

DIAMONDS TRUST SERIES I

Form 497

February 29, 2008

Prospectus

DIAMONDS® TRUST, SERIES 1

(A Unit Investment Trust)

- DIAMONDS Trust is an exchange traded fund designed to generally correspond to the price and yield performance of the Dow Jones Industrial Average. • DIAMONDS Trust holds all of the Dow Jones Industrial Average stocks. • Each DIAMONDS unit represents an undivided ownership interest in the DIAMONDS Trust. • The DIAMONDS Trust issues and redeems DIAMONDS units only in multiples of 50,000 DIAMONDS in exchange for Dow Jones Industrial Average stocks and cash. • Individual DIAMONDS units trade on the American Stock Exchange like any other equity security. • Minimum trading unit: 1 DIAMONDS unit.

SPONSOR: PDR SERVICES LLC

(Solely Owned by American Stock Exchange LLC)

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES NOR PASSED UPON THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Prospectus Dated February 25, 2008

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DIAMONDS TRUST, SERIES I

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SUMMARY

Essential Information as of October 31, 2007\*

Glossary: All defined terms used in this Prospectus and page numbers on which their definitions appear are listed in the Glossary on page 76. Total Trust Assets: \$9,355,655,396 Net Trust Assets: \$9,339,890,790 Number of DIAMONDS: 67,109,070 Fractional Undivided Interest in the Trust Represented by each DIAMONDS unit: 1/67,109,070th Dividend Record Dates: Monthly Dividend Payment Dates: Monthly Trustee's Annual Fee: From 6/100 of one percent to 10/100 of one percent, based on the NAV of the Trust, as the same may be adjusted by certain amounts. Estimated Ordinary Operating Expenses of the Trust: 18/100 of one percent (0.1800%) (inclusive of Trustee's annual fee).\*\* NAV per DIAMONDS unit (based on the value of the Portfolio Securities, other net assets of the Trust and number of DIAMONDS outstanding): \$139.17 Evaluation Time: Closing time of the regular trading session on the New York Stock Exchange, LLC. (ordinarily 4:00 p.m. New York time). Licensor: Dow Jones & Company, Inc.

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Mandatory Termination Date: The Trust is scheduled to terminate no later than January 13, 2123, but may terminate earlier under certain circumstances.

Discretionary Termination: The Trust may be terminated if at any time the value of the securities held by the Trust is less than \$350,000,000, as adjusted for inflation. The Trust may also be terminated under other circumstances. Market

Symbol: DIAMONDS trade on the American Stock Exchange under the symbol 'DIA'. Fiscal Year End October 31  
CUSIP: 252787106

\* The Trust Agreement

became effective, the initial deposit was made and the Trust commenced operation on January 13, 1998. \*\* Ordinary operating expenses of the Trust accrue at approximately 0.1614%. As of the fiscal year ended October 31, 2007, ordinary operating expenses of the Trust were 0.1440%. Future accruals will depend primarily on the level of the Trust's net assets and the level of Trust expenses. The amount of the earnings credit will be equal to the then current Federal Funds Rate, as reported in nationally distributed publications, multiplied by each day's daily cash balance in the Trust's cash account, reduced by the amount of reserves for that account required by the Federal Reserve Board of Governors. The Sponsor has undertaken that the ordinary operating expenses of the Trust will not exceed an amount that is 0.1800% of the daily NAV of the Trust, but this amount may be changed. Therefore, there is no guarantee that the Trust's ordinary operating expenses will not exceed the current 0.1614% or 0.1800% of the Trust's daily NAV.

## Highlights

- DIAMONDS are Ownership Interests in the DIAMONDS Trust

DIAMONDS Trust, Series 1 (“Trust”) is a unit investment trust that issues securities called “DIAMONDS”. The Trust is organized under New York law and is governed by a trust agreement between State Street Bank and Trust Company (“Trustee”) and PDR Services LLC (“Sponsor”), dated and executed as of January 13, 1998 (“Trust Agreement”). The Trust is an investment company registered under the Investment Company Act of 1940. DIAMONDS represent an undivided ownership interest in a portfolio of all of the common stocks of the Dow Jones Industrial Average (“DJIA”).

- DIAMONDS Should Closely Track the Value of the Stocks Included in the DJIA

DIAMONDS intend to provide investment results that, before expenses, generally correspond to the price and yield performance of the DJIA. Current information regarding the value of the DJIA is available from market information services. Dow Jones obtains information for inclusion in, or for use in the calculation of, the DJIA from sources Dow Jones considers reliable. None of Dow Jones, the Sponsor, the Trust, the Trustee or the Exchange accepts responsibility for or guarantees the accuracy and/or completeness of the DJIA or any data included in the DJIA.

The Trust holds the Portfolio and cash and is not actively “managed” by traditional methods, which typically involve effecting changes in the Portfolio on the basis of judgments made relating to economic, financial and market considerations. To maintain the correspondence between the composition and weightings of stocks held by the Trust (“Portfolio Securities” or, collectively, “Portfolio”) and component stocks of the DJIA (“Index Securities”), the Trustee adjusts the Portfolio from time to time to conform to periodic changes in the identity and/or relative weightings of Index Securities. The Trustee generally makes these adjustments to the Portfolio within three (3) Business Days (defined below) before or after the day on which changes in the DJIA are scheduled to take effect. Any change in the identity or weighting of an Index Security will result in a corresponding adjustment to the prescribed Portfolio Deposit effective on any day that the New York Stock Exchange, LLC (“NYSE”) is open for business (“Business Day”) either prior to, on, or following the day on which the change to the DJIA takes effect after the close of the market.

The value of DIAMONDS fluctuates in relation to changes in the value of the Portfolio. The market price of each individual DIAMONDS may not be identical to the net asset value (“NAV”) of such DIAMONDS but, historically, these two valuations have been very close.

- DIAMONDS Trade on the American Stock Exchange

DIAMONDS are listed for trading on the American Stock Exchange LLC (“Exchange” or “AMEX”), and are bought and sold in the secondary market like ordinary shares of stock at any time during the trading day. DIAMONDS are traded on the Exchange in 100 DIAMOND round lots, but can be traded in odd lots of as little as one DIAMOND. The Exchange may halt trading of DIAMONDS under certain circumstances.

- Brokerage Commissions on DIAMONDS

Secondary market purchases and sales of DIAMONDS are subject to ordinary brokerage commissions and charges.

- The Trust Issues and Redeems DIAMONDS in Multiples of 50,000 DIAMONDS Called “Creation Units”

The Trust issues and redeems DIAMONDS only in specified large lots of 50,000 DIAMONDS or multiples thereof referred to as “Creation Units.” Fractional Creation Units may be created or redeemed only in limited circumstances.\*

Creation Units are issued by the Trust to anyone who, after placing a creation order with ALPS Distributors, Inc. (“Distributor”), deposits with the Trustee a specified portfolio of Index Securities and a cash payment generally equal to dividends (net of expenses) accumulated up to the time of deposit. If the Trustee determines that one or more Index Securities are likely to be unavailable, or available in insufficient quantity, for delivery upon creation of Creation Units, the Trustee may permit the cash equivalent value of one or more of these Index Securities to be included in the Portfolio Deposit as a part of the Cash Component in lieu thereof. If a creator is restricted by regulation or otherwise from investing or engaging in a transaction in one or more Index Securities, the Trustee may permit the cash equivalent value of such Index Securities to be included in the Portfolio Deposit based on the market value of such Index Securities as of the Evaluation Time on the date such creation order is deemed received by the Distributor as part of the Cash Component in lieu of the inclusion of such Index Securities in the stock portion of the Portfolio Deposit.

Creation Units are redeemable in kind only and are not redeemable for cash. Upon receipt of one or more Creation Units, the Trust delivers to the redeeming holder a portfolio of Index Securities (based on NAV of the Trust), together with a cash payment. Each redemption has to be accompanied by a

\* See the discussion of termination of the Trust in this Summary and “Dividend Reinvestment Service” for a description of the circumstances in which DIAMONDS may be redeemed or created by the Trustee in less than a Creation Unit size aggregation of 50,000 DIAMONDS.

Cash Redemption Payment that on any given Business Day is an amount identical to the Cash Component of a Portfolio Deposit. If the Trustee determines that one or more Index Securities are likely to be unavailable or available in insufficient quantity for delivery by the Trust upon the redemption of Creation Units, the Trustee may deliver the cash equivalent value of one or more of these Index Securities, based on their market value as of the Evaluation Time on the date the redemption order is deemed received by the Trustee, as part of the Cash Redemption Payment in lieu thereof.

- Creation Orders Must be Placed with the Distributor

All orders to create Creation Units must be placed with the Distributor. To be eligible to place these orders, an entity or person must be (a) a “Participating Party,” or (b) a DTC Participant, and in each case must have executed an agreement with the Distributor and the Trustee, as may be amended from time to time (“Participant Agreement”). The term “Participating Party” means a broker-dealer or other participant in the DIAMONDS Clearing Process, through the Continuous Net Settlement (“CNS”) System of the National Securities Clearing Corporation (“NSCC”), a clearing agency registered with the Securities and Exchange Commission (“SEC”). Payment for orders is made by deposits with the Trustee of a portfolio of securities, substantially similar in composition and weighting to Index Securities, and a cash payment in an amount equal to the Dividend Equivalent Payment, plus or minus the Balancing Amount. “Dividend Equivalent Payment” is an amount equal, on a per Creation Unit basis, to the dividends on the Portfolio (with ex-dividend dates within the accumulation period), net of expenses and accrued liabilities for such period (including, without limitation, (i) taxes or other governmental charges against the Trust not previously deducted, if any, and (ii) accrued fees of the Trustee and other expenses of the Trust (including legal and auditing expenses) and other expenses not previously deducted), calculated as if all of the Portfolio Securities had been held for the entire accumulation period for such distribution. The Dividend Equivalent Payment and the Balancing Amount collectively are referred to as “Cash Component” and the deposit of a portfolio of securities and the Cash Component collectively are referred to as a “Portfolio Deposit.” Persons placing creation orders with the Distributor must deposit Portfolio Deposits either (i) through the CNS clearing process of NSCC, as such processes have been enhanced to effect creations and redemptions of Creation Units, such processes referred to herein as the “DIAMONDS Clearing Process,” or (ii) with the Trustee outside the DIAMONDS Clearing Process (i.e., through the facilities of DTC).

The Distributor acts as underwriter of DIAMONDS on an agency basis. The Distributor maintains records of the orders placed with it and the confirmations of acceptance and furnishes to those placing such orders confirmations of acceptance of the orders. The Distributor also is responsible for delivering a prospectus to persons creating DIAMONDS. The Distributor

also maintains a record of the delivery instructions in response to orders and may provide certain other administrative services, such as those related to state securities law compliance. The Distributor is a corporation organized under the laws of the State of Colorado and is located at 1290 Broadway, Suite 1100, Denver, CO 80203, toll free number: 1-800-843-2639. The Distributor is a registered broker-dealer and a member of FINRA (the successor organization to the National Association of Securities Dealers, Inc.) The Sponsor of the Trust pays the Distributor for its services a flat annual fee. The Sponsor will not seek reimbursement for such payment from the Trust without obtaining prior exemptive relief from the SEC.

- Expenses of the Trust

The expenses of the Trust are accrued daily and reflected in the NAV of the Trust. The Trust currently is accruing ordinary operating expenses at an annual rate of 0.1661% (excluding earnings credits).

**Shareholder Fees:\***

None\* (fees paid directly from your investment) **Estimated Trust Annual Ordinary Operating Expenses:**

Current Trust Annual Ordinary

Operating Expenses	As a % of	
Trust Net Assets	Trustee's Fee	0.0594 %
	Trustee Reduction for Earnings Credits**	(0.0047) %
	Dow Jones License Fee	0.0414 %
	Registration Fees	0.0000 %
	Marketing	0.0600 %
	Other Operating Expenses	0.0053 %
	Net Expenses**	0.1614 %

Future expense accruals will depend primarily on the level of the Trust's net assets and the level of expenses.

\* Investors do not pay

shareholder fees directly from their investment, but purchases and redemptions of Creation Units are subject to Transaction Fees (described below in "A Transaction Fee is Payable For Each Creation and For Each Redemption of Creation Units"), and purchases and sales of DIAMONDS in the secondary market are subject to ordinary brokerage commissions and charges (described above in "Brokerage Commissions on DIAMONDS"). \*\* Until the Sponsor otherwise determines, the Sponsor has undertaken that the ordinary operating expenses of the Trust will not be permitted to exceed 0.1800% of the Trust's daily NAV. Gross expenses of the Trust for the year ending October 31, 2007, without regard to this undertaking, were 0.1571% of the daily NAV of the Trust and therefore no expenses of the Trust were assumed by the Sponsor. The Sponsor reserves the right to discontinue this undertaking in the future. Therefore, there is no guarantee that the Trust's ordinary operating expenses will not exceed 0.1800% of the Trust's daily NAV. Trust expenses were

reduced during the same period by a Trustee's earnings credit of 0.0131% of the Trust's daily NAV as a result of uninvested cash balances in the Trust. The amount of earnings credit will be equal to the then current Federal Funds Rate, as reported in nationally distributed publications, multiplied by each day's daily cash balance in the Trust's cash account, reduced by the amount of reserves for that account required by the Federal Reserve Board of Governors. • Bar Chart and Table

The bar chart below and the table on the next page entitled "Average Annual Total Returns (For Periods Ending December 31, 2007)" ("Table") provide some indication of the risks of investing in the Trust by showing the variability of the Trust's returns based on net assets and comparing the Trust's performance to the performance of the DJIA. Past performance (both before and after tax) is not necessarily an indication of how the Trust will perform in the future.

The after-tax returns presented in the Table are calculated using the highest historical individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns will depend on your specific tax situation and may differ from those shown below. After-tax returns are not relevant to investors who hold DIAMONDS through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. The total returns in the bar chart below, as well as the total and after-tax returns presented in the Table, do not reflect Transaction Fees payable by those persons purchasing and redeeming Creation Units, nor brokerage commissions incurred by those persons purchasing and selling DIAMONDS in the secondary market (see footnotes (2) and (3) to the Table).

This bar chart shows the performance of the Trust for each full calendar year since its inception on January 13, 1998. During the period shown above (January 1, 1999 through December 31, 2007), the highest quarterly return for the Trust was 13.75% for the quarter ended 12/31/2001, and the lowest was -17.44% for the quarter ended 9/30/2002.

Average Annual Total Returns\* (For Periods Ending December 31, 2007)

	Past		
One Year	Past	Five Years	Since
Inception(4)	DIAMONDS Trust, Series 1	Return Before Taxes(1)(2)(3)	8.72 % 12.02 % 7.52 %
Taxes on Distributions(1)(2)(3)	8.38 %	11.57 %	6.98 %
Return After Taxes on Distributions and Redemption of Creation Units(1)(2)(3)	6.11 %	10.36 %	6.33 %
DJIA(5)	8.88 %	12.24 %	7.69 %

\* Total returns assume that dividends and capital gain distributions have been reinvested in the Trust at the net asset value per unit. (1) Includes all applicable ordinary operating expenses set forth above in the section of "Highlights" entitled "Expenses of the Trust". (2) Does not include the Transaction Fee which is payable to the Trustee only by persons purchasing and redeeming Creation Units as discussed below in the section of "Highlights" entitled "A Transaction Fee is Payable For Each Creation and For Each Redemption of Creation Units". If these amounts were reflected, returns would be less than those shown. (3) Does not include brokerage commissions and charges incurred only by persons who make purchases and sales of DIAMONDS in the secondary market as discussed above in the section of "Highlights" entitled "Brokerage Commissions on DIAMONDS". If these amounts were reflected, returns would be less than those shown. (4) Investment operation commenced on January 13, 1998. (5) Does not reflect deductions for taxes, operating expenses, Transaction Fees, brokerage commissions, or fees of any kind.

DIAMONDS TRUST, SERIES 1

GROWTH OF \$10,000 INVESTMENT SINCE INCEPTION(1)

1 Past performance is not necessarily an indication of how the Trust will perform in the future. • A Transaction Fee is Payable for Each Creation and for Each Redemption of Creation Units

The transaction fee payable to the Trustee in connection with each creation and redemption of Creation Units made through the DIAMONDS

Clearing Process (“Transaction Fee”) is non-refundable, regardless of the NAV of the Trust. This Transaction Fee is \$1,000 per Participating Party per day, regardless of the number of Creation Units created or redeemed on such day. The \$1,000 charge is subject to a limit not to exceed 10/100 of one percent (10 basis points) of the value of one Creation Unit at the time of creation (“10 Basis Point Limit”).

For creations and redemptions outside the DIAMONDS Clearing Process, an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit is charged per Creation Unit per day. Under the current schedule, therefore, the total fee charged in connection with creation or redemption outside the DIAMONDS Clearing Process would be \$1,000 (the Transaction Fee for the creation or redemption of one Creation Unit) plus an additional amount up to \$3,000 (3 times \$1,000), for a total not to exceed \$4,000. Creators and redeemers restricted from engaging in transactions in one or more Index Securities may pay the Trustee the Transaction Fee and may pay an additional amount per Creation Unit not to exceed three (3) times the Transaction Fee applicable for one Creation Unit.

- DIAMONDS are Held in Book Entry Form Only

The Depository Trust Company (“DTC”) or its nominee is the record or registered owner of all outstanding DIAMONDS. Beneficial ownership of DIAMONDS is shown on the records of DTC or its participants. Individual certificates are not issued for DIAMONDS. See “The Trust—Securities Depository; Book-Entry-Only System.”

- DIAMONDS Make Periodic Dividend Payments

DIAMONDS holders receive each calendar month an amount corresponding to the amount of any cash dividends declared on the Portfolio Securities during the applicable period, net of fees and expenses associated with operation of the Trust, and taxes, if applicable. Because of such fees and expenses, the dividend yield for DIAMONDS is ordinarily less than that of the DJIA. Investors should consult their tax advisors regarding tax consequences associated with Trust dividends, as well as those associated with DIAMONDS sales or redemptions.

Monthly distributions based on the amount of dividends payable with respect to Portfolio Securities and other income received by the Trust, net of fees and expenses, and taxes, if applicable, are made via DTC and its participants to Beneficial Owners on each Dividend Payment Date. Any capital gain income recognized by the Trust in any taxable year that is not previously treated as distributed during the year ordinarily is to be distributed at least annually in January of the following taxable year. The Trust may make additional distributions shortly after the end of the year in order to satisfy certain distribution requirements imposed by the Internal Revenue Code of

1986, as amended (“Code”). Although all income distributions are currently made monthly, the Trustee may vary the periodicity with which distributions are made. Those Beneficial Owners interested in reinvesting their monthly distributions may participate through DTC Participants in the DTC Dividend Reinvestment Service (“Service”) available through certain brokers. See “The Trust—Securities Depository; Book-Entry-Only System.”

- The Trust Intends to Qualify as a Regulated Investment Company

For the fiscal year ended October 31, 2007, the Trust believes that it qualified for tax treatment as a “regulated investment company” under Subchapter M of the Code. The Trust intends to continue to so qualify and to distribute annually its entire investment company taxable income and net capital gain. Distributions that are taxable as ordinary income to Beneficial Owners generally are expected to constitute dividend income for federal income tax purposes and to be eligible for the dividends-received deduction available to many corporations to the extent of qualifying dividend income received by the Trust. The Trust’s regular monthly distributions are based on the dividend performance of the Portfolio during such monthly distribution period rather than the actual taxable income of the Trust. As a result, a portion of the distributions of the Trust may be treated as a return of capital or a capital gain dividend for federal income tax purposes or the Trust may be required to make additional distributions to maintain its status as a regulated investment company or to avoid imposition of income or excise taxes on undistributed income.

- Termination of the Trust

The Trust has a specified lifetime term. The Trust is scheduled to terminate on the first to occur of (a) January 13, 2123 or (b) the date 20 years after the death of the last survivor of fifteen persons named in the Trust Agreement, the oldest of whom was born in 1994 and the youngest of whom was born in 1997. Upon termination, the Trust may be liquidated and pro rata shares of the assets of the Trust, net of certain fees and expenses, distributed to holders of DIAMONDS.

- Restrictions on Purchases of DIAMONDS by Investment Companies

Purchases of DIAMONDS by investment companies are subject to restrictions set forth in Section 12(d)(1) of the Investment Company Act of 1940. The Trust has received an SEC order that permits registered investment companies to invest in DIAMONDS beyond these limits, subject to certain conditions and terms. One such condition is that registered investment companies relying on the order must enter into a written agreement with the Trust. Registered investment companies wishing to learn more about the order and the agreement should telephone 1-800-THE-AMEX.

The Trust itself is also subject to the restrictions of Section 12(d)(1). This means that (a) the Trust cannot invest in any registered investment company, to the extent that the Trust would own more than 3% of that regulated investment company's outstanding share position, (b) the Trust cannot invest more than 5% of its total assets in the securities of any one registered investment company, and (c) the Trust cannot invest more than 10% of its total assets in the securities of registered investment companies in the aggregate.

#### Risk Factors

Investors can lose money by investing in DIAMONDS. Investors should carefully consider the risk factors described below together with all of the other information included in this Prospectus before deciding to invest in DIAMONDS.

**Investment in the Trust involves the risks inherent in an investment in any equity security.** An investment in the Trust is subject to the risks of any investment in a portfolio of large-capitalization common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of such investment. The value of Portfolio Securities may fluctuate in accordance with changes in the financial condition of the issuers of Portfolio Securities (particularly those that are heavily weighted in the DJIA), the value of common stocks generally and other factors. The identity and weighting of Index Securities and the Portfolio Securities also change from time to time.

The financial condition of the issuers may become impaired or the general condition of the stock market may deteriorate (either of which may cause a decrease in the value of the Portfolio and thus in the value of DIAMONDS). Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

Holdings of common stocks of any given issuer incur more risk than holders of preferred stocks and debt obligations of the issuer because the rights of common stockholders, as owners of the issuer, generally are inferior to the rights of creditors of, or holders of debt obligations or preferred stocks issued by, such issuer. Further, unlike debt securities that typically have a stated principal amount payable at maturity, or preferred stocks that typically have a liquidation preference and may have stated optional or mandatory redemption provisions, common stocks have neither a fixed principal amount nor a maturity. Common stock values are subject to market fluctuations as long as the common stock remains outstanding. The value of the Portfolio may be expected to fluctuate over the entire life of the Trust.

There can be no assurance that the issuers of Portfolio Securities will pay dividends. Distributions generally depend upon the declaration of dividends by the issuers of Portfolio Securities and the declaration of such dividends generally depends upon various factors, including the financial condition of the issuers and general economic conditions.

**The Trust is not actively managed.** The Trust is not actively “managed” by traditional methods, and therefore the adverse financial condition of an issuer will not result in the elimination of its stocks from the Portfolio unless the stocks of such issuer are removed from the DJIA.

**A liquid trading market for certain Portfolio Securities may not exist.** Although most of the Portfolio Securities are listed on a national securities exchange, the principal trading market for some may be in the over-the-counter market. The existence of a liquid trading market for certain Portfolio Securities may depend on whether dealers will make a market in such stocks. There can be no assurance that a market will be made for any Portfolio Securities, that any market will be maintained or that any such market will be or remain liquid. The price at which Portfolio Securities may be sold and the value of the Portfolio will be adversely affected if trading markets for Portfolio Securities are limited or absent.

**The Trust may not always be able exactly to replicate the performance of the DJIA.** It is possible that, for a short period, the Trust may not fully replicate the performance of the DJIA due to the temporary unavailability of certain Index Securities in the secondary market or due to other extraordinary circumstances. In addition, the Trust is not able to replicate exactly the performance of the DJIA because the total return generated by the Portfolio is reduced by Trust expenses and transaction costs incurred in adjusting the actual balance of the Portfolio.

**Investment in the Trust may have adverse tax consequences.** Investors in the Trust should also be aware that there are tax consequences associated with the ownership of DIAMONDS resulting from the distribution of Trust dividends and sales of DIAMONDS as well as under certain circumstances the sales of stocks held by the Trust in connection with redemptions.

**NAV may not always correspond to market price.** The NAV of DIAMONDS in Creation Unit size aggregations and, proportionately, the NAV per DIAMONDS unit, changes as fluctuations occur in the market value of Portfolio Securities. Investors should be aware that the aggregate public trading market price of 50,000 DIAMONDS may be different from the NAV of a Creation Unit (i.e., 50,000 DIAMONDS may trade at a premium over, or at a discount to, the NAV of a Creation Unit) and similarly the public trading market price per DIAMONDS unit may be different from the NAV of a Creation Unit on a per DIAMONDS unit basis. This price difference may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for DIAMONDS are closely related to, but not

identical to, the same forces influencing the prices of Index Securities trading individually or in the aggregate at any point in time. Investors also should note that the size of the Trust in terms of total assets held may change substantially over time and from time to time as Creation Units are created and redeemed.

**The Exchange may halt trading in DIAMONDS.** DIAMONDS are listed for trading on the Exchange under the market symbol DIA. Trading in DIAMONDS may be halted under certain circumstances, as set forth in the Exchange rules and procedures, that, in the view of the Exchange, make trading in DIAMONDS inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to Exchange “circuit breaker” rules that require trading to be halted for a specified period based on a specified market decline. The Exchange also must halt trading if required intraday valuation information is not disseminated for longer than one Business Day. There can be no assurance that the requirements of the Exchange necessary to maintain the listing of DIAMONDS will continue to be met or will remain unchanged. The Trust will be terminated if DIAMONDS are delisted from the Exchange.

**DIAMONDS are subject to market risks.** DIAMONDS are subject to the risks other than those inherent in an investment in equity securities, discussed above, in that the selection of the stocks included in the Portfolio, the expenses associated with the Trust, or other factors distinguishing an ownership interest in a trust from the direct ownership of a portfolio of stocks may affect trading in DIAMONDS.

