ 23

Included within the other category were exit costs related to terminating supply contracts associated with changes in the Company s manufacturing footprint and strategies, lease termination costs and other direct costs. The majority of the restructuring activities under the 2005 Plan are expected to be completed by June 2007.

Company management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering and purchasing operations, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, the Company is affected by the general business conditions in this industry. Future adverse developments in the automotive industry could impact the Company s liquidity position and/or require additional restructuring of its operations.

10. Research and Development

Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, general and administrative expenses. A portion of the costs associated with these activities is reimbursed by customers. Such expenditures amounted to $129 million and $135 million for the three months ended March 31, 2007 and 2006, respectively, and $270 million and $262 million for the six months ended March 31, 2007 and 2006. These

expenditures are net of customer reimbursements of $63 million and $62 million for the three months ended March 31, 2007 and 2006, respectively, and $113 million and $153 million for the six months ended March 31, 2007 and 2006, respectively.

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11. Income Taxes

The more significant discrete period items affecting the Company s income tax provision from continuing operations are as follows (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Federal, state and foreign income tax expense	$ 59	$ 44	$ 107	$ 90
Effective tax rate adjustment	(5)	(7)		
Change in tax status of foreign subsidiary	(22)		(22)	(11)
Audit resolutions	(15)		(15)	
Valuation allowance adjustments		(32)		(32)
Foreign dividend repatriation		31		31
Disposition of a joint venture				(4)
Provision for income taxes	$ 17	$ 36	$ 70	$ 74

Effective Tax Rate Adjustment

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter. In the current fiscal quarter, the Company reduced its estimated annual effective income tax rate for continuing operations from 23.0% to 21.0%, primarily due to continuing tax planning initiatives.

Change in Tax Status of Foreign Subsidiary

For the three and six months ended March 31, 2007, the tax provision decreased as a result of a $22 million tax benefit realized by a change in tax status of an automotive experience subsidiary in the Netherlands. For the six months ended March 31, 2006, the tax provision decreased as a result of an $11 million tax benefit realized by a change in tax status of an automotive experience subsidiary in Hungary and a building efficiency subsidiary in the Netherlands.

The change in tax status in each respective period resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of these investments. This election changed the tax status of the respective subsidiaries from controlled foreign corporations (i.e., taxable entities) to branches (i.e., flow through entities similar to a partnership) for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of SFAS No. 109.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In

the ordinary course of the Company s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5 Accounting for Contingencies. In the current fiscal quarter, the Company reduced its liability by $15 million due to the favorable resolution of certain tax audits. The Company s federal income tax returns and certain foreign income tax returns for fiscal years 1999 through 2003 remain under various stages of

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audit by the Internal Revenue Service and respective foreign tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At March 31, 2007, the Company has recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the condensed consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Valuation Allowance Release

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company s valuation allowances may be necessary.

Based on the Company s cumulative operating results through the six months ended March 31, 2006 and an assessment of expected future profitability in Mexico, the Company concluded that it was more likely than not that the tax benefits of its operating loss and tax credit carryforwards in Mexico would be utilized in the future. During the second quarter of fiscal year 2006, the Company completed a tax reorganization in Mexico which will allow operating loss and tax credit carryforwards to be offset against the future taxable income of the reorganized entities. As such, in the quarter ended March 31, 2006, the Company reversed the entire valuation allowance of $32 million attributable to these operating loss and tax credit carryforwards as a credit to income tax expense.

Foreign Dividend Repatriation

In October 2004, the President signed the American Jobs Creation Act of 2004 (AJCA). The AJCA creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign operations. The deduction is subject to a number of limitations. During the quarter ended March 31, 2006, the Company completed its evaluation of its repatriation plans and approximately $674 million of foreign earnings were designated for repatriation to the U.S. pursuant to the provisions of the AJCA. The increase in income tax liability related to the Company s AJCA initiatives totaled $42 million. The Company recorded $31 million of net income tax expense in the prior fiscal year quarter as $11 million had been previously recorded by York prior to the acquisition in accordance with York s approved repatriation plan.

Other Discrete Period Items

For the six months ended March 31, 2006, the tax provision also decreased due to a $4 million nonrecurring tax benefit related to a $9 million gain from the disposition of the Company s interest in a German joint venture.

Tax Law Changes

In March 2007, the People s National Congress in the People s Republic of China approved a new tax reform law to align the tax regime applicable to foreign owned Chinese enterprises with those applicable to domestically-owned Chinese enterprises. The new law will be effective on January 1, 2008. The Company believes that the new tax reform law will not have a material impact on its consolidated financial condition, results of operations or cash

flows.

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Discontinued Operations

The Company utilized an effective tax rate for discontinued operations of approximately 38% for Bristol Compressors. This effective tax rate approximates the local statutory rate adjusted for permanent differences.

12. Retirement Plans

The components of the Company s net periodic benefit costs associated with its defined benefit pension plans and other postretirement health and other benefits are shown in the tables below in accordance with SFAS No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88 and 106 (in millions):

	U.S. Pension Plans			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Service cost	$ 18	$ 22	$ 37	$ 44
Interest cost	32	31	64	56
Expected return on plan assets	(38)	(39)	(76)	(73)
Amortization of transition obligation			(1)	(1)
Amortization of net actuarial loss	3	9	6	18
Amortization of prior service cost			1	1
Curtailment loss				2
Net periodic benefit cost	$ 15	$ 23	$ 31	$ 47

	Non-U.S. Pension Plans			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Service cost	$ 10	$ 10	$ 19	$ 18
Interest cost	15	13	30	24
Expected return on plan assets	(14)	(11)	(27)	(19)
Amortization of net actuarial loss	2	3	4	5
Net periodic benefit cost	$ 13	$ 15	$ 26	$ 28

	Postretirement Health and Other Benefits			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Service cost	$ 2	$ 2	$ 3	$ 3
Interest cost	4	4	9	8
Amortization of net actuarial loss		1		2
Amortization of prior service cost	(2)	(2)	(3)	(4)

Net periodic benefit cost	$ 4	$ 5	$ 9	$ 9

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13. Earnings Per Share

The following table reconciles the denominators used to calculate basic and diluted earnings per share (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Weighted Average Shares Outstanding				
Basic weighted average shares outstanding	196.7	194.3	196.3	193.7
Effect of dilutive securities:				
Stock options	2.6	2.0	2.4	2.1
Diluted weighted average shares outstanding	199.3	196.3	198.7	195.8
Antidilutive Securities				
Options to purchase common shares		0.3	0.1	0.3

14. Comprehensive Income

A summary of comprehensive income is shown below (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Net income	$ 228	$ 165	$ 390	$ 330
Realized and unrealized gains/losses on derivatives	(3)	2	(21)	11
Foreign currency translation adjustments	32	81	139	(18)
Other comprehensive income (loss)	29	83	118	(7)
Comprehensive income	$ 257	$ 248	$ 508	$ 323

The Company selectively hedges anticipated transactions that are subject to foreign exchange exposure or commodity price exposure, primarily using foreign currency exchange contracts and commodity contracts, respectively. These instruments are designated as cash flow hedges in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, No. 138 and No. 149 and are recorded in the condensed consolidated statement of financial position at fair value. The effective portion of the contracts gains or losses due to changes in fair value are initially recorded as unrealized gains/losses on derivatives, a component of other comprehensive income, and are subsequently reclassified into earnings when the hedged transactions, typically sales or costs related to sales, occur and affect earnings. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates or commodity price changes.

The favorable foreign currency translation adjustments (CTA) for the six months ended March 31, 2007 were primarily due to the increase in the euro versus the U.S. dollar as compared with a slight decrease in the euro versus

the U.S. dollar for the same period a year ago.

The Company has foreign currency-denominated debt obligations and cross-currency interest rate swaps which are designated as hedges of net investments in foreign subsidiaries. Gains and losses, net of tax, attributable to these hedges are deferred as CTA within the accumulated other comprehensive income account until realized. A net loss of approximately $8 million and $3 million were recorded for the three month periods ended March 31, 2007 and 2006, respectively, and a net loss of approximately $34 million and a net gain of approximately $7 million were recorded for the six month periods ended March 31, 2007 and 2006, respectively.

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15. Segment Information

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in SFAS No. 131, the Company has determined that it has ten reportable segments for financial reporting purposes. Certain operating segments are aggregated or combined based on materiality within building efficiency rest of world and power solutions in accordance with the standard. The Company s ten reportable segments are presented in the context of its three primary businesses building efficiency, automotive experience and power solutions.

Building efficiency

North America Systems designs, produces, markets and installs mechanical equipment that provides heating and cooling in North American non-residential buildings and industrial applications as well as control systems that integrate the operation of this equipment with other critical building systems.

North America Service provides technical services including inspection, scheduled maintenance, repair and replacement of mechanical and control systems in North America, as well as the retrofit and service components of performance contracts and other solutions.

North America Unitary Products designs and produces heating and air conditioning solutions for residential and light commercial applications and markets products to the replacement and new construction markets.

Global Workplace Solutions provides consulting and on-site staff for complete real estate services, facility operation and management to improve the comfort, productivity, energy efficiency and cost effectiveness of corporate real estate around the globe.

Europe provides HVAC, refrigeration and control systems and technical services to the European marketplace.

Rest of World provides HVAC, refrigeration and control systems and technical services to markets in Asia, the Middle East and Latin America.

Automotive experience

Automotive experience designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover vehicles in North America, Europe and Asia. Automotive experience systems and products include complete seating systems and components; cockpit systems, including instrument clusters, information displays and body controllers; overhead systems, including headliners and electronic convenience features; floor consoles; and door systems.

Power solutions

Power solutions services both automotive original equipment manufacturers and the battery aftermarket by providing advanced battery technology, coupled with systems engineering, marketing and service expertise.

Beginning in fiscal year 2007, Company management, including the chief operating decision maker, adjusted their measurement of business unit performance, changing from operating income to segment income, which represents income from continuing operations before income taxes and minority interests excluding net financing

charges. The primary reason for the modification was to reflect equity income in earnings for each business operation given its growing significance to the Company s global business

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strategies. Segment income will continue to exclude restructuring costs and certain significant gains and losses. The amounts for the three and six month periods ended March 31, 2006 have been revised to conform to the current year presentation. Financial information relating to the Company s reportable segments is as follows (in millions):

	Net Sales			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Building efficiency				
North America Systems	$ 484	$ 407	$ 928	$ 719
North America Service	536	458	1,007	799
North America Unitary Products	187	215	392	286
Global Workplace Solutions	670	474	1,316	930
Europe	553	464	1,165	797
Rest of World	533	472	1,077	767
	2,963	2,490	5,885	4,298
Automotive experience				
North America	1,825	2,129	3,561	4,305
Europe	2,347	2,280	4,455	4,467
Asia	369	394	745	776
	4,541	4,803	8,761	9,548
Power solutions	988	874	2,056	1,849
Total net sales	$ 8,492	$ 8,167	$ 16,702	$ 15,695

	Segment Income			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Building efficiency				
North America Systems	$ 40	$ 17	$ 72	$ 37
North America Service	38	13	48	19
North America Unitary Products	6	6	14	5
Global Workplace Solutions	15	16	32	30
Europe	1	(15)	20	(23)
Rest of World	37	18	74	28
	137	55	260	96
Automotive experience				

North America	(1)	44	(53)	85
Europe	120	114	200	182
Asia	2	(6)	9	(3)
	121	152	156	264
Power solutions	93	77	235	189
Total segment income	$ 351	$ 284	$ 651	$ 549
Net financing charges	69	75	138	122
Income from continuing operations before income taxes and minority interests	$ 282	$ 209	$ 513	$ 427