Additionally, DIAMONDS may perform differently than other investments in portfolios containing large capitalization stocks based upon or derived from an index other than the DJIA. For example, the great majority of component stocks of the DJIA are drawn from among the largest of the large capitalization universe, while other indexes may represent a broader sampling of large capitalization stocks. Also, other indexes may use different methods for assigning relative weights to the index components than the price weighted method used by the DJIA. As a result, DJIA accords relatively more weight to stocks with a higher price to market capitalization ratio than a similar market capitalization weighted index.

**The regular settlement period for Creation Units may be reduced.** Except as otherwise specifically noted, the time frames for delivery of stocks, cash, or DIAMONDS in connection with creation and redemption activity within the DIAMONDS Clearing Process are based on NSCC’s current “regular way” settlement period of three (3) days during which NSCC is open for business (each such day an “NSCC Business Day”). NSCC may, in the future, reduce such “regular way” settlement period, in which case there may be a corresponding reduction in settlement periods applicable to DIAMONDS creations and redemptions.

**Clearing and settlement of Creation Units may be delayed or fail.** The Trustee delivers a portfolio of stocks for each Creation Unit delivered for redemption substantially identical in weighting and composition to the stock portion of a Portfolio Deposit as in effect on the date the request for redemption is deemed received by the Trustee. If redemption is processed through the DIAMONDS Clearing Process, the stocks that are not delivered are covered by NSCC's guarantee of the completion of such delivery. Any stocks not received on settlement date are marked-to-market until delivery is completed. The Trust, to the extent it has not already done so, remains obligated to deliver the stocks to NSCC, and the market risk of any increase in the value of the stocks until delivery is made by the Trust to NSCC could adversely affect the NAV of the Trust. Investors should note that the stocks to be delivered to a redeemer submitting a redemption request outside of the DIAMONDS Clearing Process that are not delivered to such redeemer are not covered by NSCC's guarantee of completion of delivery.

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DIAMONDS TRUST SERIES 1  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustee and Unitholders of DIAMONDS Trust, Series 1

In our opinion, the accompanying statements of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of DIAMONDS Trust, Series 1 (the "Trust") at October 31, 2007, the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trustee; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
December 19, 2007

DIAMONDS Trust Series 1  
 Statement of Assets and Liabilities  
 October 31, 2007

			<b>Assets</b>						
				Investments in securities, at value	\$				
9,332,743,913	Cash	12,471,541	Receivable for DIAMONDS issued in-kind	42,195	Dividends receivable				
10,397,747	Total Assets	9,355,655,396	<b>Liabilities</b>	Income distribution payable	10,509,644	Accrued			
	Trustee expense	303,036	Accrued expenses and other liabilities	4,951,926	Total Liabilities	15,764,606	<b>Net</b>		
	<b>Assets</b>	\$ 9,339,890,790	<b>Net Assets Represented by:</b>	Paid in surplus	10,068,602,839	Undistributed net			
	investment income	17,835,012	Accumulated net realized loss on investments	(298,364,996)	Net unrealized				
	depreciation on investments	(448,182,065)	<b>Net Assets</b>	\$ 9,339,890,790	<b>Net asset value per DIAMOND</b>	\$			
139.17	<b>Units of fractional undivided interest (“DIAMONDS”) outstanding, unlimited units authorized, \$0.00</b>		<b>par value</b>	67,109,070	<b>Cost of investments</b>	\$ 9,780,925,978			

See accompanying notes to financial statements.

DIAMONDS Trust Series I  
Statements of Operations

For the Year

Ended

October 31, 2007 For the Year

Ended

October 31, 2006 For the Year

Ended

October 31, 2005	<b>Investment Income</b>			Dividend income	\$ 172,683,551	\$ 154,659,959	\$
177,120,908	<b>Expenses</b>			Trustee expense	4,232,050	4,562,765	4,928,790
expense	4,437,144	3,903,738	4,307,114	DJIA license fee	2,555,000	2,555,000	2,655,783
and audit services	174,890	100,378	149,889	SEC registration fee	—	—	324,223
expense	119,920	275,241	403,199	Other expenses	98,163	109,678	120,310
11,617,167	11,506,800	12,889,308		Trustee earnings credits	(965,742)	(418,803)	(280,392)
expenses after Trustee earnings credits	10,651,425	11,087,997	12,608,916	<b>Net Investment Income</b>			
162,032,126	143,571,962	164,511,992		<b>Realized and Unrealized Gain (Loss) on Investments</b>			
Net realized gain on investment transactions	854,766,927	413,807,291	651,853,900	Net change in			
unrealized appreciation (depreciation)	139,514,977	517,345,427	(297,315,375)	<b>Net Realized and</b>			
<b>Unrealized Gain on Investments</b>	994,281,904	931,152,718	354,538,525	<b>Net Increase in Net Assets</b>			
<b>Resulting from Operations</b>	\$ 1,156,314,030	\$ 1,074,724,680	\$ 519,050,517				

See accompanying notes to financial statements.

DIAMONDS Trust Series I  
Statements of Changes in Net Assets

For the Year

Ended

October 31, 2007 For the Year

Ended

October 31, 2006 For the Year

Ended

October 31, 2005	<b>Increase (Decrease) in Net Assets Resulting from Operations:</b>			Net investment
income \$ 162,032,126	\$ 143,571,962	\$ 164,511,992	Net realized gain on investment transactions	
854,766,927	413,807,291	651,853,900	Net change in unrealized appreciation (depreciation)	139,514,977
517,345,427	(297,315,375 )		<b>Net Increase in Net Assets Resulting from Operations</b>	1,156,314,030
1,074,724,680	519,050,517		<b>Net Equalization Credits and Charges</b>	(13,594,558 ) (1,800,594 )
(2,410,446 )			<b>Distributions to Unitholders from Net Investment Income</b>	(147,731,248 ) (141,435,357 )
(168,178,022 )			<b>Net Increase (Decrease) in Net Assets from Issuance and Redemption of DIAMONDS</b>	
1,785,284,683	(1,781,857,294 )	(1,129,366,247 )	<b>Net Increase (Decrease) in Net Assets During Period</b>	
2,780,272,907	(850,368,565 )	(780,904,198 )	<b>Net Assets at Beginning of Year</b>	6,559,617,883
7,409,986,448	8,190,890,646		<b>Net Assets End of Year*</b>	\$ 9,339,890,790 \$ 6,559,617,883 \$
7,409,986,448			*Includes Undistributed Net Investment Income	\$ 17,835,012 \$ 3,534,134 \$ 1,397,529

See accompanying notes to financial statements.

## DIAMONDS Trust Series 1

## Financial Highlights

## Selected Data for a DIAMOND Outstanding During the Year

	For the						
Year Ended							
10/31/07	For the						
Year Ended							
10/31/06	For the						
Year Ended							
10/31/05	For the						
Year Ended							
10/31/04	For the						
Year Ended							
10/31/03	Net asset value, beginning of year	\$ 120.69	\$ 104.31	\$ 100.48	\$ 98.20	\$ 84.12	<b>Investment</b>
	<b>operations:</b>						
	Net investment income(1)	2.85	2.45	2.39	(5)	1.94	1.91
	and unrealized gain (loss) on investments	18.57	16.37	3.91	2.28	14.06	<b>Net realized</b>
	<b>operations</b>	21.42	18.82	6.30	4.22	15.97	<b>Total from investment</b>
							<b>operations</b>
	<b>Net equalization credits and charges(1)</b>	(0.24)					
	<b>Less distributions from:</b>						
	Net investment income	(0.03)	(0.03)	0.00	(2)	(0.01)	
	<b>Net asset value, end of period</b>	\$ 139.17	\$ 120.69	\$ 104.31			
		\$ 100.48	\$ 98.20				
	<b>Total investment return(3)</b>	17.72 %	18.23 %	6.23 %	4.27 %	19.22 %	<b>Ratios</b>
	<b>and supplemental data</b>						
	Ratios to average net assets:						
	Net investment income	2.19 %	2.21 %	2.27 %	1.89 %	2.12 %	
	Total expenses	0.16 %	0.18 %	0.18 %	0.18 %	0.18 %	
	% Net expenses excluding trustee earnings credit	0.14 %	0.17 %	0.17 %	0.18 %	0.18 %	
	excluding rebates, trustee earnings credit and waivers	0.14 %	0.17 %	0.17 %	0.18 %	0.18 %	
	Portfolio turnover rate(4)	1.45 %	0.01 %	7.69 %	13.88 %	8.71 %	
	<b>Net asset value, end of year (000's)</b>	\$					
		9,339,891	\$ 6,559,618	\$ 7,409,986	\$ 8,190,891	\$ 5,991,092	

(1) Per share numbers have been calculated using the average shares method. (2) Amount shown represents less than \$0.005. (3) Total return is calculated assuming a purchase of shares at net asset value per share on the first day and a sale at net asset value per share on the last day of each period reported. Distributions are assumed, for the purposes of this calculation, to be reinvested at the net asset value per share on the respective payment dates of the Fund. Total return for a period of less than one year is not annualized. Broker commission charges are not included in the calculation. (4) Portfolio turnover ratio excludes securities received or delivered from processing creations or redemptions of DIAMONDS. (5) Net investment income per unit reflects receipt of a one time dividend from a portfolio holding (Microsoft Corp.). The effect of this dividend amounted to \$0.22 per share.

See accompanying notes to financial statements.

DIAMONDS Trust Series 1  
Notes to Financial Statements  
October 31, 2007

#### Note 1—ORGANIZATION

DIAMONDS Trust, Series 1 is a unit investment trust created under the laws of the State of New York and registered under the Investment Company Act of 1940, as amended. The Trust was created to provide investors with the opportunity to purchase units of beneficial interest in the Trust representing proportionate undivided interests in the portfolio of securities consisting of substantially all of the component common stocks, which comprise the Dow Jones Industrial Average (the “DJIA”). Each unit of fractional undivided interest in the Trust is referred to as a “DIAMONDS”. The Trust commenced operations on January 14, 1998 upon the initial issuance of 500,000 DIAMONDS (equivalent to ten “Creation Units” — see Note 4) in exchange for a portfolio of securities assembled to reflect the intended portfolio composition of the Trust.

Under the Trust Agreement, the Sponsor and Trustee (each as defined below) are indemnified against certain liabilities arising from the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. However, based on experience the Trust expects the risk of loss to be remote.

#### Note 2—SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Trust.

##### Security Valuation

Portfolio securities are valued based on the closing sale price on the exchange which is deemed to be the principal market for the security, except for securities listed on the NASDAQ which are valued at the NASDAQ official closing price. If there is no closing sale price available or official closing price, valuation will be determined by the Trustee in good faith based on available information.

In September, 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“SFAS 157”), was issued and is effective for fiscal

DIAMONDS Trust Series 1  
Notes to Financial Statements  
October 31, 2007

years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Trustee is currently evaluating the impact, if any, the adoption of SFAS 157 will have on the Trust's financial statements. The Trustee does not anticipate SFAS 157 will have a material impact on the Trust's financial statements.

#### Investment Risk

The Trust invests in various investments which are exposed to risks, such as market risk. Due to the level of risk associated with certain investments it is at least reasonably possibly that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### Investment Transactions

Investment transactions are recorded on the trade date. Realized gains and losses from the sale or disposition of securities are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date.

#### Distributions to Unitholders

The Trust declares and distributes dividends from net investment income to its unitholders monthly. The Trust will distribute net realized capital gains, if any, at least annually.

#### Equalization

The Trust follows the accounting practice known as "Equalization" by which a portion of the proceeds from sales and costs of reacquiring the Trust's units, equivalent on a per unit basis to the amount of distributable net investment income on the date of the transaction, is credited or charged to undistributed net investment income. As a result, undistributed net investment income per unit is unaffected by sales or reacquisitions of the Trust's units.

#### Federal Income Tax

The Trust has qualified and intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. By so qualifying and electing, the Trust will not be subject to federal income taxes to the extent it distributes its taxable income, including any net realized capital gains, for each fiscal year. In addition, by distributing



DIAMONDS Trust Series 1  
 Notes to Financial Statements  
 October 31, 2007

December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent SEC guidance allows implementing FIN 48 in Fund NAV calculations as late as the Fund's last NAV calculation in the first required financial statement reporting period. As a result, the Fund will incorporate FIN 48 in its semi-annual report on April 30, 2008. At this time, the Trustee is evaluating the implications of FIN 48 and its impact, if any, in the financial statements has not yet been determined.

Note 3—Transactions with the Trustee and Sponsor

In accordance with the Trust Agreement, State Street Bank and Trust Company (the "Trustee") maintains the Trust's accounting records, acts as custodian and transfer agent to the Trust, and provides administrative services, including filing of all required regulatory reports. The Trustee is also responsible for determining the composition of the portfolio of securities which must be delivered and/or received in exchange for the issuance and/or redemption of Creation Units of the Trust, and for adjusting the composition of the Trust's portfolio from time to time to conform to changes in the composition and/or weighting structure of the DJIA. For these services, the Trustee received a fee at the following annual rates for the fiscal year ended October 31, 2007:

	Net asset value of the Trust	<b>Fee as a</b>
<b>percentage of net asset value of the Trust</b>	<b>\$0 — \$499,999,999</b>	<b>0/100 of 1% per annum plus or minus the Adjustment</b>
	<b>\$500,000,000 — \$2,499,999,999</b>	<b>1/100 of 1% per annum plus or minus the Adjustment Amount</b>
	<b>\$2,500,000,000 — and above</b>	<b>6/100 of 1% per annum plus or minus the Adjustment Amount</b>

The Adjustment Amount is the sum of (a) the excess or deficiency of transaction fees received by the Trustee, less the expenses incurred in processing orders for creation and redemption of DIAMONDS and (b) the amounts earned by the Trustee with respect to the cash held by the Trustee for the benefit of the Trust. During the year ended October 31, 2007, the Adjustment Amount reduced the Trustee's fee by \$1,770,836. The Adjustment Amount included an excess of net transaction fees from processing orders of \$805,094 and a Trustee earnings credit of \$965,742.

Effective November 1, 2006, the Trustee changed the method of computing the Adjustment Amount to the Trustee Fee such that all income earned with respect to cash held for the benefit of the Trust is credited against the Trustee's Fee. In addition, during the period from December 1, 2006 through

DIAMONDS Trust Series 1  
Notes to Financial Statements  
October 31, 2007

December 31, 2006, the Trustee applied incremental cash balance credits of \$374,030 which is included in the Trustee earnings credit of \$965,742.

PDR Services LLC (the ‘‘Sponsor’’, a wholly-owned subsidiary of the American Stock Exchange LLC) agreed to reimburse the Trust for, or assume, the ordinary operating expenses of the Trust which exceeded 18.00/100 of 1% per annum of the daily net asset value of the Trust. There were no such reimbursements by the Sponsor for the fiscal years ended October 31, 2005, October 31, 2006 and October 31, 2007.

Dow Jones & Company, Inc. (‘‘Dow Jones’’), the American Stock Exchange LLC (the ‘‘AMEX’’), the Sponsor and State Street Global Markets, LLC (‘‘SSGM’’) have entered into a License Agreement. The License Agreement grants SSGM, an affiliate of the Trustee, a license to use the DJIA as a basis for determining the composition of the Portfolio and to use certain trade names and trademarks of Dow Jones in connection with the Portfolio. The Trustee on behalf of the Trust, the Sponsor and the Exchange have each received a sublicense from SSGM for the use of the DJIA and such trade names and trademarks in connection with their rights and duties with respect to the Trust. The License Agreement may be amended without the consent of any of the Beneficial Owners of DIAMONDS. Currently, the License Agreement is scheduled to terminate on December 31, 2017, but its term may be extended without the consent of any of the Beneficial Owners of DIAMONDS. The Trust pays an annual sub-license fee to Dow Jones of an amount equal to 0.05% on the first \$1 billion of the then rolling average asset balance, and 0.04% on any excess rolling average asset balance over and above \$1 billion. The minimum annual fee for the Trust is \$1 million.

Note 4—Trust Transactions in DIAMONDS

Transactions in DIAMONDS were as follows.

	Year Ended October 31, 2007		DIAMONDS	Amounts
DIAMONDS sold	283,800,000	\$ 37,094,855,531	DIAMONDS issued upon dividend reinvestment	9,870
1,275,186 DIAMONDS redeemed	(271,050,000)	(35,324,440,592)	Net income equalization	— 13,594,558
Net Increase	12,759,870	\$ 1,785,284,683		

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DIAMONDS Trust Series I  
Notes to Financial Statements  
October 31, 2007

		Year Ended October 31, 2006		DIAMONDS	Amounts
DIAMONDS sold	142,300,000	\$ 15,848,129,501	DIAMONDS issued upon dividend reinvestment	12,974	
1,429,406 DIAMONDS redeemed	(159,000,000)	(17,633,216,795)	Net income equalization	—	1,800,594
Net Decrease	(16,687,026)	\$ (1,781,857,294)			

		Year Ended October 31, 2005		DIAMONDS	Amounts
DIAMONDS sold	117,800,000	\$ 12,383,980,226	DIAMONDS issued upon dividend reinvestment	16,090	
1,702,587 DIAMONDS redeemed	(128,300,000)	(13,517,459,506)	Net income equalization	—	2,410,446
Net Decrease	(10,483,910)	\$ (1,129,366,247)			

Except for under the Trust's dividend reinvestment plan, DIAMONDS are issued and redeemed by the Trust only in Creation Unit size aggregations of 50,000 DIAMONDS. Such transactions are only permitted on an in-kind basis, with a separate cash payment which is equivalent to the undistributed net investment income per DIAMOND (income equalization) and a balancing cash component to equate the transaction to the net asset value per unit of the Trust on the transaction date. Transaction fees at scheduled amounts ranging from \$1,000 to \$4,000 are charged in connection with each creation or redemption of Creation Units through the DIAMONDS Clearing Process per Participating party per day, regardless of the number of Creation Units created or redeemed. Transaction fees are received by the Trustee and used to offset the expense of processing orders.

Note 5—Investment Transactions

For the fiscal year ended October 31, 2007, the Trust had net in-kind contributions, net in-kind redemptions, purchases and sales of investment securities of \$29,091,375,495, \$27,314,136,259, \$113,841,346 and \$105,502,079, respectively. At October 31, 2007, the cost of investments for federal income tax purposes was \$9,781,179,496 accordingly, gross unrealized appreciation was \$151,349,478, and gross unrealized depreciation was \$599,785,061, resulting in net unrealized depreciation of \$448,435,583.

DIAMONDS Trust Series 1  
Notes to Financial Statements  
October 31, 2007

Tax Information

For Federal income tax purposes, the percentage of Trust ordinary distributions which qualify for the corporate dividends received deduction for the fiscal year ended October 31, 2007 is 96.68%.

For the fiscal year ended October 31, 2007, certain dividends paid by the Trust may be designated as qualified dividend income and subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Complete information will be reported in conjunction with your 2007 Form 1097-DIV.

FREQUENCY DISTRIBUTION OF DISCOUNTS AND PREMIUMS

Bid/Ask Price(1) vs Net Asset Value  
As of October 31, 2007

Bid/Ask Price

Above NAV Bid/Ask Price

Below NAV 50-99

BASIS

POINTS 100-199

BASIS

POINTS >200

BASIS

POINTS 50-99

BASIS

POINTS 100-199

BASIS

POINTS >200

BASIS

POINTS	2007	0	0	0	0	0	0	0	2006	0	0	0	0	0	0	2005	0	0	0	0	0
0	2004	0	0	0	0	0	0	0	2003	0	0	0	0	0	0						

Comparison of Total Returns Based on NAV and Bid/Ask Price

Cumulative Total Return

1 Year 5 Year Since First

Trade(2) Return Based on NAV	17.72 %	83.79 %	115.21 %	Return Based on Bid/Ask Price	17.79 %
84.05 %	113.67 %	DJIA	17.94 %	85.66 %	114.73 %



DIAMONDS Trust Series 1  
 Notes to Financial Statements  
 October 31, 2007

Average Annual Total Return

	1 Year	5 Year	Since First			
Trade(2) Return Based on NAV	17.72 %	12.95 %	8.14 %	Return Based on Bid/Ask Price	17.79 %	12.97 %
% 8.06 % DJIA	17.94 %	13.17 %	8.13 %			

(1) Currently, the Bid/Ask Price is calculated based on the best bid and best offer on the AMEX at 4:00 p.m. However, prior to April 3, 2001, the calculation of the Bid/Ask Price was based on the midpoint of the best bid and best offer at the close of trading on the AMEX, ordinarily 4:15 p.m. (2) The Trust commenced trading on the AMEX on January 20, 1998.

DIAMONDS Trust Series I  
 Schedule of Investments  
 October 31, 2007

	Common Stocks	Shares	Value	3M Co.	5,446,152	\$
470,329,687	Alcoa, Inc.	5,446,152	215,613,158	Altria Group, Inc.	5,446,152	397,187,865
	Express Co.	5,446,152	331,942,964	American International Group, Inc.	5,446,152	343,761,114
	Inc.	5,446,152	227,594,692	Boeing Co.	5,446,152	536,936,126
				Caterpillar, Inc.	5,446,152	
406,337,401	Citigroup, Inc.	5,446,152	228,193,769	Coca-Cola Co.	5,446,152	336,354,347
	(E.I.) de Nemours & Co.	5,446,152	269,638,986	Exxon Mobil Corp.	5,446,152	500,991,522
	Electric Co.	5,446,152	224,163,616	General Motors Corp.	5,446,152	213,434,697
				Hewlett-Packard Co.	5,446,152	
				Home Depot, Inc.	5,446,152	171,608,250
				Honeywell International, Inc.	5,446,152	
				Intel Corp.	5,446,152	146,501,489
				International Business Machines Corp.	5,446,152	
				Johnson & Johnson	5,446,152	354,925,726
				JPMorgan Chase & Co.	5,446,152	
				McDonald's Corp.	5,446,152	325,135,274
				Merck & Co., Inc.	5,446,152	317,292,815
				Microsoft Corp.	5,446,152	200,472,855
				Pfizer, Inc.	5,446,152	134,029,801
				Procter & Gamble Co.	5,446,152	
				United Technologies Corp.	5,446,152	417,120,782
				Verizon Communications, Inc.	5,446,152	
				Wal-Mart Stores, Inc.	5,446,152	246,220,532
				Walt Disney Co.	5,446,152	
188,600,244	Total Common Stocks — (Cost \$9,780,925,978)					\$ 9,332,743,913

See accompanying notes to financial statements.

## THE TRUST

The Trust, an exchange traded fund or “ETF”, is a registered investment company which both (a) continuously issues and redeems “in-kind” its shares, known as DIAMONDS, only in large lot sizes called Creation Units at their once-daily NAV and (b) lists DIAMONDS individually for trading on the Exchange at prices established throughout the trading day, like any other listed equity security trading in the secondary market on the Exchange.

### Creation of Creation Units

Portfolio Deposits may be made through the DIAMONDS Clearing Process or outside the DIAMONDS Clearing Process only by a person who executed a Participant Agreement with the Distributor and the Trustee. The Distributor shall reject any order that is not submitted in proper form. A creation order is deemed received by the Distributor on the date on which it is placed (“Transmittal Date”) if (a) such order is received by the Distributor not later than the Closing Time (as defined below) on such Transmittal Date and (b) all other procedures set forth in the Participant Agreement are properly followed. The Transaction Fee is charged at the time of creation of a Creation Unit, and an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit is charged for creations outside the DIAMONDS Clearing Process, in part due to the increased expense associated with settlement.

The Trustee, at the direction of the Sponsor, may increase\*, reduce or waive the Transaction Fee (and/or the additional amounts charged in connection with creations and/or redemptions outside the DIAMONDS Clearing Process) for certain lot-size creations and/or redemptions of Creation Units. The Sponsor has the right to vary the lot-size of Creation Units subject to such an increase, reduction or waiver. The existence of any such variation shall be disclosed in the then current DIAMONDS Prospectus.

The DJIA is a price-weighted stock index; that is, the component stocks of the DJIA are represented in exactly equal share amounts and therefore are accorded relative importance in the DJIA based on their prices. The shares of common stock of the stock portion of a Portfolio Deposit on any date of deposit will reflect the composition of the component stocks of the DJIA on such day. The portfolio of Index Securities that is the basis for a Portfolio Deposit varies as changes are made in the composition of the Index Securities.

\* Such increase is subject to the 10 Basis Point Limit.

The Trustee makes available to NSCC\* before the commencement of trading on each Business Day a list of the names and required number of shares of each of the Index Securities in the current Portfolio Deposit as well as the amount of the Dividend Equivalent Payment for the previous Business Day. Under certain extraordinary circumstances which may make it impossible for the Trustee to provide such information to NSCC on a given Business Day, NSCC shall use the information regarding the identity of the Index Securities of the Portfolio Deposit on the previous Business Day. The identity of each Index Security required for a Portfolio Deposit, as in effect on October 31, 2007, is set forth in the above Schedule of Investments. The Sponsor makes available (a) on each Business Day, the Dividend Equivalent Payment effective through and including the previous Business Day, per outstanding DIAMONDS unit, and (b) every 15 seconds throughout the day at the Exchange a number representing, on a per DIAMONDS unit basis, the sum of the Dividend Equivalent Payment effective through and including the previous Business Day, plus the current value of the securities portion of a Portfolio Deposit as in effect on such day (which value may occasionally include a cash in lieu amount to compensate for the omission of a particular Index Security from such Portfolio Deposit). Such information is calculated based upon the best information available to the Sponsor and may be calculated by other persons designated to do so by the Sponsor. The inability of the Sponsor to provide such information will not in itself result in a halt in the trading of DIAMONDS on the Exchange. Investors interested in creating DIAMONDS or purchasing DIAMONDS in the secondary market should not rely solely on such information in making investment decisions but should also consider other market information and relevant economic and other factors (including, without limitation, information regarding the DJIA, the Index Securities and financial instruments based on the DJIA).

Upon receipt of one or more Portfolio Deposits, following placement with the Distributor of an order to create DIAMONDS, the Trustee (a) delivers one or more Creation Units to DTC, (b) removes the DIAMONDS unit position from its account at DTC and allocates it to the account of the DTC Participant acting on behalf of the investor creating Creation Unit(s), (c) increases the aggregate value of the Portfolio, and (d) decreases the fractional undivided interest in the Trust represented by each DIAMONDS unit.

Under certain circumstances, (a) a portion of the stock portion of a Portfolio Deposit may consist of contracts to purchase certain Index Securities or (b) a portion of the Cash Component may consist of cash in an amount

\* As of December 31, 2007, the Depository Trust and Clearing Corporation (“DTCC”) owned 100% of the issued and outstanding shares of common stock of NSCC. Also, as of such date, the Exchange no longer owned any of the issued and outstanding shares of common stock of DTCC (“DTCC Shares”), and the Trustee owned 6.10% of DTCC Shares.

required to enable the Trustee to purchase such Index Securities. If there is a failure to deliver Index Securities that are the subject of such contracts to purchase, the Trustee will acquire such Index Securities in a timely manner. To the extent the price of any such Index Security increases or decreases between the time of creation and the time of its purchase and delivery, DIAMONDS will represent fewer or more shares of such Index Security. Therefore, price fluctuations during the period from the time the cash is received by the Trustee to the time the requisite Index Securities are purchased and delivered will affect the value of all DIAMONDS.

#### Procedures for Creation of Creation Units

All creation orders must be placed in Creation Units and must be received by the Distributor by no later than the closing time of the regular trading session on the NYSE (“Closing Time”) (ordinarily 4:00 p.m. New York time) in each case on the date such order is placed in order for creation to be effected based on the NAV of the Trust as determined on such date. Orders must be transmitted by telephone or other transmission method acceptable to the Distributor and the Trustee, pursuant to procedures set forth in the Participant Agreement and described in this prospectus. Severe economic or market disruptions or changes, or telephone or other communication failure, may impede the ability to reach the Distributor, the Trustee, a Participating Party or a DTC Participant.

DIAMONDS may be created in advance of receipt by the Trustee of all or a portion of the Portfolio Deposit. In these circumstances, the initial deposit has a value greater than the NAV of the DIAMONDS on the date the order is placed in proper form, because in addition to available Index Securities, cash collateral must be deposited with the Trustee in an amount equal to the sum of (a) the Cash Component, plus (b) 115% of the market value of the undelivered Index Securities (“Additional Cash Deposit”). The Trustee holds such Additional Cash Deposit as collateral in an account separate and apart from the Trust. The order is deemed received on the Business Day on which the order is placed if the order is placed in proper form before the Closing Time, on such date and federal funds in the appropriate amount are deposited with the Trustee by 11:00 a.m., New York time, the next Business Day.

If the order is not placed in proper form by the Closing Time or federal funds in the appropriate amount are not received by 11:00 a.m. the next Business Day, the order may be deemed to be rejected and the investor shall be liable to the Trust for any losses, resulting therefrom. An additional amount of cash must be deposited with the Trustee, pending delivery of the missing Index Securities to the extent necessary to maintain the Additional Cash Deposit with the Trustee in an amount at least equal to 115% of the daily mark-to-market value of the missing Index Securities. If missing Index Securities are not received by 1:00 p.m., New York time, on the third Business Day following the day on which the purchase order is deemed received and if

a mark-to-market payment is not made within one Business Day following notification by the Distributor that such a payment is required, the Trustee may use the Additional Cash Deposit to purchase the missing Index Securities. The Trustee will return any unused portion of the Additional Cash Deposit once all of the missing Index Securities have been properly received or purchased by the Trustee and deposited into the Trust. In addition, a Transaction Fee of \$4,000 is charged in all cases. The delivery of Creation Units so created will occur no later than the third (3rd) Business Day following the day on which the purchase order is deemed received. The Participant Agreement for any Participating Party intending to follow these procedures contains terms and conditions permitting the Trustee to buy the missing portion(s) of the Portfolio Deposit at any time and will subject the Participating Party to liability for any shortfall between the cost to the Trust of purchasing such stocks and the value of such collateral. The Participating Party is liable to the Trust for the costs incurred by the Trust in connection with any such purchases. The Trust will have no liability for any such shortfall.

All questions as to the number of shares of each Index Security, the amount of the Cash Component and the validity, form, eligibility (including time of receipt) and acceptance for deposit of any Index Securities to be delivered are resolved by the Trustee. The Trustee may reject a creation order if (a) the depositor or group of depositors, upon obtaining the DIAMONDS ordered, would own 80% or more of the current outstanding DIAMONDS, (b) the Portfolio Deposit is not in proper form; (c) acceptance of the Portfolio Deposit would have certain adverse tax consequences; (d) the acceptance of the Portfolio Deposit would, in the opinion of counsel, be unlawful; (e) the acceptance of the Portfolio Deposit would otherwise have an adverse effect on the Trust or the rights of Beneficial Owners; or (f) circumstances outside the control of the Trustee make it for all practical purposes impossible to process creations of DIAMONDS. The Trustee and the Sponsor are under no duty to give notification of any defects or irregularities in the delivery of Portfolio Deposits or any component thereof and neither of them shall incur any liability for the failure to give any such notification.

#### Placement of Creation Orders Using DIAMONDS Clearing Process

Creation Units created through the DIAMONDS Clearing Process must be delivered through a Participating Party that has executed a Participant Agreement. The Participant Agreement authorizes the Trustee to transmit to the Participating Party such trade instructions as are necessary to effect the creation order. Pursuant to the trade instructions from the Trustee to NSCC, the Participating Party agrees to transfer the requisite Index Securities (or contracts to purchase such Index Securities that are expected to be delivered through the DIAMONDS Clearing Process in a “regular way” manner by the third NSCC Business Day) and the Cash Component to the Trustee, together with such additional information as may be required by the Trustee.

### Placement of Creation Orders Outside DIAMONDS Clearing Process

Creation Units created outside the DIAMONDS Clearing Process must be delivered through a DTC Participant that has executed a Participant Agreement and has stated in its order that it is not using the DIAMONDS Clearing Process and that creation will instead be effected through a transfer of stocks and cash. The requisite number of Index Securities must be delivered through DTC to the account of the Trustee by no later than 11:00 a.m. of the next Business Day immediately following the Transmittal Date. The Trustee, through the Federal Reserve Bank wire transfer system, must receive the Cash Component no later than 2:00 p.m. on the next Business Day immediately following the Transmittal Date. If the Trustee does not receive both the requisite Index Securities and the Cash Component in a timely fashion, the order will be cancelled. Upon written notice to the Distributor, the cancelled order may be resubmitted the following Business Day using a Portfolio Deposit as newly constituted to reflect the current NAV of the Trust. The delivery of DIAMONDS so created will occur no later than the third (3rd) Business Day following the day on which the creation order is deemed received by the Distributor.

### Securities Depository; Book-Entry-Only System

DTC acts as securities depository for DIAMONDS. DIAMONDS are represented by one or more global securities, registered in the name of Cede & Co., as nominee for DTC and deposited with, or on behalf of, DTC.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC\* holds securities of its participants (“DTC Participants”) and to facilitate the clearance and settlement of securities transactions among the DTC Participants through electronic book-entry changes in their accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system also is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“Indirect Participants”).

Upon the settlement date of any creation, transfer or redemption of DIAMONDS, DTC credits or debits, on its book-entry registration and transfer system, the amount of DIAMONDS so created, transferred or

\* As of December 31, 2007, DTCC owned 100% of the issued and outstanding shares of the common stock of DTC.

redeemed to the accounts of the appropriate DTC Participants. The accounts to be credited and charged are designated by the Trustee to NSCC, in the case of a creation or redemption through the DIAMONDS Clearing Process, or by the Trustee and the DTC Participant, in the case of a creation or redemption outside of the DIAMONDS Clearing Process. Beneficial ownership of DIAMONDS is limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Ownership of beneficial interests in DIAMONDS (owners of such beneficial interests are referred to herein as “Beneficial Owners”) is shown on, and the transfer of ownership is effected only through, records maintained by DTC (with respect to DTC Participants) and on the records of DTC Participants (with respect to Indirect Participants and Beneficial Owners that are not DTC Participants). Beneficial Owners are expected to receive from or through the DTC Participant a written confirmation relating to their purchase of DIAMONDS. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability of certain investors to acquire beneficial interests in DIAMONDS.

As long as Cede & Co., as nominee of DTC, is the registered owner of DIAMONDS, references to the registered or record owner of DIAMONDS shall mean Cede & Co. and shall not mean the Beneficial Owners of DIAMONDS. Beneficial Owners of DIAMONDS are not entitled to have DIAMONDS registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered the record or registered holders thereof under the Trust Agreement. Accordingly, each Beneficial Owner must rely on the procedures of DTC, the DTC Participant and any Indirect Participant through which such Beneficial Owner holds its interests, to exercise any rights under the Trust Agreement.

The Trustee recognizes DTC or its nominee as the owner of all DIAMONDS for all purposes except as expressly set forth in the Trust Agreement. Pursuant to the agreement between the Trustee and DTC (“Depository Agreement”), DTC is required to make available to the Trustee upon request and for a fee to be charged to the Trust a listing of the DIAMONDS holdings of each DTC Participant. The Trustee inquires of each such DTC Participant as to the number of Beneficial Owners holding DIAMONDS, directly or indirectly, through the DTC Participant. The Trustee provides each such DTC Participant with copies of such notice, statement or other communication, in the form, number and at the place as the DTC Participant may reasonably request, in order that the notice, statement or communication may be transmitted by the DTC Participant, directly or indirectly, to the Beneficial Owners. In addition, the Trust pays to each such DTC Participant a fair and reasonable amount as reimbursement for the expense attendant to such transmittal, all subject to applicable statutory and regulatory requirements.

Distributions are made to DTC or its nominee, Cede & Co. DTC or Cede & Co., upon receipt of any payment of distributions in respect of DIAMONDS, is required immediately to credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in DIAMONDS, as shown on the records of DTC or its nominee. Payments by DTC Participants to Indirect Participants and Beneficial Owners of DIAMONDS held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in a "street name," and will be the responsibility of such DTC Participants. Neither the Trustee nor the Sponsor has or will have any responsibility or liability for any aspects of the records relating to or notices to Beneficial Owners, or payments made on account of beneficial ownership interests in DIAMONDS, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and the DTC Participants or the relationship between such DTC Participants and the Indirect Participants and Beneficial Owners owning through such DTC Participants.

DTC may discontinue providing its service with respect to DIAMONDS at any time by giving notice to the Trustee and the Sponsor and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trustee and the Sponsor shall take action either to find a replacement for DTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to terminate the Trust.

#### REDEMPTION OF DIAMONDS

DIAMONDS are redeemable only in Creation Units. Creation Units are redeemable in kind only and are not redeemable for cash except as described under "Summary—Highlights—Termination of the Trust."

#### Procedures for Redemption of Creation Units

Redemption orders must be placed with a Participating Party (for redemptions through the DIAMONDS Clearing Process) or DTC Participant (for redemptions outside the DIAMONDS Clearing Process), as applicable, in the form required by such Participating Party or DTC Participant. A particular broker may not have executed a Participant Agreement, and redemption orders may have to be placed by the broker through a Participating Party or a DTC Participant who has executed a Participant Agreement. At any given time, there may be only a limited number of broker-dealers that have executed a Participant Agreement. Redeemers should afford sufficient time to permit (a) proper submission of the order by a Participating Party or DTC Participant to the Trustee and (b) the receipt of the DIAMONDS to be redeemed and any Excess Cash Amounts by the Trustee in a timely manner. Orders for

redemption effected outside the DIAMONDS Clearing Process are likely to require transmittal by the DTC Participant earlier on the Transmittal Date than orders effected using the DIAMONDS Clearing Process. These deadlines vary by institution. Persons redeeming outside the DIAMONDS Clearing Process are required to transfer DIAMONDS through DTC and the Excess Cash amounts, if any, through the Federal Reserve Bank wire transfer system in a timely manner.

Requests for redemption may be made on any Business Day to the Trustee and not to the Distributor. In the case of redemptions made through the DIAMONDS Clearing Process, the Transaction Fee is deducted from the amount delivered to the redeemer. In the case of redemptions outside the DIAMONDS Clearing Process, the Transaction Fee plus an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit per Creation Unit redeemed, and such amount is deducted from the amount delivered to the redeemer.

The Trustee transfers to the redeeming Beneficial Owner via DTC and the relevant DTC Participant(s) a portfolio of stocks for each Creation Unit delivered, generally identical in weighting and composition to the stock portion of a Portfolio Deposit as in effect (a) on the date a request for redemption is deemed received by the Trustee or (b) in the case of the termination of the Trust, on the date that notice of the termination of the Trust is given. The Trustee also transfers via the relevant DTC Participant(s) to the redeeming Beneficial Owner a "Cash Redemption Payment," which on any given Business Day is an amount identical to the amount of the Cash Component and is equal to a proportional amount of the following: dividends on the Portfolio Securities for the period through the date of redemption, net of expenses and liabilities for such period including, without limitation, (i) taxes or other governmental charges against the Trust not previously deducted if any, and (ii) accrued fees of the Trustee and other expenses of the Trust, as if the Portfolio Securities had been held for the entire accumulation period for such distribution, plus or minus the Balancing Amount. The redeeming Beneficial Owner must deliver to the Trustee any amount by which the amount payable to the Trust by such Beneficial Owner exceeds the amount of the Cash Redemption Payment ("Excess Cash Amounts"). For redemptions through the DIAMONDS Clearing Process, the Trustee effects a transfer of the Cash Redemption Payment and stocks to the redeeming Beneficial Owner by the third (3rd) NSCC Business Day following the date on which request for redemption is deemed received. For redemptions outside the DIAMONDS Clearing Process, the Trustee transfers the Cash Redemption Payment and the stocks to the redeeming Beneficial Owner by the third (3rd) Business Day following the date on which the request for redemption is deemed received. The Trustee will cancel all DIAMONDS delivered upon redemption.

If the Trustee determines that an Index Security is likely to be unavailable or available in insufficient quantity for delivery by the Trust upon redemption,

the Trustee may elect to deliver the cash equivalent value of any such Index Securities, based on its market value as of the Evaluation Time on the date such redemption is deemed received by the Trustee as a part of the Cash Redemption Payment in lieu thereof.

If a redeemer is restricted by regulation or otherwise from investing or engaging in a transaction in one or more Index Securities, the Trustee may elect to deliver the cash equivalent value based on the market value of any such Index Securities as of the Evaluation Time on the date of the redemption as a part of the Cash Redemption Payment in lieu thereof. In such case, the investor will pay the Trustee the standard Transaction Fee, and may pay an additional amount equal to the actual amounts incurred in connection with such transaction(s) but in any case not to exceed three (3) times the Transaction Fee applicable for one Creation Unit.

The Trustee upon the request of a redeeming investor, may elect to redeem Creation Units in whole or in part by providing such redeemer, with a portfolio of stocks differing in exact composition from Index Securities but not differing in NAV from the then-current Portfolio Deposit. Such a redemption is likely to be made only if it were determined that it would be appropriate in order to maintain the Trust's correspondence to the composition and weighting of the DJIA Index.

The Trustee may sell Portfolio Securities to obtain sufficient cash proceeds to deliver to the redeeming Beneficial Owner. To the extent cash proceeds are received by the Trustee in excess of the required amount, such cash proceeds shall be held by the Trustee and applied in accordance with the guidelines applicable to residual cash set forth under "The Portfolio—Portfolio Securities Conform to the DJIA".

All redemption orders must be transmitted to the Trustee by telephone or other transmission method acceptable to the Trustee so as to be received by the Trustee not later than the Closing Time on the Transmittal Date, pursuant to procedures set forth in the Participant Agreement. Severe economic or market disruption or changes, or telephone or other communication failure, may impede the ability to reach the Trustee, a Participating Party, or a DTC Participant.

The calculation of the value of the stocks and the Cash Redemption Payment to be delivered to the redeeming Beneficial Owner is made by the Trustee according to the procedures set forth under "Valuation" and is computed as of the Evaluation Time on the Business Day on which a redemption order is deemed received by the Trustee. Therefore, if a redemption order in proper form is submitted to the Trustee by a DTC Participant not later than the Closing Time on the Transmittal Date, and the requisite DIAMONDS are delivered to the Trustee prior to DTC Cut-Off Time on such Transmittal Date, then the value of the stocks and the Cash Redemption Payment to be delivered to the Beneficial Owner is determined by the Trustee

as of the Evaluation Time on such Transmittal Date. If, however, a redemption order is submitted not later than the Closing Time on a Transmittal Date but either (a) the requisite DIAMONDS are not delivered by DTC Cut-Off Time on the next Business Day immediately following such Transmittal Date or (b) the redemption order is not submitted in proper form, then the redemption order is not deemed received as of such Transmittal Date. In such case, the value of the stocks and the Cash Redemption Payment to be delivered to the Beneficial Owner is computed as of the Evaluation Time on the Business Day that such order is deemed received by the Trustee, i.e., the Business Day on which the DIAMONDS are delivered through DTC to the Trustee by DTC Cut-Off Time on such Business Day pursuant to a properly submitted redemption order.

The Trustee may suspend the right of redemption, or postpone the date of payment of the NAV for more than five (5) Business Days following the date on which the request for redemption is deemed received by the Trustee (a) for any period during which the New York Stock Exchange is closed, (b) for any period during which an emergency exists as a result of which disposal or evaluation of the Portfolio Securities is not reasonably practicable, (c) or for such other period as the SEC may by order permit for the protection of Beneficial Owners. Neither the Sponsor nor the Trustee is liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

#### Placement of Redemption Orders Using DIAMONDS Clearing Process

A redemption order made through the DIAMONDS Clearing Process is deemed received on the Transmittal Date if (a) such order is received by the Trustee not later than the Closing Time on such Transmittal Date and (b) all other procedures set forth in the Participant Agreement are properly followed. The order is effected based on the NAV of the Trust as determined as of the Evaluation Time on the Transmittal Date. A redemption order made through the DIAMONDS Clearing Process and received by the Trustee after the Closing Time will be deemed received on the next Business Day immediately following the Transmittal Date. The Participant Agreement authorizes the Trustee to transmit to NSCC on behalf of the Participating Party such trade instructions as are necessary to effect the Participating Party's redemption order. Pursuant to such trade instructions from the Trustee to NSCC, the Trustee transfers the requisite stocks (or contracts to purchase such stocks which are expected to be delivered in a "regular way" manner) by the third (3rd) NSCC Business Day following the date on which the request for redemption is deemed received, and the Cash Redemption Payment.

#### Placement of Redemption Orders Outside DIAMONDS Clearing Process

A DTC Participant who wishes to place an order for redemption of DIAMONDS to be effected outside the DIAMONDS Clearing Process need

not be a Participating Party, but its order must state that the DTC Participant is not using the DIAMONDS Clearing Process and that redemption will instead be effected through transfer of DIAMONDS directly through DTC. An order is deemed received by the Trustee on the Transmittal Date if (a) such order is received by the Trustee not later than the Closing Time on such Transmittal Date, (b) such order is preceded or accompanied by the requisite number of DIAMONDS specified in such order, which delivery must be made through DTC to the Trustee no later than 11:00 a.m. on the next Business Day immediately following such Transmittal Date (“DTC Cut-Off Time”) and (c) all other procedures set forth in the Participant Agreement are properly followed. Any Excess Cash Amounts owed by the Beneficial Owner must be delivered no later than 2:00 p.m. on the next Business Day immediately following the Transmittal Date.

The Trustee initiates procedures to transfer the requisite stocks (or contracts to purchase such stocks that are expected to be delivered within three Business Days and the Cash Redemption Payment to the redeeming Beneficial Owner by the third Business Day following the Transmittal Date.

## THE PORTFOLIO

Because the objective of the Trust is to provide investment results that, before expenses, generally correspond to the price and yield performance of the DJIA, the Portfolio at any time will consist of as many of Index Securities as is practicable. It is anticipated that cash or cash items (other than dividends held for distribution) normally would not be a substantial part of the Trust’s net assets. Although the Trust may at any time fail to own certain of Index Securities, the Trust will be substantially invested in Index Securities and the Sponsor believes that such investment should result in a close correspondence between the investment performance of the DJIA and that derived from ownership of DIAMONDS.

### Portfolio Securities Conform to the DJIA

The DJIA is a price-weighted index of 30 component common stocks, the components of which are determined by the editors of The Wall Street Journal, without any consultation with the companies, the respective stock exchange or any official agency.

The Trust is not managed and therefore the adverse financial condition of an issuer does not require the sale of stocks from the Portfolio. The Trustee on a non-discretionary basis adjusts the composition of the Portfolio to conform to changes in the composition and/or weighting structure of Index Securities. To the extent that the method of determining the DJIA is changed by Dow Jones in a manner that would affect the adjustments provided for herein, the Trustee and the Sponsor have the right to amend the Trust Agreement, without the consent of DTC or Beneficial Owners, to conform the adjustments to such changes and to maintain the objective of tracking the DJIA.

The Trustee aggregates certain of these adjustments and makes conforming changes to the Portfolio at least monthly. The Trustee directs its stock transactions only to brokers or dealers, which may include affiliates of the Trustee, from whom it expects to obtain the most favorable prices or execution of orders. Adjustments are made more frequently in the case of significant changes to the DJIA. Specifically, the Trustee is required to adjust the composition of the Portfolio whenever there is a change in the identity of any Index Security (i.e., a substitution of one security for another) within three (3) Business Days before or after the day on which the change is scheduled to take effect. While other DJIA changes may lead to adjustments in the Portfolio, the most common changes are likely to occur as a result of changes in the Index Securities included in the DJIA and as a result of stock splits. The Trust Agreement sets forth the method of adjustments which may occur thereunder as a result of corporate actions to the DJIA, such as stock splits or changes in the identity of the component stocks.

For example, in the event of an Index Security change (in which the common stock of one issuer held in the DJIA is replaced by the common stock of another), the Trustee may sell all shares of the Portfolio Security corresponding to the old Index Security and use the proceeds of such sale to purchase the replacement Portfolio Security corresponding to the new Index Security. If the share price of the removed Portfolio Security was higher than the price of its replacement, the Trustee will calculate how to allocate the proceeds of the sale of the removed Portfolio Security between the purchase of its replacement and purchases of additional shares of other Portfolio Securities so that the number of shares of each Portfolio Security after the transactions would be as nearly equal as practicable. If the share price of the removed Portfolio Security was lower than the price of its replacement, the Trustee will calculate the number of shares of each of the other Portfolio Securities that must be sold in order to purchase enough shares of the replacement Portfolio Security so that the number of shares of each Portfolio Security after the transactions would be as nearly equal as practicable.

In the event of a stock split, the price weighting of the stock which is split will drop. The Trustee may make the corresponding adjustment by selling the additional shares of the Portfolio Security received from the stock split. The Trustee may then use the proceeds of the sale to buy an equal number of shares of each Portfolio Security-including the Portfolio Security which had just experienced a stock split. In practice, of course, not all the shares received in the split would be sold: enough of those shares would be retained to make an increase in the number of split shares equal to the increase in the number of shares in each of the other Portfolio Securities purchased with the proceeds of the sale of the remaining shares resulting from such split.

As a result of the purchase and sale of stock in accordance with these requirements, or the creation of Creation Units, the Trust may hold some amount of residual cash (other than cash held temporarily due to timing

differences between the sale and purchase of stock or cash delivered in lieu of Index Securities or undistributed income or undistributed capital gains). This amount may not exceed for more than two (2) consecutive Business Days 5/10th of 1 percent of the value of the Portfolio. If the Trustee has made all required adjustments and is left with cash in excess of 5/10th of 1 percent of the value of the Portfolio, the Trustee will use such cash to purchase additional Index Securities.

All portfolio adjustments are made as described herein unless such adjustments would cause the Trust to lose its status as a “regulated investment company” under Subchapter M of the Code. Additionally, the Trustee is required to adjust the composition of the Portfolio at any time to insure the continued qualification of the Trust as a regulated investment company.

The Trustee relies on Dow Jones for information as to the composition and weightings of Index Securities. If the Trustee becomes incapable of obtaining or processing such information or NSCC is unable to receive such information from the Trustee on any Business Day, the Trustee shall use the composition and weightings of Index Securities for the most recently effective Portfolio Deposit for the purposes of all adjustments and determinations (including, without limitation, determination of the stock portion of the Portfolio Deposit) until the earlier of (a) such time as current information with respect to Index Securities is available or (b) three (3) consecutive Business Days have elapsed. If such current information is not available and three (3) consecutive Business Days have elapsed, the composition and weightings of Portfolio Securities (as opposed to Index Securities) shall be used for the purposes of all adjustments and determinations (including, without limitation, determination of the stock portion of the Portfolio Deposit) until current information with respect to Index Securities is available.

If the Trust is terminated, the Trustee shall use the composition and weightings of Portfolio Securities as of such notice date for the purpose and determination of all redemptions or other required uses of the basket.

From time to time Dow Jones may adjust the composition of the DJIA because of a merger or acquisition involving one or more Index Securities. In such cases, the Trust, as shareholder of an issuer that is the object of such merger or acquisition activity, may receive various offers from would-be acquirors of the issuer. The Trustee is not permitted to accept any such offers until such time as it has been determined that the stocks of the issuer will be removed from the DJIA. As stocks of an issuer are often removed from the DJIA only after the consummation of a merger or acquisition of such issuer, in selling the securities of such issuer the Trust may receive, to the extent that market prices do not provide a more attractive alternative, whatever consideration is being offered to the shareholders of such issuer that have not tendered their shares prior to such time. Any cash received in such transactions is reinvested in Index Securities in accordance with the criteria set forth above.