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16. Commitments and Contingencies

As previously reported, following allegations in a U.N. Oil-For-Food Inquiry Report that, prior to the Company s acquisition of York, York had made improper payments to the Iraqi regime, York and the Company jointly undertook to investigate the allegations and offered the companies cooperation to the Department of Justice (DOJ) and the SEC. After completing the York acquisition, the Company continued the internal inquiry and expanded its scope to include other aspects of York s Middle East operations, including a review of York s use of agents, consultants and other third parties, York s compliance with the Office of Foreign Assets Control licensing requirements, and York s compliance with other potentially applicable trade laws. The Company has also reviewed certain of York s sales practices in selected Asian markets. The factual inquiry is now substantially complete and indicates that, in a number of instances, York engaged in conduct that may lead to enforcement actions against the Company under applicable U.S. laws, which give authorities the right to pursue administrative, civil and criminal sanctions, including monetary penalties. The Company has been voluntarily disclosing this information and offering continued cooperation with the DOJ and SEC, as well as to other relevant authorities in the U.S. Departments of Treasury, Commerce and Defense. The Company has begun discussions with the relevant authorities to explore how these matters may be resolved. The Company is in the process of evaluating and implementing various remedial measures with respect to York operations.

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. The Company reviews the status of the sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company s ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company s financial position, results of operations or cash flows.

The Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management s opinion that none of these will have a material adverse effect on the Company s financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

The Company has entered into supply contracts with certain vendors that include minimum volume requirements which, if not met, could subject the Company to potential liabilities. At the end of the second quarter of fiscal year 2007, there were no known volume shortfalls for which the Company was contractually obligated. These supply contracts include cancellation penalties in the event that either party elects to terminate the agreement prior to its expiration. Such penalties, if incurred, could be material to the Company s consolidated financial condition, results of operations or cash flows.

A significant portion of the Company s sales are to customers in the automotive industry. Future adverse developments in the automotive industry could impact the Company s liquidity position and/or require additional restructuring of the Company s operations. In addition, a downturn in the North America automotive market may also impact certain vendors financial solvency, including the ability to meet restrictive debt covenants, resulting in potential liabilities or additional costs to the Company to ensure uninterrupted supply to its customers.

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PricewaterhouseCoopers LLP
100 E. Wisconsin Ave., Suite 1800
Milwaukee WI 53202
Telephone (414) 212 1600

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Johnson Controls, Inc.

We have reviewed the accompanying condensed consolidated statements of financial position of Johnson Controls, Inc. and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income for each of the three-month and six-month periods ended March 31, 2007 and 2006 and the condensed consolidated statements of cash flows for the three-month and six-month periods ended March 31, 2007 and 2006. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position as of September 30, 2006, and the related consolidated statements of income, shareholders equity, and cash flows for the year then ended, management s assessment of the effectiveness of the Company s internal control over financial reporting as of September 30, 2006 and the effectiveness of the Company s internal control over financial reporting as of September 30, 2006; and in our report dated December 1, 2006, we expressed unqualified opinions thereon. An explanatory paragraph was included in our report for the adoption of Financial Accounting Standards No. 123(R), Share-Based Payment and Financial Accounting Standards Board Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143. The consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of September 30, 2006, is fairly stated in all material respects in relation to the consolidated statement of financial position from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
May 8, 2007

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statements for Forward-Looking Information

Unless otherwise indicated, references to Johnson Controls, the Company, we, our and us in this Quarterly Repo Form 10-Q refer to Johnson Controls, Inc. and its consolidated subsidiaries.

The Company has made forward-looking statements in this document pertaining to its financial results for fiscal year 2007 that are based on preliminary data and are subject to risks and uncertainties. The Company believes these to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are statements that are or could be deemed forward-looking statements. Forward looking statements include information concerning possible or assumed future risks and may include words such as outlook, may, will, expects, intends, estimates, anticipates, believes, should, or plan or the negative thereof or variations thereon or similar terminology are generally intended to identify forward-looking statements. For those statements, the Company cautions that numerous important factors, such as those discussed in Item 1A of the Company s Annual Report on Form 10-K for the year ended September 30, 2006, which was filed with the U.S. Securities and Exchange Commission (SEC) on December 5, 2006, could affect the Company s actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

Overview

The Company operates in three primary businesses: building efficiency, automotive experience and power solutions. Building efficiency provides facility systems and services including comfort, energy and security management for the residential and non-residential buildings market. Automotive experience designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover vehicles. Power solutions designs and manufactures automotive batteries for the replacement and original equipment markets.

In December 2005, the Company acquired York International Corporation (York), a leading global provider of heating, ventilating, and air conditioning (HVAC) equipment and services. The results of York s operations are included in the Company s consolidated financial statements from the date of acquisition.

The following information should be read in conjunction with the September 30, 2006 consolidated financial statements and notes thereto, along with management s discussion and analysis of financial condition and results of operations included in the Company s 2006 Annual Report on Form 10-K. References in the following discussion and analysis to Three Months refer to the three months ended March 31, 2007 compared to the three months ended March 31, 2006, while references to Year-to-Date refer to the six months ended March 31, 2007 compared to the six months ended March 31, 2006.

Summary

	Three Months Ended March 31,			Six Months Ended March 31,		
(In millions)	2007	2006	Change	2007	2006	Change
Net sales	$8,492	$8,167	4%	$16,702	$15,695	6%
Income from continuing operations before income taxes and minority interests	282	209	35%	513	427	20%

Three Months:

The increase in consolidated net sales was primarily due to growth in the building efficiency business ($473 million) related to strong worldwide commercial markets and synergies from the York acquisition and improved sales in the power solutions business ($114 million) due to the impact of higher lead costs on pricing, partially offset by lower volumes in the automotive experience business ($262 million) reflecting weaker demand from the North American automotive market. Included in the amounts above are the favorable effects of foreign currency translation (approximately $280 million).

The increase in income from continuing operations before income taxes and minority interests was primarily due to higher volume and margin expansion in the building efficiency and power solutions businesses and fiscal year 2006 expense of approximately $22 million related to the December 2005 York acquisition for the amortization of the write-up of inventory, partially offset by lower North American automotive experience results.

Year-to-Date:

The increase in consolidated net sales was primarily due to growth in the building efficiency business ($1,587 million) related mainly to the impact of the December 2005 York acquisition and higher power solutions sales ($207 million), partially offset by lower sales in the automotive experience business ($787 million) reflecting the weaker North American automotive market. Included in the amounts above are the favorable effects of foreign currency translation (approximately $630 million).

The increase in income from continuing operations before income taxes and minority interests was primarily due to higher volume and margin expansion from the building efficiency and power solutions businesses, improved margins resulting from operational efficiencies and the benefits of cost reduction programs in automotive experience Europe and Asia, and fiscal year 2006 expense of approximately $53 million related to the December 2005 York acquisition for the amortization of the write-up of inventory. This increase was partially offset by lower volume, unfavorable vehicle platform sales mix and higher launch costs in automotive experience North America and higher net financing charges resulting from the December 2005 York acquisition.

Segment Analysis

Management historically evaluated the performance of its operating segments based primarily on operating income excluding restructuring costs and significant gains and losses. The Company s consolidated operating income also excluded interest income and expense, equity in earnings of partially-owned affiliates, gains and losses from sales of businesses, certain foreign currency gains and losses, and certain miscellaneous revenues and expenses. The Company has revised its prior period segment reporting to conform to the current year s presentation, which was revised in the second quarter of fiscal year 2006 to reflect the York acquisition.

Beginning in fiscal year 2007, Company management, including the chief operating decision maker, adjusted their measurement of business unit performance, changing from operating income to segment income, which represents

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income from continuing operations before income taxes and minority interests excluding net financing charges. The primary reason for the modification was to reflect equity income in earnings for each business operation given its growing significance to the Company s global business strategies. Segment income will continue to exclude restructuring costs and certain significant gains and losses.

Building Efficiency Net Sales

	Net Sales Three Months Ended March 31,			Net Sales Six Months Ended March 31,		
(In millions)	2007	2006	Change	2007	2006	Change
North America Systems	$ 484	$ 407	19%	$ 928	$ 719	29%
North America Service	536	458	17%	1,007	799	26%
North America Unitary Products	187	215	-13%	392	286	37%
Global Workplace Solutions	670	474	41%	1,316	930	42%
Europe	553	464	19%	1,165	797	46%
Rest of World	533	472	13%	1,077	767	40%
	$ 2,963	$ 2,490	19%	$ 5,885	$ 4,298	37%

Three Months:

The increases in North America Systems, North America Service, Europe and Rest of World were primarily due to higher commercial volumes to the construction and replacement markets. The increase in Europe also reflects the favorable impact of foreign currency translation (approximately $45 million).

The decrease in North America Unitary Products is primarily due to the significant decline in new home construction and strong prior period sales due to the product changeover from SEER 10 to SEER 13, partially offset by the segment s increased market share and favorable pricing.

The increase in Global Workplace Solutions primarily reflects new and expanded contracts in Europe and North America and the favorable impact of foreign currency translation (approximately $30 million).

Year-to-Date:

The increases in North America Systems, North America Service, Europe and Rest of World were primarily due to higher commercial volumes and the impact of the December 2005 York acquisition. Net sales in Europe were also favorably impacted by foreign currency translation (approximately $110 million).

The increase in North America Unitary Products is primarily due to the impact of the December 2005 York acquisition, partially offset by the aforementioned decline in new home construction and product changeover.

The increase in Global Workplace Solutions primarily reflects new and expanded contracts in Europe and North America and the favorable impact of foreign currency translation (approximately $55 million).

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Building Efficiency Segment Income

(In millions)	Segment Income Three Months Ended March 31, 2007	2006	Change	Segment Income Six Months Ended March 31, 2007	2006	Change
North America Systems	$ 40	$ 17	135%	$ 72	$ 37	95%
North America Service	38	13	192%	48	19	153%
North America Unitary Products	6	6	0%	14	5	180%
Global Workplace Solutions	15	16	-6%	32	30	7%
Europe	1	(15)	*	20	(23)	*
Rest of World	37	18	106%	74	28	164%
	$ 137	$ 55	149%	$ 260	$ 96	171%

* Measure not meaningful.

Three Months:

The increases for North America Systems, North America Service and Europe were primarily due to higher sales volumes and operational efficiencies from the Company s branch office redesign initiative.

The decrease in Global Workplace Solutions was primarily due to slightly higher selling, general and administrative (SG&A) expenses as resources are being added to support the expanded business.

The increase in Rest of World was primarily due to strong growth in the Asia Pacific and Latin American regions.

Fiscal year 2006 also included $22 million of expense related to the December 2005 York acquisition for the amortization of the write-up of inventory ($1 million for North America Systems, $3 million for North America Service, $8 million for North America Unitary Products, $6 million for Europe and $4 million for Rest of World).

Year-to-Date:

The increase in North America Systems was primarily due to operational efficiencies associated with the Company s branch office redesign initiative and higher sales volumes, partially offset by unfavorable commodity costs, primarily copper.

The increase in North American Service, North America Unitary Products, Europe and Rest of World was primarily due the inclusion of two additional months of segment income in the current period related to the York acquisition, the realization of synergies associated with the York acquisition, higher sales volumes and operational efficiencies from the branch office redesign efforts implemented in Europe in the prior year.