Any stocks received as a part of the consideration that are not Index Securities are sold as soon as practicable and the cash proceeds of such sale are reinvested in accordance with the criteria set forth above.

#### Adjustments to the Portfolio Deposit

On each Business Day (each such day an “Adjustment Day”), the number of shares and identity of each Index Security in a Portfolio Deposit are adjusted in accordance with the following procedure. At the close of the market the Trustee calculates the NAV of the Trust. The NAV is divided by the number of outstanding DIAMONDS multiplied by 50,000 DIAMONDS in one Creation Unit, resulting in a NAV per Creation Unit (“NAV Amount”). The Trustee then calculates the number of shares (without rounding) of each of the component stocks of the DJIA in a Portfolio Deposit for the following Business Day (“Request Day”), so that (a) the market value at the close of the market on the Adjustment Day of the stocks to be included in the Portfolio Deposit on Request Day, together with the Dividend Equivalent Payment effective for requests to create or redeem on the Adjustment Day, equals the NAV Amount and (b) the identity and weighting of each of the stocks in a Portfolio Deposit mirrors proportionately the identity and weightings of the stocks in the DJIA, each as in effect on Request Day. For each stock, the number resulting from such calculation is rounded down to the nearest whole share. The identities and weightings of the stocks so calculated constitute the stock portion of the Portfolio Deposit effective on Request Day and thereafter until the next subsequent Adjustment Day, as well as Portfolio Securities to be delivered by the Trustee in the event of request for redemption on the Request Day and thereafter until the following Adjustment Day.

In addition to the foregoing adjustments, if a corporate action such as a stock split, stock dividend or reverse split occurs with respect to any Index Security that results in an adjustment to the DJIA divisor, the Portfolio Deposit shall be adjusted to take into account the corporate action in each case rounded to the nearest whole share.

On the Request Day and on each day that a request for the creation or redemption is deemed received, the Trustee calculates the market value of the stock portion of the Portfolio Deposit as in effect on the Request Day as of the close of the market and adds to that amount the Dividend Equivalent Payment effective for requests to create or redeem on Request Day (such market value and Dividend Equivalent Payment are collectively referred to herein as “Portfolio Deposit Amount”). The Trustee then calculates the NAV Amount, based on the close of the market on the Request Day. The difference between the NAV Amount so calculated and the Portfolio Deposit Amount is the “Balancing Amount”. The Balancing Amount serves the function of compensating for any differences between the value of the Portfolio Deposit Amount and the NAV Amount at the close of trading on Request Day due to, for example, (a) differences in the market value of the securities in the Portfolio

Deposit and the market value of the Securities on Request Day and (b) any variances from the proper composition of the Portfolio Deposit.

The Dividend Equivalent Payment and the Balancing Amount in effect at the close of business on the Request Date are collectively referred to as the Cash Component or the Cash Redemption Payment. If the Balancing Amount is a positive number (i.e., if the NAV Amount exceeds the Portfolio Deposit Amount) then, with respect to creation, the Balancing Amount increases the Cash Component of the then effective Portfolio Deposit transferred to the Trustee by the creator. With respect to redemptions, the Balancing Amount is added to the cash transferred to the redeemer by the Trustee. If the Balancing Amount is a negative number (i.e., if the NAV Amount is less than the Portfolio Deposit Amount) then, with respect to creation, this amount decreases the Cash Component of the then effective Portfolio Deposit to be transferred to the Trustee by the creator or, if such cash portion is less than the Balancing Amount, the difference must be paid by the Trustee to the creator. With respect to redemptions, the Balancing Amount is deducted from the cash transferred to the redeemer or, if such cash is less than the Balancing Amount, the difference must be paid by the redeemer to the Trustee.

If the Trustee has included the cash equivalent value of one or more Index Securities in the Portfolio Deposit because the Trustee has determined that such Index Securities are likely to be unavailable or available in insufficient quantity for delivery, or if a creator or redeemer is restricted from investing or engaging in transactions in one or more of such Index Securities, the Portfolio Deposit so constituted shall determine the Index Securities to be delivered in connection with the creation of DIAMONDS in Creation Unit size aggregations and upon the redemption of DIAMONDS until the time the stock portion of the Portfolio Deposit is subsequently adjusted.

#### THE DJIA

The DJIA was first published in 1896. Initially comprised of 12 companies, the DJIA has evolved into the most recognizable stock indicator in the world, and the only index composed of companies that have sustained earnings performance over a significant period of time. In its second century, the DJIA is the oldest continuous barometer of the U.S. stock market, and the most widely quoted indicator of U.S. stock market activity.

The 30 stocks now comprising the DJIA are all leaders in their respective industries, and their stocks are widely held by individuals and institutional investors. These stocks represent more than one-quarter of the \$14.4 trillion market value of all US common stocks.

Dow Jones is not responsible for and shall not participate in the creation or sale of DIAMONDS or in the determination of the timing of, prices at, or quantities and proportions in which purchases or sales of Index Securities or Securities shall be made. The information in this Prospectus concerning Dow

Jones and the DJIA has been obtained from sources that the Sponsor believes to be reliable, but the Sponsor takes no responsibility for the accuracy of such information.

The following table shows the actual performance of the DJIA for the years 1896 through 2007. Stock prices fluctuated widely during this period and were higher at the end than at the beginning. The results shown should not be considered as a representation of the income yield or capital gain or loss that may be generated by the DJIA in the future, nor should the results be considered as a representation of the performance of the Trust.

		Year												
Ended DJIA	Close Point	Change Year %	Change Divs %	Yield 2007	13264.82	801.67	6.43 %	298.97	2.35 %	2006	12463.15	1745.65	16.29	267.75
	2.24	2005	10717.50	-65.51	-.61	246.85	2.30	2004	10783.01	329.09	3.15	239.27		
2.22	2003	10453.92	2112.29	25.32	209.42	2.00	2002	8341.63	-1679.87	-16.76	189.68			
2.27	2001	10021.50	-765.35	-7.10	181.07	1.81	2000	10786.85	-710.27	-6.18				
172.08	1.60	1999	11497.12	2315.69	25.20	168.52	1.47	1998	9181.43	1273.18	16.10			
151.13	1.65	1997	7908.25	1459.98	22.60	136.10	1.72	1996	6448.27	1331.20	26.00			
131.14	2.03	1995	5117.12	1282.70	33.50	116.56	2.28	1994	3834.44	80.30	2.10			
105.66	2.76	1993	3754.09	453.00	13.70	99.66	2.65	1992	3301.11	132.30	4.20			
100.72	3.05	1991	3168.83	535.20	20.30	95.18	3.00	1990	2633.66	-119.50	-4.30			
103.70	3.94	1989	2753.20	584.60	27.00	103.00	3.74	1988	2168.57	229.70	11.80			
79.53	3.67	1987	1938.83	42.90	2.30	71.20	3.67	1986	1895.95	349.30	22.60	67.04		
3.54	1985	1546.67	335.10	27.70	62.03	4.01	1984	1211.57	-47.10	-3.70	60.63	5.00		
1983	1258.64	212.10	20.30	56.33	4.48	1982	1046.54	171.50	19.60	54.14	5.17			
1981	875.00	-89.00	-9.20	56.22	6.43	1980	963.99	125.30	14.90	54.36	5.64	1979		
838.74	33.70	4.20	50.98	6.08	1978	805.01	-26.20	-3.10	48.52	6.03	1977	831.17		
-173.50	-17.30	45.84	5.52	1976	1004.65	152.20	17.90	41.40	4.12	1975	852.41			
236.20	38.30	37.46	4.39	1974	616.24	-234.60	-27.60	37.72	6.12	1973	850.86	-		
169.20	-16.60	35.33	4.15	1972	1020.02	129.80	14.60	32.27	3.16	1971	890.20			
51.30	6.10	30.86	3.47											

	Year												
Ended DJIA													
Close Point													
Change Year %													
Change Divs %													
Yield 1970	838.92	38.60	4.80	31.53	3.76	1969	800.36	-143.40	-15.20	33.90	4.24		
1968	943.75	38.60	4.30	31.34	3.32	1967	905.11	119.40	15.20	30.19	3.34	1966	
	785.69	-183.60	-18.90	31.89	4.06	1965	969.26	95.10	10.90	28.61	2.95	1964	
	874.13	111.20	14.60	31.24	3.57	1963	762.95	110.90	17.00	23.41	3.07	1962	652.10
	-79.00	-10.80	23.30	3.57	1961	731.14	115.30	18.70	22.71	3.11	1960	615.89	-
	63.50	-9.30	21.36	3.47	1959	679.36	95.70	16.40	20.74	3.05	1958	583.65	148.00
	34.00	20.00	3.43	1957	435.69	-63.80	-12.80	21.61	4.96	1956	499.47	11.10	2.30
	22.99	4.60	1955	488.40	84.00	20.80	21.58	4.42	1954	404.39	123.50	44.00	17.47
	4.32	1953	280.90	-11.00	-3.80	16.11	5.74	1952	291.90	22.70	8.40	15.43	5.29
	1951	269.23	33.80	14.40	16.34	6.07	1950	235.41	35.30	17.60	16.13	6.85	1949
	200.13	22.80	12.90	12.79	6.39	1948	177.30	-3.90	-2.10	11.50	6.49	1947	181.16
	4.00	2.20	9.21	5.08	1946	177.20	-15.70	-8.10	7.50	4.23	1945	192.91	40.60
	26.60	6.69	3.47	1944	152.32	16.40	12.10	6.57	4.31	1943	135.89	16.50	13.80
	6.30	4.64	1942	119.40	8.40	7.60	6.40	5.36	1941	110.96	-20.20	-15.40	7.59
	6.84	1940	131.13	-19.10	-12.70	7.06	5.38	1939	150.24	-4.50	-2.90	6.11	4.07
	1938	154.76	33.90	28.10	4.98	3.22	1937	120.85	-59.10	-32.80	8.78	7.27	1936
	179.90	35.80	24.80	7.05	3.92	1935	144.13	40.10	38.50	4.55	3.16	1934	104.04
	4.10	4.10	3.66	3.52	1933	99.90	40.00	66.70	3.40	3.40	1932	59.93	-18.00
	23.10	4.62	7.71	1931	77.90	-86.70	-52.70	8.40	10.78	1930	164.58	-83.90	-33.80
	11.13	6.76	1929	248.48	-51.50	-17.20	12.75	5.13	1928	300.00	97.60	48.20	NA
	NA	1927	202.40	45.20	28.80	NA	NA	1926	157.20	0.50	0.30	NA	NA
	156.66	36.20	30.00	NA	NA	1924	120.51	25.00	26.20	NA	NA	1923	95.52
	-3.30	NA	NA	1922	98.73	17.60	21.70	NA	NA	1921	81.10	9.10	12.70
	NA												NA

Year													
Ended DJIA													
Close Point													
Change Year %													
Change Divs %													
Yield 1920	71.95	-35.30	-32.90	NA	NA	1919	107.23	25.00	30.50	NA	NA	1918	82.20
	7.80	10.50	NA	NA	1917	74.38	-20.60	-21.70	NA	NA	1916	95.00	-4.20
	-4.20	NA	NA	1915	99.15	44.60	81.70	NA	NA	1914	54.58	-24.20	-30.70
NA	NA	1913	78.78	-9.10	-10.30	NA	NA	1912	87.87	6.20	7.60	NA	NA
	81.68	0.30	0.40	NA	NA	1910	81.36	-17.70	-17.90	NA	NA	1909	99.05
	15.00	NA	NA	1908	86.15	27.40	46.60	NA	NA	1907	58.75	-35.60	-37.70
	NA	1906	94.35	-1.90	-1.90	NA	NA	1905	96.20	26.60	38.20	NA	NA
	69.61	20.50	41.70	NA	NA	1903	49.11	-15.20	-23.60	NA	NA	1902	64.29
	-0.40	NA	NA	1901	64.56	-6.10	-8.70	NA	NA	1900	70.71	4.60	7.00
NA	1899	66.08	5.60	9.20	NA	NA	1898	60.52	11.10	22.50	NA	NA	1897
	9.00	22.20	NA	NA	1896	40.45	NA	NA	NA	NA	NA	NA	NA

Source: Dow Jones

Indexes. Year-end index values reflect neither reinvestment of dividends nor costs associated with investing, such as brokerage commissions. Yields are calculated by dividing the sum of the most recent four quarterly per-share dividend payments of all components by the sum of the component prices.

The DJIA is a price-weighted stock index, meaning that the component stocks of the DJIA are accorded relative importance based on their prices. In this regard, the DJIA is unlike many other stock indexes which weight their component stocks by market capitalization (price times shares outstanding). The DJIA is called an "average" because originally it was calculated by adding up the component stock prices and then dividing by the number of stocks. The method remains the same today, but the number of significant digits in the divisor (the number that is divided into the total of the stock prices) has been increased to eight significant digits to minimize distortions due to rounding and has been adjusted over time to insure continuity of the DJIA after component stock changes and corporate actions, as discussed below.

The DJIA divisor is adjusted due to corporate actions that change the price of any of its component shares. The most frequent reason for such an adjustment is a stock split. For example, suppose a company in the DJIA issues

one new share for each share outstanding. After this two-for-one “split,” each share of stock is worth half what it was immediately before, other things being equal. But without an adjustment in the divisor, this split would produce a distortion in the DJIA. An adjustment must be made to compensate so that the “average” will remain unchanged. At Dow Jones, this adjustment is handled by changing the divisor.\* The formula used to calculate divisor adjustments is:

$$\text{New Divisor} = \text{Current Divisor} \times \frac{\text{Adjusted Sum of Prices}}{\text{Unadjusted Sum of Prices}}$$

Changes in the composition of the DJIA are made entirely by the editors of The Wall Street Journal without consultation with the companies, the respective stock exchange, or any official agency. Additions or deletions of components may be made to achieve better representation of the broad market and of American industry.

In selecting components for the DJIA, the following criteria are used: (a) the company is not a utility or in the transportation business; (b) the company has a premier reputation in its field; (c) the company has a history of successful growth; and (d) there is wide interest among individual and institutional investors. Whenever one component is changed, the others are reviewed. For the sake of historical continuity, composition changes are made rarely.

The most recent changes in the components of the DJIA were made effective with trading on February 19, 2008.

Companies removed were:

- Altria Group, Inc. • Honeywell International, Inc.

Companies added were:

- Bank of America Corp. • Chevron Corp.

#### LICENSE AGREEMENT

The License Agreement grants State Street Global Markets, LLC (“SSGM”), an affiliate of the Trustee, a license to use the DJIA as a basis for determining the composition of the Portfolio and to use certain trade names and trademarks of Dow Jones in connection with the Portfolio. The Trustee on

\* Currently, the divisor is adjusted after the close of business on the day prior to the occurrence of the split; the divisor is not adjusted for regular cash dividends.

behalf of the Trust, the Sponsor and the Exchange have each received a sublicense from SSGM for the use of the DJIA and certain trade names and trademarks in connection with their rights and duties with respect to the Trust. The License Agreement may be amended without the consent of any of the Beneficial Owners of DIAMONDS. Currently, the License Agreement is scheduled to terminate on December 31, 2017, but its term may be extended without the consent of any of the Beneficial Owners of DIAMONDS.

None of the Trust, the Trustee, the Exchange, the Sponsor, SSGM, the Distributor, DTC, NSCC, any Authorized Participant, any Beneficial Owner of DIAMONDS or any other person is entitled to any rights whatsoever under the foregoing licensing arrangements or to use the trademarks and service marks “Dow Jones”, “DIAMONDS”, “The Dow”, “DJIA” or “Dow Jones Industrial Average” or to use the DJIA except as specifically described in the License Agreement or Sublicenses or as may be specified in the Trust Agreement.

The Trust is not sponsored, endorsed, sold or promoted by Dow Jones and Dow Jones makes no representation or warranty, express or implied, to the Beneficial Owners of DIAMONDS or any member of the public regarding the advisability of investing in securities generally or in the Trust particularly. Dow Jones’ only relationship to the Trust is the licensing of certain trademarks, trade names and service marks of Dow Jones and of the DJIA which is determined, comprised and calculated by Dow Jones without regard to the Trust or the Beneficial Owners of DIAMONDS. Dow Jones has no obligation to take the needs of the Sponsor, the Exchange, the Trust or the Beneficial Owners of DIAMONDS into consideration in determining, comprising or calculating the DJIA. Dow Jones is not responsible for and has not participated in any determination or calculation made with respect to issuance or redemption of DIAMONDS. Dow Jones has no obligation or liability in connection with the administration, marketing or trading of DIAMONDS.

DOW JONES DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DJIA OR ANY DATA INCLUDED THEREIN AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. DOW JONES MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE SPONSOR, THE EXCHANGE, THE TRUST, BENEFICIAL OWNERS OF DIAMONDS OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE DJIA OR ANY DATA INCLUDED THEREIN. DOW JONES MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, WITH RESPECT TO THE DJIA OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL DOW JONES HAVE ANY LIABILITY FOR

ANY LOST PROFITS OR INDIRECT, PUNITIVE SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES, THE SPONSOR AND THE EXCHANGE.

#### EXCHANGE LISTING

DIAMONDS are listed on the Exchange. The Trust is not required to pay a listing fee to the Exchange. Transactions involving DIAMONDS in the public trading market are subject to customary brokerage charges and commissions. From time to time, DIAMONDS also may be listed and traded on non-U.S. exchanges.

There can be no assurance that DIAMONDS will always be listed on the Exchange. The Trust will be terminated if DIAMONDS are delisted. The Exchange will consider the suspension of trading in or removal from listing of DIAMONDS if (a) the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of DIAMONDS for 30 or more consecutive trading days; (b) the value of the DJIA is no longer calculated or available and a new index is substituted or the DJIA is replaced with a new index, unless such new index meets the requirements of the Exchange's rules; or (c) such other event occurs or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable. The Exchange also must halt trading if required intraday valuation information is not disseminated for longer than one Business Day.

The Sponsor's aim in designing DIAMONDS was to provide investors with a security whose initial market value would approximate one-hundredth (1/100th) the value of the DJIA. Of course, the market value of a DIAMONDS unit is affected by a variety of factors, including capital gains distributions made, and expenses incurred, by the Trust, and therefore, over time, a DIAMONDS unit may no longer approximate 1/100th the value of the DJIA. The market price of a DIAMONDS unit should reflect its share of the dividends accumulated on Portfolio Securities and may be affected by supply and demand, market volatility, sentiment and other factors.

## FEDERAL INCOME TAXES

The following is a general discussion of the material U.S. federal income tax considerations applicable to an investment in DIAMONDS. This discussion is based on the laws in effect on the date of this Prospectus and existing judicial and administrative interpretations thereof, all of which are subject to change, possibly with retroactive effect. In addition, this summary assumes that Beneficial Owners hold DIAMONDS as capital assets within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and do not hold DIAMONDS in connection with a trade or business. This summary does not address all potential U.S. federal income tax considerations possibly applicable to an investment in DIAMONDS or to any Beneficial Owner who or that is (a) treated as a partnership (or other pass-through entity) for U.S. federal income tax purposes, (b) holding DIAMONDS through a partnership (or other pass-through entity), or (c) otherwise subject to special tax rules (including, but not limited to, persons holding DIAMONDS as part of a hedge, straddle or similar arrangement, foreign persons previously treated as U.S. citizens or residents and persons owning more than five percent of any class of stock issued by an issuer of any stock held by the Trust, or any person owning any class of stock issued by an issuer of any stock held by the Trust in connection with a trade or business).

The following definitions apply for purposes of this discussion. A “Foreign Beneficial Owner” is any Beneficial Owner who is not and has never been a U.S. citizen or resident, that is a corporation formed outside the U.S., or that is an estate or trust not taxable in the U.S. on its worldwide income without regard to source. A “U.S. Beneficial Owner” is any Beneficial Owner who is a U.S. citizen or resident, that is a corporation formed in the U.S., or that is an estate or trust taxable in the U.S. on its worldwide income without regard to source.

Prospective Beneficial Owners are urged to consult their own tax advisors with respect to the specific tax consequences of investing in DIAMONDS.

### Tax Treatment of the Trust

For the fiscal year ended October 31, 2007, the Trust believes that it qualified for tax treatment as a “regulated investment company” under the Code. The Trust intends to continue to so qualify. To qualify as a regulated investment company, the Trust must, among other things, (a) derive in each taxable year at least ninety percent (90%) of its gross income from dividends, interest, gains from the sale or other disposition of stock, securities or foreign currencies, or certain other sources, (b) meet certain asset diversification tests, and (c) distribute in each year at least ninety percent (90%) of its investment company taxable income. If the Trust qualifies as a regulated investment company, the Trust will not be subject, in general, to U.S. federal income tax if and to the extent the Trust distributes its income in a timely manner. Any

undistributed income may be subject to U.S. federal income tax, including a four percent (4%) excise tax on certain undistributed income in the event that the Trust does not distribute to the Beneficial Owners in a timely manner at least ninety-eight percent (98%) of its taxable income (including capital gains).

If the Trust fails to qualify as a regulated investment company for any year, the Trust will be subject to corporate-level U.S. federal income tax in that year on all of its taxable income, regardless of whether the Trust makes any distributions to the Beneficial Owners. In addition, any distributions from a non-qualifying Trust will be taxable to a Beneficial Owner generally as ordinary dividends to the extent of the Trust's current and accumulated earnings and profits, potentially subject to U.S. withholding tax in the case of a Foreign Beneficial Owner and possibly eligible for (a) in the case of a non-corporate U.S. Beneficial Owner (i.e., an individual, trust or estate), treatment as a qualifying dividend (as discussed below) subject to tax at preferential capital gains rates and (b) in the case of a corporate U.S. Beneficial Owner, a dividends-received deduction.

To meet the distribution requirements necessary to qualify as a regulated investment company (as outlined above), the Trust may be required to make distributions in excess of the yield performance of the Portfolio Securities.

#### Tax Treatment of Beneficial Owners

**Distributions.** In the case of a U.S. Beneficial Owner, distributions of the Trust's net investment income (other than, as discussed below under "Sales and Redemptions", qualifying dividend income) and net short-term capital gains are taxable as ordinary income to the extent of the Trust's current or accumulated earnings and profits. Distributions of the Trust's net long-term capital gains in excess of net short-term capital losses are taxable as long-term capital gain to the extent of the Trust's current or accumulated earnings and profits, regardless of the U.S. Beneficial Owner's holding period in the Trust's shares.

In the case of a Foreign Beneficial Owner, ordinary income distributions from the Trust's current or accumulated earnings and profits (including distributions of net short-term capital gains and other amounts that would not be subject to U.S. withholding tax if paid directly to the Foreign Beneficial Owner) are subject to U.S. withholding tax at a rate of thirty percent (30%) or at a lower rate established under an applicable income tax treaty. However, for Trust tax years beginning on or before December 31, 2007, interest-related dividends (i.e., dividends derived from certain types of interest-related income) and short-term capital gain dividends (i.e., dividends that are derived from the Trust's short-term capital gains over net long-term capital losses) generally will not be subject to U.S. withholding tax; provided that a Foreign Beneficial Owner furnishes the Trust with a completed Form W-8BEN (or acceptable substitute documentation) establishing the Foreign Beneficial Owner's status

as foreign and that the Trust does not have actual knowledge or reason to know that the Foreign Beneficial Owner would be subject to U.S. withholding tax if the Foreign Beneficial Owner were to receive the related amounts directly rather than as dividends from the Trust.

In general, a Foreign Beneficial Owner is not subject to U.S. federal income tax (including withholding at the source) on long-term capital gain distributions (i.e., distributions from the excess of net long-term capital gains over net short-term capital losses) from the Trust's current or accumulated earnings and profits.

Distributions in excess of the Trust's current or accumulated earnings and profits are treated as a return of capital to the extent of the Beneficial Owner's tax basis in the DIAMONDS units and then as long-term or short-term capital gain. Return-of-capital distributions may result if, for example, Trust distributions are derived from cash amounts deposited in connection with Portfolio Deposits, rather than dividends actually received by the Trust on the Portfolio Securities. Return-of-capital distributions may be more likely to occur in periods during which the number of outstanding DIAMONDS units fluctuates significantly.

Because the taxability of a distribution depends upon the Trust's current and accumulated earnings and profits, a distribution received shortly after an acquisition of DIAMONDS may be taxable, even though, as an economic matter, the distribution represents a return of a Beneficial Owner's initial investment.

The Trust intends to distribute its long-term capital gains at least annually. However, by providing written notice to the Beneficial Owners no later than sixty (60) days after its year-end, the Trust may elect to retain some or all of its long-term capital gains and designate the retained amount as a "deemed distribution." In that event, the Trust pays income tax on the retained long-term capital gain, and each Beneficial Owner recognizes a proportionate share of the Trust's undistributed long-term capital gain. In addition, each Beneficial Owner can claim a refundable tax credit for the Beneficial Owner's proportionate share of the Trust's income taxes paid on the undistributed long-term capital gain and increase the tax basis of the DIAMONDS by an amount equal to sixty-five percent (65%) of the Beneficial Owner's proportionate share of the Trust's undistributed long-term capital gains.

**Sales and Redemptions.** In general, a U.S. Beneficial Owner recognizes capital gain or loss upon a sale or redemption of a DIAMONDS unit and, if the DIAMONDS unit has been held for more than one year, any such capital gain or loss is treated generally as a long-term capital gain or loss. If a U.S. Beneficial Owner sells or redeems a DIAMONDS unit held for one year or less, any resulting capital gain or loss is generally treated as a short-term capital gain or loss, except that any capital loss on the sale of a DIAMONDS unit held for six months or less is treated as long-term capital loss to the extent that

capital gain dividends were paid with respect to the DIAMONDS unit. However, in the case of an in-kind redemption of a DIAMONDS unit, the U.S. Internal Revenue Service (“IRS”) may assert that any resulting loss may not be deducted by a Beneficial Owner on the basis that there has been no material change in such Beneficial Owner’s economic position or that the transaction has no significant economic or business utility apart from the anticipated tax consequences.

An in-kind redemption of a DIAMONDS unit does not result in the recognition of taxable gain or loss by the Trust. Upon an in-kind redemption of a DIAMONDS unit, a Beneficial Owner recognizes gain or loss, in an amount equal to the difference between the sum of the aggregate fair market value (as determined on the redemption date) of the stocks and cash received as a result of the DIAMONDS redemption and the Beneficial Owner’s basis in the redeemed DIAMONDS. Stocks received upon a DIAMONDS redemption (which will be comprised of the stock portion of the Portfolio Deposit in effect on the date of redemption) generally have an initial tax basis equal to their respective market values on the date of redemption.

Long-term capital gains of non-corporate U.S. Beneficial Owners are taxed at a maximum rate of fifteen percent (15%) for taxable years beginning on or before December 31, 2010. In addition, for those taxable years, Trust distributions of qualifying dividend income to non-corporate U.S. Beneficial Owners qualify for taxation at long-term capital gain rates, provided that the U.S. Beneficial Owner meets certain holding period and other requirements with respect to the Trust’s shares and the Trust meets certain holding period and other requirements with respect to its dividend-paying stocks. Under current law, the taxation of qualifying dividend income at long-term capital gain rates will no longer apply for taxable years beginning after December 31, 2010.

In general, a Foreign Beneficial Owner is not subject to U.S. federal income tax (including withholding at the source) on any gain or proceeds realized upon a sale or redemption of a DIAMONDS unit.

**Portfolio Deposits.** In general, the Trust recognizes no gain or loss on the issue of Creation Units in exchange for Portfolio Deposits. However, a Beneficial Owner transferring the Portfolio Deposit to the Trust generally recognizes gain or loss with respect to the stocks included in the Portfolio Deposit, in an amount equal to the difference between the amount realized in respect of the stock and the Beneficial Owner’s basis in the stock. The particular amount realized with respect to each stock included in a Portfolio Deposit is determined by allocating the total fair market value (as determined on the transfer date of the Portfolio Deposit) of the DIAMONDS received, less any cash paid to the Trust or plus any cash received from the Trust, in connection with the Portfolio Deposit, among all of the stocks included in the

Portfolio Deposit based on their relative fair market values (as determined on the transfer date of the Portfolio Deposit).

In general, gain or loss recognized by U.S. Beneficial Owner with respect to stock included in a Portfolio Deposit is treated as a capital gain or loss and, if such stock has been held for more than one year, any such capital gain or loss is treated as a long-term capital gain or loss. However, the IRS may assert that a U.S. Beneficial Owner transferring stock as part of a Portfolio Deposit may not be able to deduct any resulting loss on the grounds that there has been no material change in such the U.S. Beneficial Owner's economic position or that the transaction has no significant economic or business utility or purpose apart from the anticipated tax consequences.

In general, a Foreign Beneficial Owner is not subject to U.S. federal income tax (including withholding at the source) on any capital gain or proceeds from a transfer of a Portfolio Deposit.

**Back-Up Withholding.** The Trust may be required to withhold federal income tax (known as "backup withholding") at a twenty-eight percent (28%) rate from dividends (other than dividends subject to the thirty-percent withholding tax described above under "Distributions") and redemption proceeds payable to a non-corporate Beneficial Owner if the non-corporate Beneficial Owner fails to provide the Trust with a correct taxpayer identification or a completed exemption certificate (in the case of a Foreign Beneficial Owner (as defined below), a Form W-8BEN) or if the IRS notifies the Trust that the non-corporate Beneficial Owner is subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be credited against a Beneficial Owner's federal income tax liability or may be refunded. To claim a credit or refund for any taxes collected through back-up withholding or any Trust-level taxes on any undistributed long-term capital gains, a Beneficial Owner (including Foreign Beneficial Owner) must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Beneficial Owner would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. income tax return.

**Information Reporting.** The Trust must report to the IRS and the Beneficial Owners the amount of dividends, capital gain dividends, interest-related dividends, short-term capital gain dividends or redemption proceeds paid that are subject to withholding (including backup withholding, if any) and the amount of tax withheld (if any). This information may also be made available to the tax authorities in a Foreign Beneficial Owner's country of residence.

#### CONTINUOUS OFFERING OF DIAMONDS

Creation Units are offered continuously to the public by the Trust through the Distributor. Persons making Portfolio Deposits and creating Creation Units receive no fees, commissions or other form of compensation or

inducement of any kind from the Sponsor or the Distributor, and no such person has any obligation or responsibility to the Sponsor or Distributor to effect any sale or resale of DIAMONDS.

Because new DIAMONDS can be created and issued on an ongoing basis, at any point during the life of the Trust, a “distribution”, as such term is used in the Securities Act of 1933 (“1933 Act”), may be occurring. Broker-dealers and other persons are cautioned that some of their activities may result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery and liability provisions of the 1933 Act. For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Units after placing a creation order with the Distributor, breaks them down into the constituent DIAMONDS and sells the DIAMONDS directly to its customers; or if it chooses to couple the creation of a supply of new DIAMONDS with an active selling effort involving solicitation of secondary market demand for DIAMONDS. A determination of whether one is an underwriter must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to categorization as an underwriter.

Dealers who are not “underwriters” but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with DIAMONDS that are part of an “unsold allotment” within the meaning of Section 4(3)(C) of the 1933 Act, would be unable to take advantage of the prospectus-delivery exemption provided by Section 4(3) of the 1933 Act.

The Sponsor intends to qualify DIAMONDS in states selected by the Sponsor and through broker-dealers who are members of FINRA. Investors intending to create or redeem Creation Units in transactions not involving a broker-dealer registered in such investor’s state of domicile or residence should consult their legal advisor regarding applicable broker-dealer or securities regulatory requirements under the state securities laws prior to such creation or redemption.

#### DIVIDEND REINVESTMENT SERVICE

The Trust has made the Service available for use by Beneficial Owners through DTC Participants for reinvestment of their cash proceeds. Some DTC Participants may not elect to utilize the Service; therefore, an interested DIAMONDS investor may wish to contact such investor’s broker to ascertain the availability of the Service through such broker. Each broker may require investors to adhere to specific procedures and timetables in order to participate in the Service and such investors should ascertain from their broker such necessary details.

Distributions reinvested in additional DIAMONDS through the Service are nevertheless taxable dividends to Beneficial Owners to the same extent as if received in cash.

The Trustee generally uses the cash proceeds of dividends received from all Beneficial Owners participating in reinvestment through the Service to obtain Index Securities necessary to create the requisite number of DIAMONDS at the close of business on each DIAMONDS distribution date. Any cash balance remaining after the requisite number of DIAMONDS has been created is distributed, on a pro rata basis, to all Beneficial Owners who participated in the Service. Brokerage commissions, if any, incurred in obtaining Index Securities necessary to create additional DIAMONDS with the cash from the distributions are an expense of the Trust.\*

#### EXPENSES OF THE TRUST

Until further notice, the Sponsor has undertaken that it will not permit the ordinary operating expenses of the Trust, as calculated by the Trustee, to exceed an amount that is 18/100 of 1% (0.1800%) per annum of the daily NAV of the Trust after taking into account any expense offset credits. To the extent the ordinary operating expenses of the Trust do exceed such 0.1800% amount, the Sponsor will reimburse the Trust for, or assume, the excess. The Sponsor retains the ability to be repaid by the Trust for expenses so reimbursed or assumed to the extent that subsequently during the fiscal year expenses fall below the 0.1800% per annum level on any given day. For purposes of this undertaking, ordinary operating expenses of the Trust do not include taxes, brokerage commissions and any extraordinary non-recurring expenses, including the cost of any litigation to which the Trust or the Trustee may be a party. The Sponsor may discontinue this undertaking or renew it for a specified period of time, or may choose to reimburse or assume certain Trust expenses in later periods to keep Trust expenses at a level it believes to be attractive to investors. In any event, on any day and during any period over the life of the Trust, total fees and expenses of the Trust may exceed 0.1800% per annum.

Ordinary operating expenses of the Trust are currently being accrued at an annual rate of less than 0.1800%. Future accruals will depend primarily on the level of the Trust's net assets and the level of Trust expenses. There is no guarantee that the Trust's ordinary operating expenses will not exceed 0.1800% of the Trust's daily net asset value and such rate may be changed without notice.

\* It is difficult to estimate the annual dollar amount of brokerage commissions that might be incurred in connection with the Dividend Reinvestment Service during any fiscal year. The Trustee estimates that during fiscal year 2007, the approximate amount of annual brokerage commissions incurred in implementing the Service was less than \$0.001 per DIAMONDS unit.

Subject to any applicable cap, the Sponsor may charge the Trust a special fee for certain services the Sponsor may provide to the Trust which would otherwise be provided by the Trustee in an amount not to exceed the actual cost of providing such services. The Sponsor or the Trustee from time to time may voluntarily assume some expenses or reimburse the Trust so that total expenses of the Trust are reduced. Neither the Sponsor nor the Trustee is obligated to do so and either one or both parties may discontinue such voluntary assumption of expenses or reimbursement at any time without notice.

The following charges are or may be accrued and paid by the Trust: (a) the Trustee's fee; (b) fees payable to transfer agents for the provision of transfer agency services; (c) fees of the Trustee for extraordinary services performed under the Trust Agreement; (d) various governmental charges; (e) any taxes, fees and charges payable by the Trustee with respect to DIAMONDS (whether in Creation Units or otherwise); (f) expenses and costs of any action taken by the Trustee or the Sponsor to protect the Trust and the rights and interests of Beneficial Owners of DIAMONDS (whether in Creation Units or otherwise); (g) indemnification of the Trustee or the Sponsor for any losses, liabilities or expenses incurred by it in the administration of the Trust; (h) expenses incurred in contacting Beneficial Owners of DIAMONDS during the life of the Trust and upon termination of the Trust; and (i) other out-of-pocket expenses of the Trust incurred pursuant to actions permitted or required under the Trust Agreement.

In addition, the following expenses are or may be charged to the Trust: (a) reimbursement to the Sponsor of amounts paid by it to Dow Jones in respect of annual licensing fees pursuant to the License Agreement; (b) federal and state annual registration fees for the issuance of DIAMONDS; and (c) expenses of the Sponsor relating to the printing and distribution of marketing materials describing DIAMONDS and the Trust (including, but not limited to, associated legal, consulting, advertising, and marketing costs and other out-of-pocket expenses such as printing). In addition, initial fees and expenses totaling approximately \$2,300,000, in connection with the organization of the Trust, were capitalized and amortized over five years from the start of the Trust's operations on a straight-line basis and charged to the Trust. Pursuant to the provisions of an exemptive order, the expenses set forth in this paragraph may be charged to the Trust by the Trustee in an amount equal to the actual costs incurred, but in no case shall such charges exceed 20/100 of 1% (0.20%) per annum of the daily NAV of the Trust.

If the income received by the Trust in the form of dividends and other distributions on Portfolio Securities is insufficient to cover Trust expenses, the Trustee may make advances to the Trust to cover such expenses. Otherwise, the Trustee may sell Portfolio Securities in an amount sufficient to pay such expenses. The Trustee may reimburse itself in the amount of any such advance, together with interest thereon at a percentage rate equal to the then current

overnight federal funds rate, by deducting such amounts from (a) dividend payments or other income of the Trust when such payments or other income is received, (b) the amounts earned or benefits derived by the Trustee on cash held by the Trustee for the benefit of the Trust, and (c) the sale of Portfolio Securities. Notwithstanding the foregoing, if any advance remains outstanding for more than forty-five (45) Business Days, the Trustee may sell Portfolio Securities to reimburse itself for such advance and any accrued interest thereon. These advances will be secured by a lien on the assets of the Trust in favor of the Trustee. The expenses of the Trust are reflected in the NAV of the Trust.

For services performed under the Trust Agreement, the Trustee is paid a fee at an annual rate of 6/100 of 1% to 10/100 of 1% of the NAV of the Trust, as shown below, such percentage amount to vary depending on the NAV of the Trust, plus or minus the Adjustment Amount. The compensation is computed on each Business Day based on the NAV of the Trust on such day, and the amount thereof is accrued daily and paid quarterly. To the extent that the amount of the Trustee's compensation, before any adjustment in respect of the Adjustment Amount, is less than specified amounts, the Sponsor has agreed to pay the amount of any such shortfall. Notwithstanding the fee schedule set forth in the table below, in the fourth year of the Trust's operation and in subsequent years, the Trustee shall be paid a minimum fee of \$400,000 per annum as adjusted by the CPI-U to take effect at the beginning of the fourth year and each year thereafter. To the extent that the amount of the Trustee's compensation, prior to any adjustment in respect of the Adjustment Amount, is less than specified amounts, the Sponsor has agreed to pay the amount of any such shortfall. The Trustee also may waive all or a portion of such fee.

Trustee Fee Scale

Trust Fee as a Percentage of	Net Asset Value of the
Net Asset Value of the Trust \$0 – \$499,999,999	10/100 of 1% per annum plus or minus
the Adjustment Amount* \$500,000,000 – \$2,499,999,999	8/100 of 1% per annum plus or minus
the Adjustment Amount* \$2,500,000,000 and above	6/100 of 1% per annum plus or minus
the Adjustment Amount*	

\* The fee indicated applies

to that portion of the net asset value of the Trust which falls in the size category indicated.

As of October 31, 2007, and as of December 31, 2007, the NAV of the Trust was \$9,339,890,790 and \$8,494,896,776, respectively. No representation is made as to the actual NAV of the Trust on any future date as it is subject to change at any time due to fluctuations in the market value of securities or to creations or redemptions made in the future.

The Adjustment Amount is calculated at the end of each quarter and applied against the Trustee's fee for the following quarter. "Adjustment Amount" is an amount which is intended, depending upon the circumstances, either to (a) reduce the Trustee's fee by the amount that the Transaction Fees paid on creation and redemption exceed the costs of those activities, and by the amount of excess earnings on cash held for the benefit of the Trust\* or (b) increase the Trustee's fee by the amount that the Transaction Fee (plus additional amounts paid in connection with creations or redemptions outside the DIAMONDS Clearing Process), paid on creations or redemptions, falls short of the actual costs of these activities. If in any quarter the Adjustment Amount exceeds the fee payable to the Trustee as set forth above, the Trustee uses such excess amount to reduce other Trust expenses, subject to certain federal tax limitations. To the extent that the amount of such excess exceeds the Trust's expenses for such quarter, any remaining excess is retained by the Trustee as part of its compensation. If in any quarter the costs of processing creations and redemptions exceed the amounts charged as a Transaction Fee (plus the additional amounts paid in connection with creations or redemptions outside the DIAMONDS Clearing Process) net of the excess earnings, if any, on cash held for the benefit of the Trust, the Trustee will augment the Trustee's fee by the resulting Adjustment Amount. The net Adjustment Amount is usually a credit to the Trust. The amount of the earnings credit will be equal to the then current Federal Funds Rate, as reported in nationally distributed publications, multiplied by each day's daily cash balance in the Trust's cash account, reduced by the amount of reserves for that account required by the Federal Reserve Board of Governors.

#### VALUATION

The NAV of the Trust is computed as of the Evaluation Time shown under "Summary—Essential Information" on each Business Day. The NAV of the Trust on a per DIAMONDS unit basis is determined by subtracting all liabilities (including accrued expenses and dividends payable) from the total value of the Portfolio and other assets and dividing the result by the total number of outstanding DIAMONDS. For the most recent NAV information, please go to [www.spdretfs.com](http://www.spdretfs.com).

The value of the Portfolio is determined by the Trustee in good faith in the following manner. If Portfolio Securities are listed on one or more national securities exchanges, such evaluation is generally based on the closing sale price on that day (unless the Trustee deems such price inappropriate as a basis for evaluation) on the exchange which is deemed to be the principal market thereof or, if there is no such appropriate closing price on such exchange at the last sale price (unless the Trustee deems such price inappropriate as a basis for

\* The excess earnings on cash amount is currently calculated, and applied, on a monthly basis.

evaluation). If the stocks are not so listed or, if so listed and the principal market therefor is other than on such exchange or there is no such closing sale price available, such evaluation shall generally be made by the Trustee in good faith based on the closing price on the over-the-counter market (unless the Trustee deems such price inappropriate as a basis for evaluation) or if there is no such appropriate closing price, (a) on current bid prices, (b) if bid prices are not available, on the basis of current bid prices for comparable stocks, (c) by the Trustee's appraising the value of the stocks in good faith on the bid side of the market, or (d) by any combination thereof.

## ADMINISTRATION OF THE TRUST

### Distributions to Beneficial Owners

The regular monthly ex-dividend date for DIAMONDS is the third Friday in each calendar month, unless such day is not a Business Day, in which case the ex-dividend date is the immediately preceding Business Day ("Ex-Dividend Date"). Beneficial Owners reflected on the records of DTC and the DTC Participants on the second Business Day following the Ex-Dividend Date ("Record Date") are entitled to receive an amount representing dividends accumulated on Portfolio Securities through the monthly dividend period which ends on the Business Day preceding such Ex-Dividend Date (including stocks with ex-dividend dates falling within such monthly dividend period), net of fees and expenses, accrued daily for such period. For the purposes of all dividend distributions, dividends per DIAMONDS unit are calculated at least to the nearest 1/1000th of \$0.01. The payment of dividends is made on the Monday preceding the third (3rd) Friday of the next calendar month or the next subsequent Business Day if such Monday is not a Business Day ("Dividend Payment Date"). Dividend payments are made through DTC and the DTC Participants to Beneficial Owners then of record with funds received from the Trustee.

Dividends payable to the Trust in respect of Portfolio Securities are credited by the Trustee to a non-interest bearing account as of the date on which the Trust receives such dividends. Other moneys received by the Trustee in respect of the Portfolio, including but not limited to the Cash Component, the Cash Redemption Payment, all moneys realized by the Trustee from the sale of options, warrants or other similar rights received or distributed in respect of Portfolio Securities as dividends or distributions and capital gains resulting from the sale of Portfolio Securities are credited by the Trustee to a non-interest bearing account. All funds collected or received are held by the Trustee without interest until distributed in accordance with the provisions of the Trust Agreement. To the extent the amounts credited to the account generate interest income or an equivalent benefit to the Trustee, such interest income or benefit is used to reduce the Trustee's annual fee.

Any additional distributions the Trust may need to make so as to continue to qualify as a "regulated investment company" would consist of (a) an

increase in the distribution scheduled for January to include any amount by which estimated Trust investment company taxable income and net capital gains for a year exceeds the amount of Trust taxable income previously distributed with respect to such year or, if greater, the minimum amount required to avoid imposition of such excise tax, and (b) a distribution soon after actual annual investment company taxable income and net capital gains of the Trust have been computed, of the amount, if any, by which such actual income exceeds the distributions already made. The NAV of the Trust is reduced in direct proportion to the amount of such additional distributions. The magnitude of the additional distributions, if any, depends upon a number of factors, including the level of redemption activity experienced by the Trust. Because substantially all proceeds from the sale of stocks in connection with adjustments to the Portfolio are used to purchase shares of Index Securities, the Trust may have no cash or insufficient cash with which to pay such additional distributions. In that case, the Trustee typically has to sell an approximately equal number of shares of each of the Portfolio Securities sufficient to produce the cash required to make such additional distributions.

The Trustee may declare special dividends if such action is necessary or advisable to preserve the status of the Trust as a regulated investment company or to avoid imposition of income or excise taxes on undistributed income, and to vary the frequency with which periodic distributions are made (e.g., from monthly to quarterly) if it is determined by the Sponsor and the Trustee that such a variance would be advisable to facilitate compliance with the rules and regulations applicable to regulated investment companies or would otherwise be advantageous to the Trust. In addition, the Trustee may change the regular ex-dividend date for DIAMONDS to another date within the month or the quarter if it is determined by the Sponsor and the Trustee that such a change would be advantageous to the Trust. Notice of any such variance or change shall be provided to Beneficial Owners via DTC and the DTC Participants.

As soon as practicable after notice of termination of the Trust, the Trustee will distribute via DTC and the DTC Participants to each Beneficial Owner redeeming Creation Units before the termination date specified in such notice a portion of Portfolio Securities and cash as described above. Otherwise, the Trustee will distribute to each Beneficial Owner (whether in Creation Unit size aggregations or otherwise), as soon as practicable after termination of the Trust, such Beneficial Owner's pro rata share of the NAV of the Trust.

All distributions are made by the Trustee through DTC and the DTC Participants to Beneficial Owners as recorded on the book entry system of DTC and the DTC Participants.

The settlement date for the creation of DIAMONDS or the purchase of DIAMONDS in the secondary market must occur on or before the Record Date in order for such creator or purchaser to receive a distribution on the next Dividend Payment Date. If the settlement date for such creation or a

secondary market purchase occurs after the Record Date, the distribution will be made to the prior securityholder or Beneficial Owner as of such Record Date.

Any Beneficial Owner interested in acquiring additional DIAMONDS with proceeds received from distributions described above may elect dividend reinvestment through DTC Participants by means of the Service, if such service is available through the Beneficial Owner's broker.

#### Statements to Beneficial Owners; Annual Reports

With each distribution, the Trustee furnishes for distribution to Beneficial Owners a statement setting forth the amount being distributed, expressed as a dollar amount per DIAMONDS unit.

Promptly after the end of each fiscal year, the Trustee furnishes to the DTC Participants for distribution to each person who was a Beneficial Owner of DIAMONDS at the end of such fiscal year, an annual report of the Trust containing financial statements audited by independent accountants of nationally recognized standing and such other information as may be required by applicable laws, rules and regulations.

#### Rights of Beneficial Owners

Beneficial Owners may sell DIAMONDS in the secondary market, but must accumulate enough DIAMONDS to constitute a full Creation Unit in order to redeem through the Trust. The death or incapacity of any Beneficial Owner does not operate to terminate the Trust nor entitle such Beneficial Owner's legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of the Trust.

Beneficial Owners shall not (a) have the right to vote concerning the Trust, except with respect to termination and as otherwise expressly set forth in the Trust Agreement, (b) in any manner control the operation and management of the Trust, or (c) be liable to any other person by reason of any action taken by the Sponsor or the Trustee. The Trustee has the right to vote all of the voting stocks in the Trust. The Trustee votes the voting stocks of each issuer in the same proportionate relationship as all other shares of each such issuer are voted to the extent permissible and, if not permitted, abstains from voting.

#### Amendments to the Trust Agreement

The Trust Agreement may be amended from time to time by the Trustee and the Sponsor without the consent of any Beneficial Owners (a) to cure any ambiguity or to correct or supplement any provision that may be defective or inconsistent or to make such other provisions as will not adversely affect the interests of Beneficial Owners; (b) to change any provision as may be required

by the SEC; (c) to add or change any provision as may be necessary or advisable for the continuing qualification of the Trust as a “regulated investment company” under the Code; (d) to add or change any provision as may be necessary or advisable if NSCC or DTC is unable or unwilling to continue to perform its functions; and (e) to add or change any provision to conform the adjustments to the Portfolio and the Portfolio Deposit to changes, if any, made by Dow Jones in its method of determining the DJIA. The Trust Agreement may also be amended by the Sponsor and the Trustee with the consent of the Beneficial Owners of 51% of the outstanding DIAMONDS to add provisions to, or change or eliminate any of the provisions of, the Trust Agreement or to modify the rights of Beneficial Owners; although, the Trust Agreement may not be amended without the consent of the Beneficial Owners of all outstanding DIAMONDS if such amendment would (a) permit the acquisition of any securities other than those acquired in accordance with the terms and conditions of the Trust Agreement; (b) reduce the interest of any Beneficial Owner in the Trust; or (c) reduce the percentage of Beneficial Owners required to consent to any such amendment.

Promptly after the execution of an amendment, the Trustee receives from DTC, pursuant to the terms of the Depository Agreement, a list of all DTC Participants holding DIAMONDS. The Trustee inquires of each such DTC Participant as to the number of Beneficial Owners for whom such DTC Participant holds DIAMONDS, and provides each such DTC Participant with sufficient copies of a written notice of the substance of such amendment for transmittal by each such DTC Participant to Beneficial Owners.

#### Termination of the Trust Agreement

The Trust Agreement provides that the Sponsor has the discretionary right to direct the Trustee to terminate the Trust if at any time the NAV of the Trust is less than \$350,000,000, as such dollar amount shall be adjusted for inflation in accordance with the CPI-U. This adjustment is to take effect at the end of the fourth year following the Initial Date of Deposit and at the end of each year thereafter and to be made so as to reflect the percentage increase in consumer prices as set forth in the CPI-U for the twelve month period ending in the last month of the preceding fiscal year.

The Trust may be terminated (a) by the agreement of the Beneficial Owners of 66 2/3% of outstanding DIAMONDS; (b) if DTC is unable or unwilling to continue to perform its functions as set forth under the Trust Agreement and a comparable replacement is unavailable; (c) if NSCC no longer provides clearance services with respect to DIAMONDS, or if the Trustee is no longer a participant in NSCC; (d) if Dow Jones ceases publishing the DJIA; (e) if the License Agreement is terminated; or (f) if DIAMONDS are delisted from the Exchange. The Trust will also terminate by its terms on the Termination Date.