Fiscal year 2006 also included $53 million of expense related to the December 2005 York acquisition for the amortization of the write-up of inventory ($5 million for North America Systems, $7 million for North America Service, $14 million for North America Unitary Products, $16 million for Europe and $11 million for Rest of World).

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Automotive Experience Net Sales

(In millions)	Net Sales Three Months Ended March 31, 2007	2006	Change	Net Sales Six Months Ended March 31, 2007	2006	Change
North America	$ 1,825	$ 2,129	-14%	$ 3,561	$ 4,305	-17%
Europe	2,347	2,280	3%	4,455	4,467	0%
Asia	369	394	-6%	745	776	-4%
	$ 4,541	$ 4,803	-5%	$ 8,761	$ 9,548	-8%

Three Months:

The decrease in North America was primarily due to volume reductions and discontinued programs at General Motors Corporation, DaimlerChrysler AG and Ford Motor Company. The decrease in net sales of 14% was greater than the estimated industry s production decrease of 8% primarily due to the Company s platform mix relative to the industry.

The increase in Europe was primarily due to the favorable impact of currency translation (approximately $170 million) and new business at Kia Motors Corporation, partially offset by decreased business with Honda Motor Company, Ford Motor Company and BMW AG.

The decrease in Asia was primarily due to lower volumes with Nissan Motor Company in Japan.

Year-to-Date:

The decrease in North America was primarily due to volume reductions to all automotive customers. Full-size pick-up trucks and sport utility vehicle programs with General Motors Corporation, Ford Motor Company and DaimlerChrysler AG experienced the most significant declines and were the primary cause of the segment s net sales decline.

European net sales were consistent with the prior period primarily due to decreased business with DaimlerChrysler AG, Volkswagen AG, Ford Motor Company and Honda Motor Company, partially offset by the favorable impact of foreign currency translation (approximately $380 million).

The decrease in Asia was primarily due to lower volumes with Nissan Motor Company in Japan, partially offset by volume increases in Korea.

Automotive Experience Segment Income

(In millions)	Segment Income Three Months Ended March 31, 2007	2006	Change	Segment Income Six Months Ended March 31, 2007	2006	Change
North America	$ (1)	$ 44	*	$ (53)	$ 85	*
Europe	120	114	5%	200	182	10%
Asia	2	(6)	*	9	(3)	*
	$ 121	$ 152	-20%	$ 156	$ 264	-41%

* Measure not meaningful.

Three Months:

The decrease in North America of $45 million was primarily due to lower volumes and unfavorable vehicle platform sales mix, partially offset by lower SG&A expenses of $33 million, primarily due to lower engineering expenses and cost reduction initiatives that contributed $21 million in operating improvements.

The increase in Europe was primarily due to cost reduction programs, purchasing savings and other operational efficiencies which contributed $29 million in operating improvements compared to the prior period. Lower volume and unfavorable vehicle sales mix decreased segment income by $25 million compared to the prior period. SG&A expense increased slightly compared to the prior period primarily due to higher engineering expenses associated with new programs ($8 million). Segment income also benefited from the favorable impact of foreign currency translation.

The increase in Asia was primarily due to prior period start-up and engineering costs associated with new programs within Japan and Korea.

Year-to-Date:

The decrease in North America was primarily due to lower volume, unfavorable vehicle platform sales mix and higher launch costs. Cost reduction programs, purchasing savings and other operational efficiencies contributed $48 million in operating improvements compared to the prior period. SG&A expenses decreased $24 million, primarily due to lower net engineering expenses and operational improvements resulting from prior period restructuring actions. The segment also experienced commodity cost increases, primarily associated with steel, of approximately $5 million compared to the prior period.

The increase in Europe was primarily due to cost reduction programs, purchasing savings and other operational efficiencies which contributed $60 million in operating improvements compared to the prior period. Lower volume and unfavorable vehicle sales mix decreased segment income by $51 million compared to the prior period. SG&A expense decreased slightly compared to the prior period primarily due to the lower net engineering expenses. Segment income also benefited from the favorable impact of foreign currency translation.

The increase in Asia was primarily due to prior period start-up and engineering costs associated with new programs within Japan and Korea.

Power Solutions

	Three Months Ended March 31,			Six Months Ended March 31,		
(In millions)	2007	2006	Change	2007	2006	Change
Net sales	$988	$874	13%	$2,056	$1,849	11%
Segment income	93	77	21%	235	189	24%

Three Months:

Net sales increased primarily due to the impact of higher lead costs on pricing, the favorable impact of foreign currency translation (approximately $30 million) and a favorable product mix. Unit sales of automotive batteries were 11% lower in Europe due to weak aftermarket sales, while North American unit sales were up slightly due to higher aftermarket sales.

Segment income increased primarily due to a favorable product mix in Europe and the benefits of improved operational efficiencies, partially offset by unfavorable commodity costs, primarily lead.

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Year-to-Date:

Net sales increased primarily due to the impact of higher lead costs on pricing, the favorable impact of foreign currency translation (approximately $60 million) and a favorable product mix. Unit sales of automotive batteries were down 3% in Europe due to weak aftermarket sales, and consistent with prior year levels in North America.

Segment income increased primarily due to a favorable product mix in all regions, especially Europe, the benefits of improved operational efficiencies, environmental cost recoveries and insurance recoveries related to a manufacturing facility fire in Europe; partially offset by unfavorable commodity costs, primarily lead.

Net Financing Charges

	Three Months Ended March 31,			Six Months Ended March 31,		
(In millions)	2007	2006	Change	2007	2006	Change
Net financing charges	$69	$75	-8%	$138	$122	13%

The decrease in net financing charges in the three month period is due to lower borrowing levels compared to the prior period which was made possible from increased operating cash flow, partially offset by the impact of higher short-term interest rates.

The increase in net financing charges in the year-to-date period is due to a full six months of interest expense associated with the financing of the December 2005 York acquisition.