The Trust will terminate if either the Sponsor or the Trustee resigns or is removed and a successor is not appointed. The dissolution of the Sponsor or its ceasing to exist as a legal entity for any cause whatsoever, however, will not cause the termination of the Trust Agreement or the Trust unless the Trustee deems termination to be in the best interests of Beneficial Owners.

Prior written notice of the termination of the Trust must be given at least twenty (20) days before termination of the Trust to all Beneficial Owners. The notice must set forth the date on which the Trust will be terminated, the period during which the assets of the Trust will be liquidated, the date on which Beneficial Owners of DIAMONDS (whether in Creation Unit size aggregations or otherwise) will receive in cash the NAV of the DIAMONDS held, and the date upon which the books of the Trust shall be closed. The notice shall further state that, as of the date thereof and thereafter, neither requests to create additional Creation Units nor Portfolio Deposits will be accepted, that no additional DIAMONDS will be created for the purpose of reinvesting dividend distributions, and that, as of the date thereof and thereafter, the portfolio of stocks delivered upon redemption shall be identical in composition and weighting to Portfolio Securities as of such date rather than the stock portion of the Portfolio Deposit as in effect on the date request for redemption is deemed received. Beneficial Owners of Creation Units may, in advance of the Termination Date, redeem in kind directly from the Trust.

Within a reasonable period after the Termination Date, the Trustee shall, subject to any applicable provisions of law, use its best efforts to sell all of the Portfolio Securities not already distributed to redeeming Beneficial Owners of Creation Units. The Trustee shall not be liable for or responsible in any way for depreciation or loss incurred because of any such sale. The Trustee may suspend such sales upon the occurrence of unusual or unforeseen circumstances, including but not limited to a suspension in trading of a stock, the closing or restriction of trading on a stock exchange, the outbreak of hostilities, or the collapse of the economy. The Trustee shall deduct from the proceeds of sale its fees and all other expenses and transmit the remaining amount to DTC for distribution, together with a final statement setting forth the computation of the gross amount distributed.

DIAMONDS not redeemed before termination of the Trust will be redeemed in cash at NAV based on the proceeds of the sale of Portfolio Securities, with no minimum aggregation of DIAMONDS required.

#### SPONSOR

The Sponsor is a Delaware limited liability company incorporated on April 6, 1998 with offices c/o the American Stock Exchange LLC, 86 Trinity Place, New York, New York 10006. The Sponsor's Internal Revenue Service Employer Identification Number is 52-2127241. The Exchange is the sole member of the Sponsor and the Exchange is a "control person" of the Sponsor

as such term is defined in the Securities Act of 1933. On January 17, 2008, NYSE Euronext announced that it has entered into a definitive agreement to acquire the American Stock Exchange LLC, subject to approval by members of the Exchange and customary regulatory approvals.

The Sponsor, at its own expense, may from time to time provide additional promotional incentives to brokers who sell DIAMONDS to the public. In certain instances, these incentives may be provided only to those brokers who meet certain threshold requirements for participation in a given incentive program, such as selling a significant number of DIAMONDS within a specified period.

If at any time the Sponsor fails to undertake or perform or becomes incapable of undertaking or performing any of the duties required under the Trust Agreement, or resigns, or becomes bankrupt or its affairs are taken over by public authorities, the Trustee may appoint a successor Sponsor, agree to act as Sponsor itself, or may terminate the Trust Agreement and liquidate the Trust. Notice of the resignation or removal of the Sponsor and the appointment of a successor shall be mailed by the Trustee to DTC and the DTC Participants for distribution to Beneficial Owners. Upon a successor Sponsor's execution of a written acceptance of appointment as Sponsor of the Trust, the successor Sponsor becomes vested with all of the rights, powers, duties and obligations of the original Sponsor. Any successor Sponsor may be compensated at rates deemed by the Trustee to be reasonable.

The Sponsor may resign by executing and delivering to the Trustee an instrument of resignation. Such resignation shall become effective upon the appointment of a successor Sponsor and the acceptance of appointment by the successor Sponsor, unless the Trustee either agrees to act as Sponsor or terminates the Trust Agreement and liquidates the Trust. The dissolution of the Sponsor or its ceasing to exist as a legal entity for any cause whatsoever will not cause the termination of the Trust Agreement or the Trust unless the Trustee deems termination to be in the best interests of the Beneficial Owners of DIAMONDS.

The Trust Agreement provides that the Sponsor is not liable to the Trustee, the Trust or to the Beneficial Owners of DIAMONDS for taking any action, or for refraining from taking any action, made in good faith or for errors in judgment, but is liable only for its own gross negligence, bad faith, willful misconduct or willful malfeasance in the performance of its duties or its reckless disregard of its obligations and duties under the Trust Agreement. The Sponsor is not liable or responsible in any way for depreciation or loss incurred by the Trust because of the sale of any Portfolio Securities. The Trust Agreement further provides that the Sponsor and its directors, subsidiaries, shareholders, officers, employees, and affiliates under common control with the Sponsor shall be indemnified from the assets of the Trust and held harmless against any loss, liability or expense incurred without gross negligence, bad

faith, willful misconduct or willful malfeasance on the part of any such party in the performance of its duties or reckless disregard of its obligations and duties under the Trust Agreement, including the payment of the costs and expenses of defending against any claim or liability.

## TRUSTEE

The Trustee is a bank and trust company organized under the laws of the Commonwealth of Massachusetts with its principal place of business at One Lincoln Street, Boston, Massachusetts 02111. The Trustee's Internal Revenue Service Employer Identification Number is 04-1867445. The Trustee is subject to supervision and examination by the Massachusetts Division of Banks and the Federal Reserve Bank of Boston.

Information regarding Cash Redemption Payment amounts, number of outstanding DIAMONDS and Transaction Fees may be obtained from the Trustee at the toll-free number: 1-800-545-4189. Complete copies of the Trust Agreement and a list of the parties that have executed a Participant Agreement may be obtained from the Trustee's principal office.

The Trustee may resign and be discharged of the Trust created by the Trust Agreement by executing a notice of resignation in writing and filing such notice with the Sponsor and mailing a copy of the notice of resignation to all DTC Participants reflected on the records of DTC as owning DIAMONDS for distribution to Beneficial Owners as provided above not less than sixty (60) days before the date such resignation is to take effect. Such resignation becomes effective upon the appointment of and the acceptance of the Trust by a successor Trustee. The Sponsor, upon receiving notice of such resignation, is obligated to use its best efforts to appoint a successor Trustee promptly. If no successor is appointed within sixty (60) days after the date such notice of resignation is given, the Trust shall terminate.

If the Trustee becomes incapable of acting as such or is adjudged bankrupt or is taken over by any public authority, the Sponsor may discharge the Trustee and appoint a successor Trustee as provided in the Trust Agreement. The Sponsor shall mail notice of such discharge and appointment via the DTC Participants to Beneficial Owners. Upon a successor Trustee's execution of a written acceptance of an appointment as Trustee for the Trust, the successor Trustee becomes vested with all the rights, powers, duties and obligations of the original Trustee. A successor Trustee must be (a) a trust company, corporation or national banking association organized, doing business under the laws of the United States or any state thereof; (b) authorized under such laws to exercise corporate trust powers; and (c) at all times have an aggregate capital, surplus and undivided profit of not less than \$50,000,000.

Beneficial Owners of 51% of the then outstanding DIAMONDS may at any time remove the Trustee by written instrument(s) delivered to the Trustee and the Sponsor. The Sponsor shall thereupon use its best efforts to appoint a successor Trustee as described above.

The Trust Agreement limits the Trustee's liabilities. It provides, among other things, that the Trustee is not liable for (a) any action taken in reasonable reliance on properly executed documents or for the disposition of monies or stocks or for the evaluations required to be made thereunder, except by reason of its own gross negligence, bad faith, willful malfeasance, willful misconduct, or reckless disregard of its duties and obligations; (b) depreciation or loss incurred by reason of the sale by the Trustee of any Portfolio Securities; (c) any action the Trustee takes where the Sponsor fails to act; and (d) any taxes or other governmental charges imposed upon or in respect of Portfolio Securities or upon the interest thereon or upon it as Trustee or upon or in respect of the Trust which the Trustee may be required to pay under any present or future law of the United States of America or of any other taxing authority having jurisdiction.

The Trustee and its directors, subsidiaries, shareholders, officers, employees, and affiliates under common control with the Trustee will be indemnified from the assets of the Trust and held harmless against any loss, liability or expense incurred without gross negligence, bad faith, willful misconduct, willful malfeasance on the part of such party or reckless disregard of its duties and obligations, arising out of, or in connection with its acceptance or administration of the Trust, including the costs and expenses (including counsel fees) of defending against any claim or liability.

#### DEPOSITORY

DTC is a limited purpose trust company and member of the Federal Reserve System.

#### LEGAL OPINION

The legality of the DIAMONDS offered hereby has been passed upon by Katten Muchin Rosenman LLP, New York, New York, as counsel for the Sponsor.

#### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements as of October 31, 2007 included in this Prospectus have been so included in reliance upon the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, 125 High Street, Boston, Massachusetts, given on the authority of said firm as experts in auditing and accounting.

#### CODE OF ETHICS

The Trust and the Sponsor have adopted a code of ethics regarding personal securities transactions by employees. Subject to certain conditions and standards, the code permits employees to invest in DIAMONDS for their

own accounts. The code is designed to prevent fraud, deception and misconduct against the Trust and to provide reasonable standards of conduct. The code is on file with the SEC and you may obtain a copy by visiting the SEC at the address listed on the back cover of this prospectus. The code is also available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. A copy may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC at the address listed on the back cover of this prospectus.

#### DAILY DIAMONDS TRADING INFORMATION

The Sponsor makes available daily a list of the names and the required number of shares of each of the Securities in the current Portfolio Deposit. The Sponsor also intends to make available (a) on a daily basis, the Dividend Equivalent Payment effective through and including the previous Business Day, per outstanding DIAMONDS unit, and (b) every 15 seconds throughout the trading day at the Exchange a number representing, on a per DIAMONDS unit basis, the sum of the Dividend Equivalent Payment effective through and including the previous Business Day, plus the current value of the securities portion of a Portfolio Deposit as in effect on such day (which value may include a cash in lieu amount to compensate for the omission of a particular Index Security from such Portfolio Deposit). Intra-day information will be available with respect to trades and quotes and underlying trading values will be published every 15 seconds throughout the trading day. Information with respect to net asset value, net accumulated dividend, final dividend amount to be paid, shares outstanding, estimated cash amount and total cash amount per Creation Unit will be available daily prior to the opening of trading on the Exchange.

#### INFORMATION AND COMPARISONS RELATING TO TRUST, SECONDARY MARKET TRADING, NET ASSET SIZE, PERFORMANCE AND TAX TREATMENT

Information regarding various aspects of the Trust, including the net asset size thereof, as well as the secondary market trading, the performance and the tax treatment of DIAMONDS, may be included from time to time in advertisements, sales literature and other communications and in reports to current or prospective Beneficial Owners. Any such performance-related information will reflect only past performance of DIAMONDS, and no guarantees can be made of future results.

Specifically, information may be provided to investors regarding the ability to engage in short sales of DIAMONDS. Selling short refers to the sale of securities which the seller does not own, but which the seller arranges to borrow before effecting the sale. Institutional investors may be advised that lending their DIAMONDS to short sellers may generate stock loan credits that

may supplement the return they can earn from an investment in DIAMONDS. These stock loan credits may provide a useful source of additional income for certain institutional investors who can arrange to lend DIAMONDS. Potential short sellers may be advised that a short rebate (functionally equivalent to partial use of proceeds of the short sale) may reduce their cost of selling short.

In addition, information may be provided to prospective or current investors comparing and contrasting the tax efficiencies of conventional mutual funds with DIAMONDS. Both conventional mutual funds and the Trust may be required to recognize capital gains incurred as a result of adjustments to the composition of the DJIA and therefore to their respective portfolios. From a tax perspective, however, a significant difference between a conventional mutual fund and the Trust is the process by which their shares are redeemed. In cases where a conventional mutual fund experiences redemptions in excess of subscriptions (“net redemptions”) and has insufficient cash available to fund such net redemptions, such fund may have to sell stocks held in its portfolio to raise and pay cash to redeeming shareholders. A mutual fund will generally experience a taxable gain or loss when it sells such portfolio stocks in order to pay cash to redeeming fund shareholders. In contrast, the redemption mechanism for DIAMONDS typically does not involve selling the portfolio stocks. Instead, the Trust delivers the actual portfolio of stocks in an in-kind exchange to any person redeeming DIAMONDS in Creation Unit size aggregations. While this in-kind exchange is a taxable transaction to the redeeming entity (usually a broker/dealer) making the exchange, it generally does not constitute a taxable transaction at the Trust level and, consequently, there is no realization of taxable gain or loss by the Trust with respect to such in-kind exchanges. In a period of market appreciation of the DJIA and, consequently, appreciation of the portfolio stocks held in the Trust, this in-kind redemption mechanism has the effect of eliminating the recognition and distribution of those net unrealized gains at the Trust level. Although the same result would obtain for conventional mutual funds utilizing an in-kind redemption mechanism, the opportunities to redeem fund shares by delivering portfolio stocks in-kind are limited in most mutual funds.

Investors may be informed that, while no unequivocal statement can be made as to the net tax impact on a conventional mutual fund resulting from the purchases and sales of its portfolio stocks over a period of time, conventional funds that have accumulated substantial unrealized capital gains, if they experience net redemptions and do not have sufficient available cash, may be required to make taxable capital gains distributions that are generated by changes in such fund’s portfolio. In contrast, the in-kind redemption mechanism of DIAMONDS may make them more tax efficient investments under most circumstances than comparable conventional mutual fund shares. As discussed above, this in-kind redemption feature tends to lower the amount of annual net capital gains distributions to DIAMONDS holders as compared to their conventional mutual fund counterparts. Since shareholders are generally

required to pay income tax on capital gains distributions, the smaller the amount of such distributions, the less taxes that are payable currently. To the extent that the Trust is not required to recognize capital gains, the DIAMONDS holder is able, in effect, to defer tax on such gains until he sells or otherwise disposes of his shares, or the Trust terminates. If such holder retains his shares until his death, under current law the tax basis of such shares would be adjusted to their then fair market value.

One important difference between DIAMONDS and conventional mutual fund shares is that DIAMONDS are available for purchase or sale on an intraday basis on the Exchange. An investor who buys shares in a conventional mutual fund will buy or sell shares at a price at or related to the closing NAV per share, as determined by the fund. In contrast, DIAMONDS are not offered for purchase or redeemed for cash at a fixed relationship to closing NAV. The tables below illustrate the distribution relationship of DIAMONDS closing prices to NAV for the period 1/20/98 (the first trading date of the DIAMONDS Trust) through 12/31/07, the distribution relationships of high, low and closing prices over the same period, and distribution of bid/ask spreads for 2007. These tables should help investors evaluate some of the advantages and disadvantages of DIAMONDS relative to funds sold and redeemed at prices related to closing NAV. Specifically, the tables illustrate in an approximate way the risks of buying or selling DIAMONDS at prices less favorable than closing NAV and, correspondingly, the opportunities to buy or sell at prices more favorable than closing NAV.

The investor may wish to evaluate the opportunity to buy or sell on an intraday basis versus the assurance of a transaction at or related to closing NAV. To assist investors in making this comparison, the table immediately below illustrates the distribution of percentage ranges between the high and the low price each day and between each extreme daily value and the closing NAV for all trading days from 1/20/98 through 12/31/07. The investor may wish to compare these ranges with the average bid/ask spread on DIAMONDS and add any commissions charged by a broker. The trading ranges for this period will not necessarily be typical of trading ranges in future years and the bid/ask spread on DIAMONDS may vary materially over time and may be significantly greater at times in the future. There is some evidence, for example, that the bid/ask spread will widen in markets that are more volatile and narrow when markets are less volatile. Consequently, the investor should expect wider bid/ask spreads to be associated with wider daily spread ranges.



Frequency Distribution of Discounts and Premiums for the DIAMONDS Trust: Closing AMEX Price vs. Net Asset Value (NAV) as of 12/31/07\*

	Range Calendar													
Quarter Ending 3/31/2007	Calendar													
Quarter Ending 6/30/2007	Calendar													
Quarter Ending 9/29/2007	Calendar													
Quarter Ending 12/31/2007	Calendar													
Year 2007	From 1/20/1998 through 12/31/2007													
Basis Points	Days	—	—	—	—	—	—	%	—	—	—	—	—	150—200
Basis Points	Days	—	—	—	—	—	—	%	—	—	—	—	—	100—150
Basis Points	Days	—	—	—	—	1	15	%	—	—	—	—	—	0.0 % 50—100
Basis Points	Days	—	1	—	—	1	15	%	—	1.6 %	—	—	0.4 %	0.6 % 25—50
Basis Points	Days	—	1	2	1	4	135	%	—	1.6 %	3.2 %	1.6 %	1.6 %	5.4 % 0—25
Basis Points	Days	36	36	27	31	130	1141	%	59.0 %	57.1 %	42.9 %	48.4 %	51.8 %	
45.6 % Total Days														
at Premium	Days	36	38	29	32	135	1292	%	59.0 %	60.3 %	46.0 %	50.0 %	53.8 %	
51.6 % Closing Price														
Equal to NAV	Days	2	0	1	0	3	56	%	3.3 %	0.0 %	1.6 %	0.0 %	1.2 %	2.2 %
Total Days														
at Discount	Days	23	25	33	32	113	1155	%	37.7 %	39.7 %	52.4 %	50.0 %	45.0 %	
46.1 % 0—-25														
Basis Points	Days	22	24	30	31	107	996	%	36.1 %	38.1 %	47.6 %	48.4 %	42.6 %	
39.8 % -25—-50														
Basis Points	Days	1	1	3	1	6	138	%	1.6 %	1.6 %	4.8 %	1.6 %	2.4 %	5.5 % -50—-100
Basis Points	Days	—	—	—	—	20	%	—	—	—	—	—	0.8 % -100—-150	
Basis Points	Days	—	—	—	—	—	%	—	—	—	—	—	-150—-200	
Basis Points	Days	—	—	—	—	—	%	—	—	—	—	—	< -200	
Basis Points	Days	—	—	—	—	1	%	—	—	—	—	—	0.0 %	

Close was within 0.25% of NAV better than 87% of the time from 1/20/98 (the first day of trading on the AMEX) through 12/31/07.

Exchange LLC

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DIAMONDS BID/ASK SPREAD DISTRIBUTION (2007 Only)\*

Range (\$)	% of Total	0.01—0.05	32.14 %	0.06—0.10	34.29 %	0.10—0.15	15.23 %
0.15—0.20	7.03 %	0.20—0.25	4.26 %	0.25—0.50	6.33 %	> 0.50	0.72 %
Total							100.00 %

The price range of DIAMONDS units for 2007 was from \$119.50 to \$141.95; consequently, \$0.25 was from 0.21% to 0.18% of the price of DIAMONDS units.

\* Source: American Stock

Exchange LLC

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Comparison of Total Returns Based on NAV and Bid/Ask Price(1)  
as of 12/31/07\*

The table below is provided to compare the Trust's total pre-tax returns at NAV with the total pre-tax returns based on bid/ask price and the performance of the Dow Jones Industrial Average. Past performance is not necessarily an indication of how the Trust will perform in the future.

Cumulative Total Return

				1 Year	5 Year	Since First Trade(2)	DIAMONDS Trust Series
1	Return Based on NAV(3)(4)	8.72 %	76.36 %	106.01 %	Return Based on Bid/Ask Price(3)(4)		
	8.52 %	76.18 %	104.33 %	Dow Jones Industrial Average	8.88 %	78.13 %	109.34 %
	Average Annual Total Return						

				1 Year	5 Year	Since First Trade(2)	DIAMONDS Trust Series
1	Return Based on NAV(3)(4)	8.72 %	12.02 %	7.52 %	Return Based on Bid/Ask Price(3)(4)		
	8.52 %	11.99 %	7.44 %	Dow Jones Industrial Average	8.88 %	12.24 %	7.69 %

(1) Currently, the Bid/Ask Price is calculated based on the best bid and best offer on the AMEX at 4:00 p.m. However, prior to April 3, 2001, the calculation of the Bid/Ask Price was based on the midpoint of the best bid and best offer at the close of trading on the AMEX, ordinarily 4:15 p.m. (2) The Trust commenced trading on the AMEX on January 20, 1998. (3) Does not include the Transaction Fee which is payable to the Trustee only by persons purchasing and redeeming Creation Units as discussed above in the section of "Highlights" entitled "A Transaction Fee is Payable For Each Creation and For Each Redemption of Creation Units". If these amounts were reflected, returns would be less than those shown. (4) Does not include brokerage commissions and charges incurred only by persons who make purchases and sales of DIAMONDS in the secondary market as discussed above in the section of "Highlights" entitled "Brokerage Commissions on DIAMONDS". If these amounts were reflected, returns would be less than those shown. \*

Source: American Stock Exchange LLC

GLOSSARY

Page “1933 Act” 55 “10 Basis Point Limit”  
9 “Additional Cash Deposit” 31 “Adjustment Amount” 59 “Adjustment Day” 42 “AMEX” 4 “Balancing Amount”  
42 “Beneficial Owners” 34 “Business Day” 3 “Cash Component” 5 “Cash Redemption Payment” 36 “Closing  
Time” 31 “CNS” 5 “Code” 10 “Creation Units” 4 “Depository Agreement” 34 “DIAMONDS” 3  
“DIAMONDS Clearing Process” 5 “Distributor” 4 “Dividend Equivalent Payment” 5 “Dividend Payment Date”  
60 “DJIA” 3 “Dow Jones” 1 “DTC” 9 “DTCC” 30 “DTCC Shares” 30 “DTC Cut-Off Time” 39 “DTC  
Participants” 33 “Evaluation Time” 1 “Excess Cash Amounts” 36 “Ex-Dividend Date” 60 “Exchange” 4 “Index  
Securities” 3 “Indirect Participants” 33 “IRS” 53 “License Agreement” 1 “NAV” 3 “NAV Amount” 42 “NSCC”  
5 “NSCC Business Day” 13 “NYSE” 3 “Participant Agreement” 5 “Participating Party” 5 “Portfolio” 3  
“Portfolio Deposit” 5 “Portfolio Deposit Amount” 42 “Portfolio Securities” 3 “Record Date” 60 “Request Day”  
42 “SEC” 5 “Service” 10 “Sponsor” 3 “SSGM” 47 “Transaction Fee” 9 “Transmittal Date” 29 “Trust” 3  
“Trust Agreement” 3 “Trustee” 3  
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DIAMONDS TRUST, SERIES 1

SPONSOR:  
PDR SERVICES LLC

This Prospectus does not include all of the information with respect to the DIAMONDS Trust set forth in its Registration Statement filed with the SEC in Washington, D.C. under the:

- Securities Act of 1933 (File No. 333-31247) and • Investment Company Act of 1940 (File No. 811-9170).

**To obtain copies from the SEC at prescribed rates—**

**Write:** Public Reference Section of the SEC  
100 F Street N.E., Washington, D.C. 20549

**CALL:** 1-800-SEC-0330

**VISIT:** <http://www.sec.gov>

No person is authorized to give any information or make any representation about the DIAMONDS Trust not contained in this Prospectus, and you should not rely on any other information. Read and keep this Prospectus for future reference.

PDR Services LLC has filed a registration statement on Form S-6 and Form N-8B-2 with the SEC covering DIAMONDS. While this prospectus is a part of the registration statement on Form S-6, it does not contain all the exhibits filed as part of the registration statement on Form S-6. You should consider reviewing the full text of those exhibits.

Prospectus dated February 25, 2008

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New Roman" style="font-size:1.0pt;">

to call the General Meeting of Stockholders;

g)

to monitor and inspect the management by the Executive Board: the Board of Directors may, at any time, examine the books and papers of the company, and request information on contracts agreed or in the process of being agreed, and on any other administrative facts or actions which it deems to be of interest;

h)

to give a prior opinion on the report of management and the accounts of the Executive Board of the company;

i)

to choose, annually, and to dismiss, the company's auditors, from among companies with international reputation authorized by the Securities Commission (CVM) to audit listed companies;

j)

to authorize, upon a proposal by the Executive Board, the start of administrative proceedings for competitive bids, and proceedings for dispensation from or non- requirement of bids, and the corresponding contracts, in amounts greater than or equal to R\$ 5,000,000.00 (five million Reais);

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- l) to authorize, upon a proposal by the Executive Officers, the initiation of legal actions and administrative proceedings, and making of Court and extrajudicial settlements, when the amount is greater than or equal to R\$ 5,000,000.00 (five million Reais);
- m) to authorize the issue of securities, in the domestic or external markets, for the raising of funds, in the form of debentures, promissory notes, medium-term notes and other instruments.
- n) to approve the company's Long-Term Strategic Plan, the Multi-year Strategic Implementation Plan, and the Annual Budget and any alterations and revisions thereof.
- o) to set the governing guidelines and establish the limits, including financial limits, for expenditure on personnel, including concession of benefits and collective work agreements, subject to the competency of the General Meeting of Stockholders, and in obedience to the Annual Budget approved;
- p) to authorize the exercise of the right of preference or rights under a stockholders agreement or of voting in wholly-owned subsidiaries, companies controlled by Cemig, affiliated companies and the consortia in which Cemig participates, except in the case of the wholly-owned subsidiaries Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., for which the competency for deciding on these matters will be that of the General Meeting of Stockholders.

§ 1 The Board of Directors, by specific resolutions, may delegate the power to authorize agreement of contracts for sales of electricity or for provision of distribution or transmission services to the Executive Board, in accordance with the legislation.

- 5) To change the name of Section II of Chapter IV to the Executive Board, to bring it into harmony with the provisions of the Bylaws, which always refer to that body in this way;
- 6) To change the name of the Chief Finance, Holdings and Investor Relations Officers Department to the Department of the Chief Officer for Finance, Investor Relations and Control of Holdings, consequently changing the drafting of the head paragraph of Clause 18 to the following:  
  
Clause 18-: The Executive Board shall be made up of 8 (eight) Executive Officers, who may be stockholders, elected by the Board of Directors, namely: the Chief Executive Officer; an Executive Vice-Chairman; a Chief Officer for Finance, Investor Relations and Control of Holdings; a Chief Corporate Management Officer, a Chief Distribution and Sales Officer; a Chief Generation and Transmission Officer; a Chief Trading Officer; and a Chief New Business Development Officer. ;
- 7) To change sub-paragraphs 3 and 4 of Clause 18, to improve the drafting and to establish that the annual paid leave of the Chief Officers shall be granted to them by the Chief Executive Officer, whose own leave shall be granted by the Board of Directors, and, also, to revoke the restriction on payment of annual paid leave not taken, to the following drafting:

Clause 18

§ 3 The Executive Officers shall exercise their positions as full-time occupations in the regime of exclusive dedication to the service of the company. They may at the same time hold and exercise non-remunerated positions in the management of the company's wholly-owned subsidiaries, companies controlled by Cemig, and affiliated companies, at the option of the Board of Directors. They shall, however, obligatorily exercise the corresponding positions in the wholly-owned subsidiaries Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A.

§ 4 Executive Officers who are not employees shall have the right to an annual period of not more than 30 (thirty) days remunerated leave. This leave may not be accumulated into the subsequent year, and its remuneration shall be augmented by one-third of the monthly remuneration currently in effect, which shall be granted to them by the Chief Executive Officer, whose own leave shall be granted by the Board of Directors. ;

- 8) To change the head paragraph and Sub-paragraph 1 of Clause 19 to improve the drafting, to the following:

Clause 19: In the event of absence, leave, resignation or vacancy of the post of the Chief Executive Officer, this post shall be exercised by the Executive Vice-Chairman, for whatever period the absence or leave may last, and, in the event of vacancy, or of prevention from being able to exercise the function, until the post is filled by the Board of Directors.

§ 1 In the event of absence, leave, resignation or vacancy of any of the other members of the Executive Board, a meeting of the Executive Board may by a majority vote attribute the exercise of the respective functions to another Executive Officer, until the post is filled by the Board of Directors, or for as long as the absence or leave lasts, and in the case of vacancy, impediment or resignation, until the post is filled by the Board of Directors. ;

- 9) To change Clause 21 to improve the drafting and to define the competencies of the Executive Board, to the following:

Clause 21: The Executive Board is responsible for the current management of the company's business, subject to the Long-Term Strategic Plan, the Multi-year Strategic Implementation Plan and the Annual Budget, prepared and approved in accordance with these Bylaws.

§ 1 The company's Multi-year Strategic Implementation Plan shall reflect the company's Long-Term Strategic Plan and contain the plans and projections for a period of 5 (five) financial years, and must be updated at least once a year, and shall deal in detail with the following subjects, among others:

- a) the company's strategies and actions, including any project related to its objects;

- b) the new investments and business opportunities, including those of the company's wholly-owned subsidiaries and affiliates, and of the consortia in which it participates;
  - c) the amounts to be invested or in any other way contributed from the company's own funds or funds of third parties;
  - d) the rates of return and profits to be obtained or generated by the company.
- § 2 The company's Annual Budget shall reflect the company's Multi-year Strategic Implementation Plan and, consequently, the Long-Term Strategic Plan and must give details of operational revenue and expenses, costs and capital expenditure, cash flow, the amount to be allocated to the payment of dividends, investments of cash from the company's own funds or funds of third parties, and any other data that the Executive Board considers to be necessary.
- § 3 The company's Multi-year Strategic Plan and the Annual Budget shall be prepared based on the company's Long-Term Strategic Plan and updated annually, by the end of each business year, to be in effect in the following business year. Both shall be prepared in coordination with the Chief Officer for Finance, Investor Relations and Control of Holdings and submitted to examination by the Executive Board, and, subsequently, for approval by the Board of Directors.
- §4 The following decisions shall require a vote by the Executive Board:
- a) approval of the plan of organization of the company and issuance of the corresponding rules and any changes to them;
  - b) approval of the company's Multi-year Strategic Implementation Plan, and revisions of it, including timetables, amount and allocation of the capital expenditure specified in it and its submission to the Board of Directors;
  - c) approval and submission to the Board of Directors of the Annual Budget, which shall reflect the Multi-year Strategic Implementation Plan at that time in effect, and revisions to it;
  - d) decision on rescheduling or rearrangement of investments or expenses specified in the Annual Budget which individually or jointly amount, in a single business year, to less than R\$ 5,000,000.00 (five million Reais), with consequent re-adjustment of the targets approved, subject to the Multi-year Strategic Implementation Plan and the Annual Budget;
  - e) approval of disposal of or placement of a charge upon any of the company's property, plant or equipment, and the giving of guarantees to third parties, in amounts less than R\$ 5,000,000.00 (five million Reais);
  - f) authorization of the company's capital expenditure projects, the signing of agreements and legal transactions in general, the contracting of loans, financing and the constitution of an obligation in the name of Cemig, based on the annual budget approved, which individually or in aggregate have values less than

R\$ 5,000,000.00 (five million Reais), including the injection of capital into wholly-owned subsidiaries, companies controlled by Cemig, affiliated companies and the consortia in which it participates, subject to the provision of sub-clause p of sub-item IV of Clause 22;

- g) approval, upon proposal by the Chief Executive Officer, jointly with the Chief Officer for Finance, Investor Relations and Control of Holdings, of the casting of votes in the General Meetings of Stockholders and in the meetings of the Boards of Directors of the wholly-owned subsidiaries, companies controlled by Cemig, affiliated companies and the consortia in which the company participates, except in the case of the wholly-owned subsidiaries Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., for which the competency for decision on these matters will be that of the General Meeting of Stockholders, and the decisions must obey the provisions of these Bylaws, the decisions of the Board of Directors, the Long-term Strategic Plan and the Multi-year Strategic Implementation Plan;
  - h) authorization to initiate administrative tender proceedings and proceedings for exemption from or non-requirement for tenders, and the corresponding contracts, in amounts greater than or equal to R\$ 1,000,000.00 (one million Reais) and less than R\$ 5,000,000.00 (five million Reais);
  - i) authorization to file legal actions and administrative proceedings, and to enter into Court and extra-judicial settlements, for amounts less than R\$ 5,000,000.00 (five million Reais); and
  - j) authorization of provisions in the company's accounts, of any value, on proposal from the Chief Officer for Finance, Investor Relations and Control of Holdings;
  - l) approval of the nominations of employees to hold management posts in the company, upon proposal by the Chief Officer concerned, subject to the provisions of sub-clause h of sub-item I of Clause 22;
  - m) authorization of expenditure on personnel expenses and collective work agreements, after authorization of expenditure on personnel expenses and collective work agreements, subject to the competency of the General Meeting of Stockholders, the guidelines and the limits approved by the Board of Directors and the Annual Budget approved.
- § 5 Actions necessary for the regular functioning of the company, agreement of contracts and other legal transactions shall be taken by the Chief Executive Officer, jointly with one Executive Officer, or with a person holding a valid power of attorney.
- § 6 Powers of attorney must be granted by the Chief Executive Officer, jointly with an Executive Officer, except for the power described in sub-clause c of Sub-item I of Clause 22, for which only the signature of the Chief Executive Officer is required.

10) To change Clause 22, for definition of the attributions of the Chief Officers, to the following:

Clause 22: Subject to the provisions of the previous clauses, the following are the functions and powers attributed to the Executive Board:

I To the Chief Executive Officer:

- a) to oversee and direct the work of the company;
- b) to supervise the preparation and implementation of the Multi-year Strategic Implementation Plan and to develop the strategies and actions approved;
- c) to represent the company in the Courts, actively and passively;
- d) to sign, jointly with one of the Executive Officers, documents which bind the company;
- e) to present the annual report of the company's business to the Executive Board and to the Ordinary General Meeting of Stockholders;
- f) to hire and dismiss the company's personnel;
- g) to manage and direct the activities of Internal Audits and Institutional Relationships, legal, communication and representation activities, the General Secretariat and the function of the company's Ombudsman.
- h) to propose to the Executive Board for approval, jointly with the Chief Officer to whom the employee is linked, the nominations for posts of Superintendent of the company;
- i) to propose the appointments to management positions and the Audit Boards of the wholly-owned subsidiaries, companies controlled by Cemig, and affiliated companies, and also Forluz (Fundação Forluminas de Seguridade Social), after hearing the position of the Chief Officer for Finance, Investor Relations and Control of Holdings, except in the case of the wholly-owned subsidiaries Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., for which the provisions of paragraph 4 of Clause 12 and the third sub-paragraph of Clause 18 of these Bylaws prevail.

II To the Executive Vice-Chairman:

- a) to substitute the Chief Executive Officer when he is absent, on leave, temporarily impeded, or has resigned or the position is vacant;
- b) to work for improvement of the company's social responsibility and sustainability policies;
- c) to set the policies and guidelines for the sustainability, and social responsibility, the environment, technological development, alternative energy sources and technical standardization;
- d) to co-ordinate the company's strategy for operations in relation to social responsibility and the environment, technological processes and strategic management of technology;
- e) to coordinate and put in place the maintenance of the company's quality control systems;



- f) to promote the implementation of programs for the company's technological development;
- g) to monitor performance of plans for compliance with the guidelines for the environment, technology and the improvement of quality.

III - To the Chief Officer for Finance, Investor Relations and Control of Holdings:

- a) to provide the financial resources necessary for the operation and expansion of the company, in accordance with an Annual Budget, conducting the processes of contracting of loans and financings, and the related services;
- b) to co-ordinate the preparation and consolidation, with the participation of all the Chief Officers, of the company's Multi-year Strategic Implementation Plan and Annual Budget;
- c) to arrange for economic and financial valuation of the company's capital expenditure investment projects, except those that are the responsibility of the Chief New Business Development Officer;
- d) to accompany the performance of the execution of the investment projects, according to targets and results approved by the Management;
- e) to carry out the accounting of, and to control, the company's economic-financial transactions;
- f) to determine the cost of the service and to establish an insurance policy, as laid out in the company's Multi-year Strategic Plan;
- g) to prepare short-, medium- and long-term financial programming in detail, as specified in the company's Multi-year Strategic Plan and Annual Budget;
- h) to control the company's registered capital, decide policy for its shares, and for corporate governance, and to suggest dividend policy;
- i) to coordinate the preparation and negotiation of the tariffs for retail supply and distribution of electricity, with the National Electricity Agency, Aneel;
- j) to be responsible for the provision of information to the investing public, to the Securities Commission (CVM) and to the Brazilian and international stock exchanges or over-the-counter markets, and the corresponding regulation and inspection entities, and to keep the company's registrations with these institutions updated.
- l) to represent the company to the CVM, the stock exchanges and other entities of the capital markets;
- m) to promote the financial and corporate management of the company's holdings in the wholly-owned subsidiaries, subsidiaries and affiliates, within the criteria of good corporate governance and making continual efforts for compliance with their business plans, subject to the provisions of these bylaws;
- n) to propose to the Executive Board, for approval or submission to the Board of Directors or to the General Meeting of Stockholders, depending on the competency defined in these bylaws, injections of capital, exercise of the right of preference and the making of voting



agreements in the wholly-owned companies, subsidiaries and affiliated companies and in the consortia in which the company participates;

- o) to take part in negotiations that involve the constitution or alteration of corporate documents of the holdings referred to in the previous sub-clause;
- p) to coordinate the processes of sale of stockholdings owned by the company, by its wholly-owned subsidiaries, subsidiaries and affiliated companies, upon prior legislative authorization and approval by the Board of Directors.

IV- To the Chief Corporate Management Officer:

- a) to ensure the provision of appropriate personnel to the company;
- b) to decide the company's human resources policy and to orient and promote its application;
- c) to orient and conduct activities related to organizational studies and their documentation;
- d) to decide, conduct and supervise the company's telecommunications and information technology policy;
- e) to project, put in place and maintain the company's telecommunications and information technology systems;
- f) to decide policies and rules on support services such as transport, administrative communication, security guards, and provision of adequate quality in the workplace for the company's personnel;
- g) to provide the company with infrastructure and administrative support resources and services;
- h) to coordinate the policies, processes and means of property security, work safety and security guarding approved by the company;
- i) to carry out the negotiations of the collective work agreements, in accordance with the guidelines and limits approved by the Board of Directors, submitting the proposals negotiated for approval by the Executive Board;
- j) to manage the process of contracting of works and services for acquisition and disposal of materials and real estate property;
- l) to effect quality control of the material acquired and of the qualification of contracted service providers;
- m) to administer and control the stock of material, the separation and recovery of used material, and to carry out sales of excess and unusable material, and scrap;
- n) to arrange for and implement programs to increase, develop, affect and continually improve suppliers of materials and services of interest to the company, alone or in cooperation with other Chief Officers' Departments or development agencies and industry associations, in the ambit of the State of Minas Gerais;



- o) to conduct corporate management programs and environmental actions within the ambit of this Chief Officer's Department;
- p) to authorize initiation of administrative tender proceedings and proceedings for exemption or non-requirement for tenders, and the corresponding contracts, in amounts up to R\$ 1,000,000.00 (one million Reais).
- q) to propose to the Chief Executive Officer, for submission to the Executive board for approval, from among the employees of the company, appointments for the positions of sitting and substitute members of the Integrated Pro-Health Administration Committee;
- r) to propose to the Chief Executive Officer, for submission to the Executive Board for approval, from among the employees of the company, the appointments of employees to the Union Negotiation Committee, and also the designation of their Coordinator;
- s) to present to the Executive Board the evaluations arising from the leadership succession development program implanted by the company, to provide support for the decisions of the Executive Board on the appointments of employees for management positions.

V- To the Chief Distribution and Sales Officer:

- a) to make continuous efforts on behalf of the quality of supply of energy to consumers that are directly linked to the company's distribution systems;
- b) to prepare the planning of the company's distribution system;
- c) to manage the implementation of the distribution facilities, including preparation and execution of the project, construction and assembly;
- d) to operate and maintain the electricity distribution system and the associated supervision and remote control systems;
- e) to manage the company's Work Safety Policy in the ambit of its activities;
- f) to formulate and implement the policies for serving the consumer served by this Department;
- g) to develop programs and actions with captive consumers with demand lower than 500 kW, with a view to the most efficient use of electricity;
- h) to establish commercial relationships with and coordinate the sale of electricity and services to captive consumers with demand lower than 500 kW;
- i) to carry out environmental programs and actions within the scope of this Chief Officer's Department;
- j) to represent the company in the Brazilian Electricity Distributors' Association (Abinee) and with other entities of the distribution sector;
- l) to ensure the physical security of the distribution facilities, establishing policies and guidelines and managing the asset security of these facilities;
- m) to seek continuous improvement of the processes of operation and maintenance, through the use of new technologies and methods that aim for improvement of quality and reduction of the cost of those activities.



VI To the Chief Energy Generation and Transmission Officer:

- a) to make continuous efforts on behalf of the quality of supply of electricity to consumers that are directly linked to the transmission system;
- b) to prepare the planning of generation and transmission;
- c) to operate and maintain the systems of generation and transmission and the associated systems of supervision and long-distance control;
- d) to carry out environmental programs and actions within the scope of this Chief Officer's Department;
- e) to develop and conduct hydro-meteorological activities of interest to the company;
- f) to manage the operations arising from the interlinking of the company's electricity transmission system with those of other companies, and also the connection of agents to the company's basic network;
- g) to represent the company in relations with the National System Operator (ONS), the Brazilian Association of Electricity Generators (Abragee), and the other entities representing the electricity generation and transmission sectors;
- h) to manage the company's central laboratories and workshops;
- i) to coordinate and put in place projects for refurbishment, modernization, improvement, reactivation and deactivation of the generation and transmission facilities;
- j) to propose and implement measures that aim to ensure the connectivity of the various agents of the electricity sector, linked to the company's transmission system;
- l) to ensure the physical security of the generation and transmission facilities, establishing policies and guidelines and managing the asset security of these facilities;
- m) to manage the company's Work Safety Policy in the ambit of its activities;
- n) to manage the implementation of expansion undertakings in generation, transmission and co-generation, arranging the planning, construction and assembly, and ensuring the physical and financial performance of these undertakings;
- o) to provide technical support to the negotiations for making possible the undertakings for expansion of generation, transmission and co-generation, and to participate in the negotiation of documents of the consortia of entrepreneurs and special-purpose companies.

VII To the Chief Trading Officer:

- a) to carry out research, studies and projections of interest to the company;
- b) to coordinate the planning and execution of the purchase of electricity to serve the company's market and the sale of electricity coming from the company's own sources;
- c) to coordinate the purchase and sale of electricity in its different forms and modalities, including importation, exportation and holdings in all the segments of markets specialized in energy;



- d) to coordinate the provision of services of intermediation of business related to the sale of electricity to any authorized agent;
- e) to represent the company in the Electricity Trading Chamber (CCEE), taking responsibility for the transactions carried out in the ambit of the chamber, and to represent the company in relations with the other entities trading electricity;
- f) to coordinate the establishment of the prices for purchase and sale of electricity, and to propose them to the Executive Board for approval;
- g) to establish commercial relations with and coordinate the state of electricity and services to consumers, individually, or groups of consumers, served at voltages greater than or equal to 2.3kV and contracted demand greater than or equal to 500kW, and also business groups;
- h) to identify, measure and manage the risks association with the trading of electricity;
- i) to negotiate and manage the commercial transactions involved in transport and connection of any party accessing the distribution system;
- j) to negotiate and manage the Contracts for Use of the Transmission System with the National System Operator (ONS) and for connection of the Distribution System to the transmission companies;
- l) to manage the trading, in coordination with the Chief New Business Development Officer, of the company's carbon credits.

VIII To the Chief New Business Development Officer:

- a) to arrange prospecting, analysis and development of new business of the company in the areas of generation, transmission and distribution of electricity, transport and gas distribution, and also in other activities directly or indirectly related with the company's objects;
- b) to arrange for technical, economic-financial, and environmental feasibility studies of new business projects for the company, in coordination with the Chief Officers' Departments related to the said businesses;
- c) to coordinate the negotiations and implement the partnerships, consortia, special-purpose companies and other forms of association with public or private companies necessary for the development of new business, and also the negotiation of contracts and corporate documents of these projects;
- d) to coordinate the participation of the company in tender proceedings for obtaining grant of concessions in all the areas of its operations;
- e) to coordinate, evaluate and structure the opportunities for acquisition of new assets in the electricity sector and the sector of transport and distribution of gas;
- f) to arrange for prospecting and analysis, within the company, of business opportunities related to the use of carbon credits;
- g) to consolidate the planning of expansion of the generation, transmission and distribution systems;



- h) to consolidate the Capital Investment Program in the company's generation, transmission and distribution;
  - i) to represent the company in relations with the entities for planning of expansion of the electricity sector in its areas of operation;
  - j) to carry out environmental programs and actions within the scope of this Chief Officer's Department;
  - l) to accompany and participate in the energy planning of the State of Minas Gerais.
- §1 The competencies of representation before technical and administrative bodies and associations granted to the Chief Officers under this Clause do not exclude the competency of representation of the Chief Executive Officer, nor the need for obedience to the provisions in these Bylaws in relation to prior obtaining of authorizations from the management bodies to contract obligations in the name of the company.
- § 2 As well as the exercise of the attributions herein specified and demanded by law, each Chief Officer's Department has the competency to ensure the cooperation, assistance and support of the other Chief Officer's Departments in the areas of their respective competencies, with the aim of success in the greater objectives and interests of the company.
- § 3 The projects developed by the company in the area of the Chief New Business Development Officer's Department, once structured and constituted, should be assumed by the respective Chief Officer's Departments responsible for their construction, execution, operation and sales, as defined in these Bylaws.
- § 4 It is the competency of each Chief Officer, within the area of his operation, to arrange for the actions necessary for compliance with and effective implementation of the work safety policies approved by the company. ;
- 11) To change Clause 25, to adjust the attributions of the Audit Board, permitting assumption of the attributions required by the Sarbanes-Oxley Law, as follows:
- Clause 25 The Audit Board has the attributions and competencies specified by the Corporate Law, and also, to the extent that they do not conflict with Brazilian legislation, those required by the laws of the countries in which the company's shares are listed and traded, in accordance with their regulations. ;
- 12) To change the head paragraph of Clause 28, so that the Bylaws may govern distribution of profits or economic results to the employees and of profits to the managers, as follows:
- Clause 28 The following shall be deducted from the result for the business year before any other allocation of economic results: retained losses, the provision for income tax, the Social Contribution on Net Profit and, successively, the shares in economic results to which employees and managers are entitled. ;

- 13) To change the head paragraph and sub-paragraph 1 of Clause 29, to improve the drafting, as follows:

Clause 29: The dividends shall be distributed in the following order:

- a) The annual minimum dividend guaranteed to the preferred shares;
- b) The dividend for the common shares, up to a percentage equal to that guaranteed to the preferred shares.

- 14) To exclude Sub-paragraphs 1 and 2 of Clause 30, which refer respectively to the competency of the Board of Directors to approve the Plan and to the Plan's content, since these repeat what is already stated in other provisions of the Bylaws (respectively: Clause 17, n ; and Clause 11, Sub-paragraphs 2 and 4);

- 15) To insert new Clauses 32 and 33, as follows:

Clause 32: The employees have the right to a share in the profits or results of the company, upon the criteria defined by the Executive Board based on the guidelines approved by the Board of Directors and limits set by the General Meeting of Stockholders, in accordance with the specific legislation.

Clause 33 It is the competency of the General Meeting of Stockholders to set, annually, the limits for sharing of the managers in the profits of the company, subject to the provisions of the sole sub-paragraph of Clause 190 of Law 6404 of December 15, 1976. ;

- 16) To renumber the former Clause 32, to be Clause 34;

- 17) To renumber the former Clause 33 to be Clause 35, and to change its drafting, to introduce provision for the possibility of contracting of third party liability insurance for the company's managers, to the following drafting:

Clause 35 The company shall provide to the members of the Board of Directors, the Audit Board and the Executive Board, defense in Court and/or administrative proceedings in which they are parties on the Plaintiff or Defendant side, during or after their periods of office, for actions or events related to the exercise of their specific functions and which do not violate legal provisions or the provisions of these Bylaws.

- § 1 The guarantee given in the head paragraph of this Clause extends to employees who legally carry out actions by delegation from the company's management officers.

- § 2 The Company shall contract third-party liability insurance to cover expenses of proceedings, fees of counsel and indemnities arising from the legal and administrative proceedings referred to in the head paragraph of this Clause, upon decision by the Board of Directors.

- § 3 - Any member of the Board of Directors or the Audit Board, or any Chief Officer or employee against whom a Court judgment subject to no further appeal is given must reimburse the company all the costs, expenses and losses caused to it. .

As can be seen, the purpose of this proposal is to meet the legitimate interests of the stockholders and of the company, and for this reason the Board of Directors hopes that it will be approved you, the stockholders.

Belo Horizonte, July 26, 2007

Marcio Araujo de Lacerda

Chairman

Djalma Bastos de Moraes

Vice-Chairman

Aécio Ferreira da Cunha

Member

Alexandre Heringer Lisboa

Member

Antônio Adriano Silva

Member

Francelino Pereira dos Santos

Member

Maria Estela Kubitschek Lopes

Member

Wilson Nélio Brumer

Member

Wilton de Medeiros Daher

Member

**CEMIG DISTRIBUIÇÃO S.A.**  
**CNPJ 06.981.180/0001-16 NIRE 31300020568**  
**LISTED COMPANY**  
**EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS**  
**CONVOCATION**

The stockholder Companhia Energética de Minas Gerais is hereby called to an Extraordinary General Meeting of Stockholders to be held on August 23, 2007 at 1 p.m. at Avenida Barbacena 1200, 17th Floor, A1 Wing, Minas Gerais, Brazil, to decide on the following changes in the bylaws:

- 1- Change in Clause 12 to define the attributions of the Board of Directors and to provide for the possibility of the Board of Directors delegating to the Executive Board the competency to authorize and sign contracts for the sale of electricity and the provision of distribution services.
- 2- Change in the name of the Chief Finance, Holdings and Investor Relations Officer's Department.
- 3- Consequent change in the Head Paragraph of Clause 18, as a result of the above-mentioned change.
- 4- Change in the Head Paragraph of Clause 14 and its first sub-paragraph to improve the drafting.
- 5- Change in Sub-paragraphs 1, 2, 3, and 4 of Clause 16 to adjust the name of the Chief Finance, Holdings and Investor Relations Officer's Department and to define the attributions of the Executive Board.
- 6- Change in Clause 17 to define the attributions of the members of the Executive Board.
- 7- Change in Clause 21 for tax optimization and to improve the drafting.
- 8- Insertion of new Clauses numbered 25, to ensure sharing by the employees in the company's profits or economic results, and 26, to establish that the General Meeting of Stockholders shall, annually, set limits to the sharing of the Managers in the profits of the company.
- 9- Consequent re-numbering of the present Clauses 25 to be 27; and 26 to be 28; and their alteration to improve their drafting and to contain provision for the possibility of contracting of third party liability insurance for the Managers.

Belo Horizonte, July 26, 2007.