Provision for Income Taxes

	Three Months Ended March 31,		Six Months Ended March 31,	
(In millions)	2007	2006	2007	2006
Tax provision	$ 17	$ 36	$ 70	$ 74
Effective tax rate	6.0%	17.3%	13.6%	17.3%
Estimated annual effective tax rate	21.0%	21.0%	21.0%	21.0%

In the second quarter of fiscal year 2007, the Company reduced its estimated annual effective income tax rate for continuing operations from 23.0% to 21.0%, primarily due to continuing tax planning initiatives. In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

For the three and six months ended March 31, 2007, the tax provision also decreased as a result of a $22 million tax benefit realized by a change in tax status of an automotive experience subsidiary in the Netherlands. For the six months ended March 31, 2006, the tax provision decreased as a result of an $11 million tax benefit realized by a change in tax status of an automotive experience subsidiary in Hungary and a building efficiency subsidiary in the Netherlands.

The change in tax status in each respective period resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of these investments. This election changed the tax status of the respective subsidiaries from controlled foreign corporations (i.e., taxable entities) to branches (i.e., flow through entities similar to a partnership) for U.S. federal income

tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of SFAS No. 109.

In the second quarter of fiscal year 2007, the Company reduced its income tax liability by $15 million due to the favorable resolution of certain income tax audits. The Company s federal income tax returns and certain foreign income tax returns for fiscal years 1999 through 2003 remain under various stages of audit by the Internal Revenue Service and respective foreign tax authorities.

For the three and six months ended March 31, 2006, the income tax provision decreased $32 million due to the release of a valuation allowance in Mexico, mostly offset by an increase in the income tax provision of $31 million related to a nonrecurring foreign dividend repatriation expense. Additionally, for the six months ended March 31, 2006, the income tax provision decreased $4 million due to a nonrecurring tax benefit related to a $9 million gain from the disposition of the Company s interest in a German joint venture.

Net Income

	Three Months Ended March 31,			Six Months Ended March 31,		
(In millions)	2007	2006	Change	2007	2006	Change
Income from continuing operations	$ 262	$ 162	62%	$ 430	$ 329	31%
Income (loss) from discontinued operations	(4)	3	*	(10)	1	*
Loss on sale of discontinued operations	(30)		*	(30)		*
Net income	$ 228	$ 165	38%	$ 390	$ 330	18%

* Measure not meaningful.

The increase in income from continuing operations for the three months ended March 31, 2007 was primarily due to higher volume and margin expansion from building efficiency and power solutions, lower provision for income taxes, and fiscal year 2006 expense of approximately $22 million related to the December 2005 York acquisition for the amortization of the write-up of inventory, partially offset by lower North America automotive experience results.

The increase in income from continuing operations for the six months ended March 31, 2007 was primarily due to higher volume and margin expansion from building efficiency and power solutions, and fiscal year 2006 expense of approximately $53 million related to the December 2005 York acquisition for the amortization of the write-up of inventory, partially offset by lower North America automotive experience results and higher net financing charges.

Discontinued operations primarily represent Bristol Compressors, which was acquired as part of the December 2005 York acquisition. In March 2007, the Company completed the sale of the Bristol Compressor business, which resulted in an after tax loss of $27 million. Additionally, the Company settled a claim related to the February 2005 sale of the engine electronics business that resulted in an after tax loss of $3 million.

Outlook

On April 20, 2007 the Company increased its previously issued fiscal year 2007 guidance for net sales from approximately $34 billion to approximately $34.5 billion and its diluted earnings per share from continuing operations

guidance from approximately $6.00 per share to approximately $6.44 $6.49 per share, including the second quarter non-recurring tax benefits of $0.19 per share.

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Backlog

Building efficiency s backlog relates to its control systems and service activity. At March 31, 2007, the unearned backlog was $3.9 billion, compared to $3.3 billion at March 31, 2006, an 18% increase.

Financial Condition

Working Capital

(In millions)	March 31, 2007	September 30, 2006	Change	March 31, 2006	Change
Working capital	$1,551	$ 1,357	14%	$1,209	28%
Accounts receivable	5,933	5,697	4%	5,671	5%
Inventories	1,847	1,731	7%	1,598	16%
Accounts payable	4,555	4,216	8%	4,270	7%

The Company defines working capital as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt and net assets of discontinued operations. Management believes that this measure of working capital, which excludes financing-related items and discontinued activities, provides a more useful measurement of the Company s operating performance.

The increase in working capital as compared to March 31, 2006 is primarily due to higher accounts receivable and inventories, partially offset by higher accounts payable.

The increase in working capital as compared to September 30, 2006 is primarily due to higher accounts receivable, partially offset by higher accounts payable.

The Company s days sales in accounts receivable for the three months ended March 31, 2007 were 55, slightly lower than the 57 for the comparable periods ended September 30, 2006 and March 31, 2006. There has been no significant deterioration in the credit quality of the Company s receivables or changes in revenue recognition policies.

The Company s inventory turns for the three months ended March 31, 2007 were 16, consistent with the periods ended September 30, 2006 and March 31, 2006.

Cash Flows

	Three Months Ended March 31,		Six Months Ended March 31,	
(In millions)	2007	2006	2007	2006
Net cash provided by operating activities	$ 455	$ 371	$ 607	$ 385
Net cash used by investing activities	165	229	443	2,770
Net cash provided (used) by financing activities	(370)	(156)	(285)	2,368
Capital expenditures	211	193	441	262

The increase in net cash provided by operating activities in the three months ended March 31, 2007 was primarily due to higher net income while the increase in the six months ended March 31, 2007 was primarily due to favorable working capital management, primarily accounts payable and accrued liabilities, and higher net income.

The decrease in net cash used in investing activities for the three months ended March 31, 2007 was due to the cash received from business divestitures in the current period and cash used in the prior period for

business acquisitions while the decrease for the six months ended March 31, 2007 was due to the prior year s use of cash for the December 2005 York acquisition.

The increase in net cash used by financing activities for the three months ended March 31, 2007 is primarily the result of lower cash inflows from long term debt borrowings as compared to the three months ended March 31, 2006.

The decrease in net cash provided by financing activities for the six months ended March 31, 2007 reflects the financing of the York acquisition in the prior period.

The majority of the capital spending for property, plant and equipment in the three and six months ended March 31, 2007 was for capacity related investments in the power solutions business and the timing of program launch related investments within the automotive experience business.

Long-Lived Assets

The Company has certain subsidiaries, mainly located in Germany, Italy, the Netherlands and the U.S., which have generated operating and/or capital losses and, in certain circumstances, have limited loss carryforward periods. As a result, the Company has recorded valuation allowances against tax assets for certain of these subsidiaries in accordance with SFAS No. 109. SFAS No. 109 requires the Company to record a valuation allowance for each legal entity or consolidated group based on the tax rules in the applicable jurisdiction and evaluate both positive and negative historical evidences as well as expected future events.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company s long-lived asset impairment analyses indicate that assets are not impaired based on SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. At March 31, 2007, the Company does not have any material assets whose recovery is at risk.

Capitalization

(In millions)	March 31, 2007	September 30, 2006	Change	March 31, 2006	Change
Short-term debt	$ 361	$ 209	73%	$ 445	-19%
Long-term debt	4,260	4,534	-6%	4,768	-11%
Shareholders equity	7,815	7,355	6%	6,395	22%
Total capitalization	$ 12,436	$ 12,098	3%	$ 11,608	7%
Total debt as a % of total capitalization	37.2%	39.2%		44.9%	

In December 2006, the Company entered into a $2.0 billion five-year revolving credit facility which replaced the Company s existing $1.6 billion five-year revolving credit facility that was scheduled to expire in 2010. The new credit agreement matures in December 2011. The Company uses the revolving credit facility to provide a liquidity backstop for the Company s commercial paper, and the facility is available for general corporate purposes. There were no draws on any of the committed credit lines through March 31, 2007.

In December 2006, the Company entered into a 12 billion yen (approximately $101 million), three year, floating rate loan. The net proceeds of the bank loan were used to repay commercial paper obligations.

In January 2006, the Company issued $2.5 billion in floating and fixed rate notes consisting of the following four series: $500 million floating rate notes due in fiscal year 2008, $800 million fixed rate notes due in fiscal year 2011, $800 million fixed rate notes due in fiscal year 2016 and $400 million fixed rate notes due in fiscal year 2036. The Company also entered into a 24 billion yen (approximately $210 million), three year, floating rate loan. The net proceeds of the offering and the bank loan were used to repay the unsecured commercial paper obligations that were used to initially finance the York acquisition.

The Company is in compliance with all covenants and other requirements set forth in its credit agreements and indentures. The Company believes its capital resources and liquidity position at March 31, 2007 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, debt maturities, stock repurchases and any potential acquisitions in the remainder of fiscal year 2007 will continue to be funded from operations, supplemented by short- and long-term borrowings, if required.

The Company expects the total debt as a percentage of total capitalization to decline to approximately 30% by the end of fiscal year 2007.

New Accounting Standards

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment to FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 will be effective for the Company beginning in fiscal year 2009. The Company is assessing the potential impact that the adoption of SFAS No. 159 will have on its consolidated financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 158, Employer s Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132 (R). SFAS No. 158 requires that the Company recognize the overfunded or underfunded status of its defined benefit and retiree medical plans as an asset or liability in the fiscal year 2007 year-end balance sheet, with changes in the funded status recognized through other comprehensive income in the year in which they occur. Additionally, SFAS No. 158 requires the Company to measure the funded status of a plan as of the date of its fiscal year-end no later than fiscal year 2009. The Company is assessing the potential impact that the adoption of SFAS No. 158 will have on its consolidated financial condition.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS No. 157 will be effective for the Company beginning in fiscal year 2008. The Company is assessing the potential impact that the adoption of SFAS No. 157 will have on its consolidated financial condition or results of operations.

In June 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 allows recognition of only those tax benefits that satisfy a greater than 50% probability threshold. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods,

disclosure, and transition. FIN No. 48 is effective for the Company beginning October 1, 2007. The Company is assessing the potential impact that the adoption of FIN No. 48 will have on its previously established tax reserves, consolidated financial condition, or results of operations.

Other Financial Information

The interim financial information included in this Quarterly Report on Form 10-Q has not been audited by PricewaterhouseCoopers LLP (PwC). PwC has, however applied limited review procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the interim financial information because such reports do not constitute reports or parts of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2007, the Company did not experience any adverse changes in market risk exposures that materially affect the quantitative and qualitative disclosures presented in the Company s Annual Report on Form 10-K for the year ended September 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective as of March 31, 2007 to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company s internal control over financial reporting during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As noted in Item 1 to the Company s Annual Report on Form 10-K for the year ended September 30, 2006, which was filed with the SEC on December 5, 2006, liabilities may potentially arise globally under various environmental laws and worker safety laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.

Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 50 sites in the U.S. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental losses in a manner consistent with generally accepted accounting principles in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. The Company reviews the status of the sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company s ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company s financial position, results of operations or cash flows.

The Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management s opinion that none of these will have a material adverse effect on the Company s financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

In 1989, Johnson Controls initiated an action in the Milwaukee County, Wisconsin Circuit Court, *Johnson Controls, Inc. v. Employers Insurance of Wausau*, which sought reimbursement under comprehensive general liability insurance policies dating from 1954 through 1985 for costs relating to certain environmental matters. In 1995, the Circuit Court dismissed the action based on the Wisconsin Supreme Court s decision in *City of Edgerton v. General Casualty Co. of Wisconsin*. The Company twice appealed the case to the Court of Appeals and then petitioned the Wisconsin Supreme Court to review the lower courts judgments. The Supreme Court granted the petition, and on July 11, 2003, overruled its decision in the Edgerton case, and found that the comprehensive general liability insurance policies may provide coverage for environmental damages. The Supreme Court s decision remanded the case to the Circuit Court for further consideration. In fiscal years 2005 and 2006, the Company filed motions for declaratory judgment, in which it sought a ruling that some of its insurers breached their respective duties to defend, thus waiving defenses against the Company s environmental claims. The Company is currently in settlement negotiations with certain of the insurance company defendants. In the third quarter of fiscal year 2006, it reached agreement with one of the defendants and in the first quarter of fiscal year 2007, an additional two defendants. The ultimate outcome of claims against the other defendants cannot be determined at this time; however, the Company expects a decision on its motions for declaratory judgment during fiscal year 2007. On the basis of past settlements, the likely level of recoveries from remaining defendants and the materiality reporting threshold for the Company, the Company does not intend to discuss this litigation in future filings.

As previously reported, following allegations in a U.N. Oil-For-Food Inquiry Report that, prior to the Company s acquisition of York, York had made improper payments to the Iraqi regime, York and the Company jointly undertook to investigate the allegations and offered the companies cooperation to the Department of Justice (DOJ) and Securities and Exchange Commission. After completing the York acquisition, the Company continued

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the internal inquiry and expanded its scope to include other aspects of York s Middle East operations, including a review of York s use of agents, consultants and other third parties, York s compliance with the Office of Foreign Assets Control licensing requirements, and York s compliance with other potentially applicable trade laws. The Company has also reviewed certain of York s sales practices in selected Asian markets. The factual inquiry is now substantially complete and indicates that, in a number of instances, York engaged in conduct that may lead to enforcement actions against the Company under applicable U.S. laws, which give authorities the right to pursue administrative, civil and criminal sanctions, including monetary penalties. The Company has been voluntarily disclosing this information and offering continued cooperation with the DOJ and SEC, as well as to other relevant authorities in the U.S. Departments of Treasury, Commerce and Defense. The Company has begun discussions with the relevant authorities to explore how these matters may be resolved. The Company is in the process of evaluating and implementing various remedial measures with respect to York operations.

ITEM 1A. RISK FACTORS

There are no material changes to the disclosure regarding risk factors presented in the Company s Annual Report on Form 10-K for the year ended September 30, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In September 2006, the Company s Board of Directors authorized a stock repurchase program to acquire up to $200 million of the Company s outstanding common stock. Stock repurchases under this program may be made through open market, privately negotiated transactions or otherwise at times and in such amounts as Company management deems appropriate. The stock repurchase program does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice.

The Company entered into an Equity Swap Agreement, dated March 18, 2004 and amended March 3, 2006 and May 16, 2006 (Swap Agreement), with Citibank, N.A. (Citibank). The Company selectively uses equity swaps to reduce market risk associated with its stock-based compensation plans, such as its deferred compensation plans and stock appreciation rights. These equity compensation liabilities increase as the Company s stock price increases and decrease as the Company s stock price decreases. In contrast, the value of the Swap Agreement moves in the opposite direction of these liabilities, allowing the Company to fix a portion of the liabilities at a stated amount.

Citibank has advised the Company that, in connection with the Swap Agreement, Citibank may purchase shares of the Company s stock in the market or in privately negotiated transactions up to an amount equal to $200 million in aggregate market value at any given time. The Company disclaims that Citibank is an affiliated purchaser of the Company as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act or that Citibank is purchasing any shares for the Company. Although the Swap Agreement has a stated expiration date, the Company s intention is to continually renew the Swap Agreement with Citibank s consent. The net effect of the change in fair value of the Swap Agreement and the change in equity compensation liabilities was not material to the Company s earnings for the three or six months ended March 31, 2007. Citibank reduced its holdings of Company stock by 100,000 shares in the quarter ended March 31, 2007 in connection with the Swap Agreement. There were no purchases by Citibank in the three or six months ended March 31, 2007.

The following table presents information regarding the repurchase of the Company s common stock by the Company and purchases of the Company s common stock by Citibank in connection with the Swap Agreement during the three months ended March 31, 2007.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs
1/1/07 1/31/07 Purchases by Company (1)	2,424	$ 81.58		$ 193,714,732
2/1/07 2/28/07 Purchases by Company (1)	4,177	$ 97.46		$ 193,714,732
3/1/07 3/31/07 Purchases by Company (1)	175,651	$ 94.40	173,797	$ 177,309,460
1/1/07 1/31/07 Purchases by Citibank (2)				$ 42,818,000
2/1/07 2/28/07 Purchases by Citibank (2)				$ 40,540,000
3/1/07 3/31/07 Purchases by Citibank (2)				$ 48,608,000

(1) The repurchases of the Company s common stock by the Company relate to shares purchased as part of the publicly announced program or stock option and restricted stock transactions that are treated as repurchases of Company

common stock for purposes of this disclosure.

(2) Citibank may purchase shares of the Company s stock up to an amount equal to $200 million. The approximate dollar value of shares that may yet be purchased under the Citibank program fluctuates based on the market value of the Company s stock and/or sales by Citibank of the Company s stock.

ITEM 6. EXHIBITS

Reference is made to the separate exhibit index contained on page 38 filed herewith.

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SIGNATURES

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

JOHNSON CONTROLS, INC.

Date: May 8, 2007

By: /s/ *R. Bruce McDonald*

R. Bruce McDonald
Executive Vice President and
Chief Financial Officer

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JOHNSON CONTROLS, INC.
Form 10-Q
INDEX TO EXHIBITS

Exhibit No.	Description
10	Johnson Controls, Inc. 2001 Restricted Stock Plan, as amended through March 21, 2006 (corrected version).
15	Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated May 8, 2007, relating to Financial Information.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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