Marcio Araújo de Lacerda  
Chairman of the Board of Directors

**PROPOSAL OF THE BOARD OF DIRECTORS**

**TO**

**THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS**

**To the Stockholder CEMIG DISTRIBUIÇÃO S/A**

Whereas

- b) there is a need for restructuring of the distribution of competencies between the various management bodies of the company;
- d) it is convenient that there should be provision in the Bylaws relating to the distribution of profits or results to the employees, and also of profits to the managers, in accordance with the limits to be fixed by the General Meeting of Stockholders to comply with Article 190 of Law 6404 of December 15, 1976, and the rulings of the Brazilian Securities Commission (CVM);
- e) a provision in the Bylaws governing distribution of profits or results is, also, necessary, as a means of tax planning, since it makes possible the deduction of profit shares distributed directly from profit and avoids infringement notices by the Federal Revenue Service, which has happened to the company precisely because of the absence of this provision;
- f) there is a need to introduce a provision for possibility of contracting third party liability insurance for the managers of the company, upon a proposal by its Board of Directors;
- g) there is a need for revision of several provisions of the Bylaws to make them more appropriate in formal and/or legal terms;

the Board of Directors now proposes to submit to the Extraordinary General Meeting of Stockholders the following changes in the Bylaws:

- 1) To change the drafting of Clause 12, to define the attributions of the Board of Directors, to the following:

Clause 12: The Board of Directors shall have the following attributions, as well as other matters required of it by law:

- a) to fix the general orientation of the company's business;
- b) to elect or dismiss the Executive Officers of the company, subject to these bylaws;
- c) to decide, prior to the company entering into them, on contracts between the company and any of its stockholders, or companies which are sole or joint controlling stockholders of any of its stockholders;



- d) to decide, upon proposal by the Executive Board, on disposal or placement of a charge on any of the company's property, plant or equipment, and on the giving by the company of any guarantee to any third parties of which the individual value is greater than or equal to R\$ 5,000,000.00 (five million Reais);
- e) to decide, upon proposal put forward by the Executive Board, on the company's capital investment projects, signing of contracts and legal transactions in general, contracting of loans, financings, or the constitution of any obligations in the name of the company, which individually or jointly amount to R\$ 5,000,000.00 (five million Reais) or more, including injections of capital into wholly-owned subsidiaries, companies that Cemig controls, affiliated companies and the consortia in which it participates;
- f) to call the General Meeting of Stockholders;
- g) to monitor and inspect the management by the Executive Board: the Board of Directors may, at any time, examine the books and papers of the company, and request information on contracts agreed or in the process of being agreed, and on any other administrative facts or actions which it deems to be of interest;
- h) to give a prior opinion on the report of management and the accounts of the Executive Board of the company;
- i) to choose and to dismiss the company's auditors, from among companies with international reputation authorized by the Securities Commission (CVM) to audit listed companies;
- j) to authorize, upon a proposal by the Executive Board, the start of administrative proceedings for competitive bids, and proceedings for dispensation from or non-requirement of bids, and the corresponding contracts, in amounts greater than or equal to R\$ 5,000,000.00 (five million Reais);
- l) to authorize, upon a proposal by the Executive Officers, the initiation of legal actions and administrative proceedings, and making of Court and extrajudicial settlements, when the amount is greater than or equal to R\$ 5,000,000.00 (five million Reais);
- m) to authorize the issue of securities, in the domestic or external markets, for the raising of funds, in the form of debentures, promissory notes, medium-term notes and other instruments.
- n) to approve the company's Long-Term Strategic Plan, the Multi-year Strategic Implementation Plan, and the Annual Budget and any alterations and revisions thereof.
- o) to set the governing guidelines and establish the limits, including financial limits, for expenditure on personnel, including concession of benefits and collective work agreements, subject to the competency of the General Meeting of Stockholders, and in obedience to the Annual Budget approved;
- p) to authorize the exercise of the right of preference or rights under a stockholders' agreement or of voting in wholly-owned subsidiaries, companies controlled by the company, affiliated companies and the consortia in which the company participates.

§ 1 The company's Long-Term Strategic Plan shall contain the long-term strategic planning and fundamentals, and the targets, objectives and results to be pursued and attained by the company, and its dividend policy, on which shall be based the plans, forecasts, activities, strategies, capital expenditure and expenses to be incorporated in the Multi-year Strategic Implementation Plan and Annual Budget prepared and approved in accordance with these Bylaws.

§ 2 The Board of Directors, by specific resolutions, may delegate the power to authorize agreement of contracts for sales of electricity or for provision of distribution services to the Executive Board, in accordance with the legislation.

2) To change the name of the Chief Finance, Holdings and Investor Relations Officers Department to the Department of the Chief Officer for Finance, Investor Relations and Control of Holdings, consequently changing the drafting of the head paragraph of Clause 13 to the following:

Clause 13:- The Executive Board shall be made up of 8 (eight) Executive Officers, who may be stockholders, resident in Brazil, namely: the Chief Executive Officer; an Executive Vice-Chairman; a Chief Officer for Finance, Investor Relations and Control of Holdings; a Chief Corporate Management Officer, a Chief Distribution and Sales Officer; a Chief Trading Officer; a Chief New Business Development Officer; and one director without specific designation; all of whom shall be elected and may be dismissed at any time by the General Meeting of the Sole Stockholder Cemig with period of office of 3 (three) years. Their period of office in management shall continue until the new directors elected are sworn in. ;

3) To change the head paragraph and Sub-paragraph 1 of Clause 14 to improve the drafting, to the following:

Clause 14: In the event of absence, leave, resignation, or vacancy of the post, of the Chief Executive Officer, this post shall be exercised by the Executive Vice-Chairman, for whatever period the absence or leave may last, and, in the event of vacancy, or of prevention from being able to exercise the function, until the post is filled by the Board of Directors.

§ 1 In the event of absence, leave, resignation or vacancy of any of the other members of the Executive Board, a meeting of the Executive Board may by a majority vote attribute the exercise of the respective functions to another Executive Officer, until the post is filled by the Board of Directors, or for as long as the absence or leave lasts, and in the case of vacancy, impediment or resignation, until the post is filled by the Board of Directors. ;

4) To change Sub-paragraphs 1, 2, 3, and 4 of Clause 16 to improve the drafting and to establish the attributions of the Executive Board, to the following:

Clause 16 -

§ 1 The company's Multi-year Strategic Implementation Plan shall contain the plans and projections for a period of 5 (five) financial years, and must be updated at least once a year, and shall deal in detail with the following subjects, among others:

- a) the company's strategies and actions, including any project related to its objects;
- b) the new investments and business opportunities, including those of the company's wholly-owned subsidiaries, companies that the company controls, and affiliated companies, and of the consortia in which it participates;
- c) the amounts to be invested or in any other way contributed from the company's own funds or funds of third parties;
- d) the rates of return and profits to be obtained or generated by the company.

§ 2 The company's Annual Budget shall reflect the company's Multi-year Strategic Implementation Plan and must give details of operational revenue and expenses, costs and capital expenditure, cash flow, the amount to be allocated to the payment of dividends, investments of cash from the company's own funds or funds of third parties, and any other data that the Executive Board considers to be necessary.

§ 3 The company's Multi-year Strategic Plan and the Annual Budget shall be prepared based on the company's Long-Term Strategic Plan and updated annually, by the end of each business year, to be in effect in the following business year, based on the company's Long-term Strategic Plan, under the coordination of the Chief Officer for Finance, Investor Relations and Control of Holdings and submitted to examination by the Executive Board, and, subsequently, for approval by the Board of Directors.

§ 4 The following decisions shall require a vote by the Executive Board:

- a) approval of the plan of organization of the company and issuance of and changes to the corresponding rules;
- b) approval of the company's Multi-year Strategic Implementation Plan, and revisions of it, including timetables, amount and allocation of the capital expenditure specified in it and its submission to the Board of Directors;
- c) approval and submission to the Board of Directors of the Annual Budget, which shall reflect the Multi-year Strategic Implementation Plan at that time in effect, and revisions to it;
- d) decision on rescheduling or rearrangement of investments or expenses specified in the Annual Budget which individually or jointly amount, in a single business year, to less than R\$ 5,000,000.00 (five million Reais), with consequent re-adjustment of the targets approved, subject to the Multi-year Strategic Implementation Plan and the Annual Budget as approved;

- e) approval of disposal of or placement of a charge upon any of the company's property, plant or equipment, and the giving of guarantees to third parties, in amounts less than R\$ 5,000,000.00 (five million Reais);
- f) authorization of the company's capital expenditure projects, the signing of agreements and legal transactions in general, the contracting of loans, financing and the constitution of an obligation in the name of Cemig, based on the annual budget approved, which individually or in aggregate have values less than R\$ 5,000,000.00 (five million Reais), including the injection of capital into wholly-owned subsidiaries, companies controlled by Cemig, affiliated companies and the consortia in which it participates, subject to the provision of sub-clause p of sub-item IV of Clause 17;
- g) approval, upon proposal by the Chief Executive Officer, jointly with the Chief Officer for Finance, Investor Relations and Control of Holdings, of the casting of votes in the General Meetings of Stockholders and in the meetings of the Boards of Directors of the wholly-owned subsidiaries, companies controlled by Cemig, affiliated companies and the consortia in which the company participates, and the decisions must obey the provisions of these Bylaws, the decisions of the Board of Directors, the Long-term Strategic Plan and the Multi-year Strategic Implementation Plan;
- h) authorization to initiate administrative tender proceedings and proceedings for exemption from or non-requirement for tenders, and the corresponding contracts, in amounts greater than or equal to R\$ 1,000,000.00 (one million Reais) and less than R\$ 5,000,000.00 (five million Reais);
- i) authorization to file legal actions and administrative proceedings, and to enter into Court and extra-judicial settlements, for amounts less than R\$ 5,000,000.00 (five million Reais); and
- j) authorization of provisions in the company's accounts, of any value, on proposal from the Chief Officer for Finance, Investor Relations and Control of Holdings;
- l) approval of the nominations of employees to hold management posts in the company, upon proposal by the Chief Officer concerned, subject to the provisions of sub-clause h of sub-item I of Clause 17;
- m) authorization of expenditure on personnel expenses and collective work agreements, after authorization of expenditure on personnel expenses and collective work agreements, subject to the competency of the General Meeting of Stockholders, the guidelines and the limits approved by the Board of Directors and the Annual Budget approved. ;

5) To change Clause 17, to establish the attributions of the Chief Officers, to the following:

Clause 17: Subject to the provisions of the previous clauses, the following are the functions and powers attributed to the Executive Board:

- a) to oversee and direct the work of the company;
- b) to supervise the preparation and implementation of the Multi-year Strategic Implementation Plan and to develop the strategies and actions approved;
- c) to represent the company in the Courts, actively and passively;
- d) to sign, jointly with one of the Executive Officers, documents which bind the company;
- e) to present the annual report of the company's business to the Executive Board and to the Ordinary General Meeting of Stockholders;
- f) to hire and dismiss the company's personnel;
- g) to manage and direct the activities of Internal Audits, Institutional Relationships, legal, communication and representation activities, and the function of the company's Ombudsman and the General Secretariat.
- h) to propose to the Executive Board for approval, jointly with the Chief Officer to whom the employee is linked, the nominations for management posts in the company;
- i) to propose the appointments to management positions and the Audit Boards of the wholly-owned subsidiaries, companies controlled by Cemig, and affiliated companies, and also Forluz (Fundação Forluminas de Seguridade Social), after hearing the position of the Chief Officer for Finance, Investor Relations and Control of Holdings.

II - To the Executive Vice-Chairman:

- a) to substitute the Chief Executive Officer when he is absent, on leave, temporarily impeded, or has resigned or the position is vacant;
- b) to propose improvements in the company's social responsibility and sustainability policies and directive guidelines;
- c) to set the policies and guidelines for the environment, technological development, alternative energy sources and technical standardization;
- d) to co-ordinate the company's strategy for operations in relation to the environment, technological processes and the strategic management of technology;
- e) to coordinate and put in place the maintenance of the company's quality control systems;
- f) to arrange implementation of programs for the company's technological development;
- g) to monitor performance of plans for compliance with the guidelines for the environment, technology and the improvement of quality.

III - To the Chief Officer for Finance, Investor Relations and Control of Holdings:



- a) to provide the financial resources necessary for the operation and expansion of the company, in accordance with an Annual Budget, conducting the processes of contracting of loans and financings, and the related services;
- b) to co-ordinate the preparation and consolidation, with the participation of all the Chief Officers, of the company's Multi-year Strategic Implementation Plan and Annual Budget;
- c) to arrange for economic and financial valuation of the company's capital expenditure investment projects, except those that are the responsibility of the Chief New Business Development Officer;
- d) to accompany the performance of the execution of the investment projects, according to targets and results approved by the Management;
- e) to carry out the accounting of, and to control, the company's economic-financial transactions;
- f) to determine the cost of the service and to establish an insurance policy, as laid out in the company's Multi-year Strategic Plan;
- g) to prepare short-, medium- and long-term financial programming in detail, as specified in the company's Multi-year Strategic Plan and Annual Budget;
- h) to control the company's registered capital, decide policy for its shares, and for corporate governance, and to suggest dividend policy;
- i) to coordinate the preparation and negotiation of the tariffs for retail supply and distribution of electricity, and the revenues from transmission, with the National Electricity Agency, Aneel;
- j) to be responsible for the provision of information to the investing public, to the Securities Commission (CVM) and to the Brazilian and international stock exchanges or over-the-counter markets, and the corresponding regulation and inspection entities, and to keep the company's registrations with these institutions updated;
- l) to represent the company to the CVM, the stock exchanges and other entities of the capital markets;
- m) to promote the financial and corporate management of the company's holdings in the wholly-owned subsidiaries, subsidiaries and affiliates, within the criteria of good corporate governance and making continual efforts for compliance with their business plans, subject to the provisions of these bylaws;
- n) to propose to the Executive Board, for approval or submission to the Board of Directors, depending on the competency defined in these bylaws, injections of capital, exercise of the right of preference and the making of voting agreements in the wholly-owned companies, subsidiaries and affiliated companies and in the consortia in which the company participates;
- o) to take part in negotiations that involve the constitution or alteration of corporate documents of the holdings referred to in the previous sub-clause;

p) to coordinate the processes of sale of stockholdings owned by the company, by its wholly-owned subsidiaries, subsidiaries and affiliated companies, upon prior legislative authorization and approval by the Board of Directors.

IV- To the Chief Corporate Management Officer:

- a) to ensure the provision of appropriate personnel to the company;
- b) to decide the company's human resources policy and to orient and promote its application;
- c) to orient and conduct activities related to organizational studies and their documentation;
- d) to decide, conduct and supervise the company's telecommunications and information technology policy;
- e) to project, put in place and maintain the company's telecommunications and information technology systems;
- f) to decide policies and rules on support services such as transport, administrative communication, security guards, and provision of adequate quality in the workplace for the company's personnel;
- g) to provide the company with infrastructure and administrative support resources and services;
- h) to coordinate the policies, processes and means of property security, work safety and security guarding approved by the company;
- i) to carry out the negotiations of the collective work agreements, in accordance with the guidelines and limits approved by the Board of Directors, submitting the proposals negotiated for approval by the Executive Board;
- j) to manage the process of contracting of works and services for acquisition and disposal of materials and real estate property;
- l) to effect quality control of the material acquired and of the qualification of contracted service providers;
- m) to administer and control the stock of material, the separation and recovery of used material, and to carry out sales of excess and unusable material, and scrap;
- n) to arrange for and implement programs to increase, develop, affect and continually improve suppliers of materials and services of interest to the company, alone or in cooperation with other Chief Officers' Departments or development agencies and industry associations, in the ambit of the State of Minas Gerais;
- o) to conduct corporate management programs and environmental actions within the scope of this Chief Officer's Department;
- p) to authorize initiation of administrative tender proceedings and proceedings for exemption or non-requirement for tenders, and the corresponding contracts, in amounts up to R\$ 1,000,000.00 (one million Reais).

- q) to propose to the Chief Executive Officer, for submission to the Executive board for approval, from among the employees of Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., appointments for the positions of sitting and substitute members of the Integrated Pro-Health Administration Committee;
- r) to propose to the Chief Executive Officer, for submission to the Executive Board for approval, from among the employees of the company and the other companies involved in the negotiations, the appointments of employees to the Union Negotiation Committee, and also the designation of their Coordinator;
- s) to present to the Executive Board the evaluations arising from the leadership succession development program implanted by the company, to provide support for the decisions of the Executive Board on the appointments of employees for management positions.

V- To the Chief Distribution and Sales Officer:

- a) to make continuous efforts on behalf of the quality of supply of energy to consumers that are directly linked to the company's distribution systems;
- b) to prepare the planning of the company's distribution system;
- c) to manage the implementation of the distribution facilities, including preparation and execution of the project, construction and assembly;
- d) to operate and maintain the electricity distribution system and the associated supervision and remote control systems;
- e) to manage the company's Work Safety Policy in the ambit of its activities;
- f) to formulate and implement the policies for serving the consumer served by this Department;
- g) to develop programs and actions with captive consumers with demand lower than 500 kW, with a view to the most efficient use of electricity;
- h) to establish commercial relationships with and coordinate the sale of electricity and services to captive consumers with demand lower than 500 kW;
- i) to carry out environmental programs and actions within the scope of this Chief Officer's Department;
- j) to represent the company in the Brazilian Electricity Distributors' Association (Abradee) and with other entities of the distribution sector;
- l) to ensure the physical security of the distribution facilities, establishing policies and guidelines and managing the asset security of these facilities;
- m) to seek continuous improvement of the processes of operation and maintenance, through the use of new technologies and methods that aim for improvement of quality and reduction of the cost of those activities.

VI To the Chief Trading Officer:

- a) to carry out research, studies and projections of interest to the company;



- b) to coordinate the planning and execution of the purchase of electricity to serve the company's market;
- c) to coordinate the purchase and sale of electricity in its different forms and modalities, including importation, exportation and holdings in all the segments of markets specialized in energy;
- d) to represent the company in the Electricity Trading Chamber (CCEE), taking responsibility for the transactions carried out in the ambit of the chamber, and to represent the company in relations with the other entities trading electricity;
- e) to coordinate the establishment of the prices for purchase and sale of electricity, and to propose them to the Executive Board for approval;
- f) to establish commercial relations with and coordinate the state of electricity and services to consumers, individually, or groups of consumers, served at voltages greater than or equal to 2.3kV and contracted demand greater than or equal to 500kW, and also business groups;
- g) to identify, measure and manage the risks associated with the trading of electricity;
- h) to negotiate and manage the commercial transactions involved in transport and connection of any party accessing the distribution system;
- j) to negotiate and manage the Contracts for Use of the Transmission System with the National System Operator (ONS), and for connection of the Distribution System with the transmission companies;
- l) to manage the trading, in coordination with the Chief New Business Development Officer, of the company's carbon credits.

VII To the Chief New Business Development Officer:

- a) to arrange prospecting, analysis and development of new business of the company in the areas of generation, transmission and distribution of electricity, transport and gas distribution, and also in other activities directly or indirectly related with the company's objects;
- b) to arrange for technical, economic-financial, and environmental feasibility studies of new business projects for the company, in coordination with the Chief Officers' Departments related to the said businesses;
- c) to coordinate the negotiations and implement the partnerships, consortia, special-purpose companies and other forms of association with public or private companies necessary for the development of new business, and also the negotiation of contracts and corporate documents of these projects;
- d) to coordinate the participation of the company in tender proceedings for obtaining grant of concessions in all the areas of its operations;
- e) to coordinate, evaluate and structure the opportunities for acquisition of new assets in the electricity sector and the sector of transport and distribution of gas;



- f) to arrange for prospecting and analysis, within the company, of business opportunities related to the use of carbon credits;
- g) to consolidate the planning of expansion of the generation, transmission and distribution systems;
- h) to consolidate the company's Program of Capital Investment in generation, transmission and distribution;
- i) to represent the company in relations with the entities for planning of expansion of the electricity sector in its areas of operation;
- j) to carry out environmental programs and actions within the scope of this Chief Officer's Department;
- l) to accompany and participate in the energy planning of the State of Minas Gerais.

VII To the Director without specific designation:

- a) to carry out all the acts specifically provided for in the legislation and these Bylaws, and the activities attributed to him or her by the Board of Directors.

§ 1 The competencies of representation before technical and administrative bodies and associations granted to the Chief Officers under this Clause do not exclude the competency of representation of the Chief Executive Officer, nor the need for obedience to the provisions in these Bylaws in relation to prior obtaining of authorizations from the management bodies to contract obligations in the name of the company.

§ 2 As well as the exercise of the attributions herein specified and demanded by law, each Chief Officer's Department has the competency to ensure the cooperation, assistance and support of the other Chief Officer's Departments in the areas of their respective competencies, with the aim of success in the greater objectives and interests of the company.

§ 3 The projects developed by the company in the area of the Chief New Business Development Officer's Department, once structured and constituted, should be assumed by the respective Chief Officer's Departments responsible for their construction, execution, operation and sales, as defined in these Bylaws.

§ 4 It is the competency of each Chief Officer, within the area of his operation, to arrange for the actions necessary for compliance with and effective implementation of the work safety policies approved by the company. ;

6) To change the head paragraph of Clause 21, to improve the drafting and so that the Bylaws may govern deductions from the economic results of the business year, before any allocation of economic results, as follows:

Clause 21 The following shall be deducted from the result for the business year before any other allocation of economic results: retained losses, the provision for income tax,

the Social Contribution on Net Profit and, successively, the shares in economic results to which employees and managers are entitled. ;

§ 1 Allocation of the net profit ascertained in each business year shall be as follows:

- a) 5% (five percent) for the legal reserve, up to the limit specified by law;
- b) at least 50% (fifty percent) distributed as obligatory dividends to the sole stockholder Cemig, subject to the other terms of these bylaws and the applicable legislation; and
- c) the balance, after the retention of amounts specified in a capital expenditure and/or investment budget prepared, in obedience to the company's Strategic Guidelines Plan and approved by the Board of Directors of the Sole Stockholder Cemig, shall be distributed to the Sole Stockholder Cemig as dividends and/or Interest on Equity, subject to the availability of free cash. ;

7) To insert new Clauses 25 and 26, as follows, so that the Bylaws may govern the distribution of profits or economic results:

Clause 25 The employees have the right to a share in the profits or results of the company, upon the criteria defined by the Executive Board based on the guidelines approved by the Board of Directors and limits set by the General Meeting of Stockholders, in accordance with the specific legislation.

Clause 26 It is the competency of the General Meeting of Stockholders to set, annually, the limits for sharing of the managers in the profits of the company, subject to the provisions of the sole sub-paragraph of Clause 190 of Law 6404 of December 15, 1976. ;

8) To renumber the former Clause 25, to be Clause 27;

9) To renumber the former Clause 26 to be Clause 28, and to change its drafting, to introduce provision for the possibility of contracting of third party liability insurance for the company's managers, to the following:

Clause 28 The company shall provide to the members of the Board of Directors, the Audit Board and the Executive Board, defense in Court and/or administrative proceedings in which they are parties on the Plaintiff or Defendant side, during or after their periods of office, for actions or events related to the exercise of their specific functions and which do not violate legal provisions or the provisions of these Bylaws.

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§ 1 The guarantee given in the head paragraph of this Clause extends to employees who legally carry out actions by delegation from the company's management officers.

§ 2 The Company may contract third-party liability insurance to cover expenses of proceedings, fees of counsel and indemnities arising from the legal and administrative proceedings referred to in the head paragraph of this Clause, upon decision by the Board of Directors.

§ 3 Any member of the Board of Directors or the Audit Board, or any Chief Officer or employee against whom a Court judgment subject to no further appeal is given must reimburse the company all the costs, expenses and losses caused to it. .

As can be seen, the purpose of this proposal is to meet the legitimate interests of the stockholders and of the company, and for this reason the Board of Directors hopes that it will be approved by you, the stockholders.

Belo Horizonte, July 26, 2007

Márcio Araujo de Lacerda  
Chairman

Francelino Pereira dos Santos  
Member

Djalma Bastos de Moraes  
Vice-Chairman

Maria Estela Kubitschek Lopes  
Member

Aécio Ferreira da Cunha  
Member

Wilson Nélio Brumer  
Member

Alexandre Heringer Lisboa  
Member

Wilton de Medeiros Daher  
Member

Antônio Adriano Silva  
Member

**COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG**

**Calendar of Corporate Events - 2007**

**Information About the Company**

Name:	Companhia Energética de Minas Gerais CEMIG
Head office address:	Av. Barbacena, 1200 Bairro Santo Agostinho 30161-970- Belo Horizonte MG, Brazil
Web address	www.cemig.com.br
Finance, Participations and Investor Relations	Name: Luiz Fernando Rolla
Director	E-mail: lrolla@cemig.com.br
	Telephone: 55-31-3299-4903
	Fax: 55-31-3299-3832
Newspapers and other publications where corporate acts are published	Minas Gerais in Belo Horizonte/MG O Tempo in Belo Horizonte/MG Gazeta Mercantil in São Paulo/SP

**Annual Balance Sheets and Consolidated Balance Sheets for year ending on 12/31/2006.**

Event	Date
Submission to CVM and the São Paulo Stock Exchange	03/05/2007
Availability to shareholders	03/05/2007
Publication	04/23/2007

**Standard Balance Sheets for year ending on 12/31/2006**

Event	Date
Submission to CVM and the São Paulo Stock Exchange	03/03/2007

**Annual Information for year ending on 12/31/2006**

Event	Date
Submission to the São Paulo Stock Exchange	05/25/2007

**Quarterly Information**

Event	Date
Submission to the São Paulo Stock Exchange	
for First Quarter	05/09/2007
<b>for Second Quarter</b>	<b>08/09/2007</b>
for Third Quarter	11/12/2007



**Annual General Shareholders Meeting**

<b>Event</b>	<b>Date</b>
Submission of Public Announcement of AGM to the São Paulo Stock Exchange together with the Administration Proposal	04/10/2007
Publication of the Public Announcement of AGM	04/11/2007
Annual General Shareholders Meeting date	04/26/2007
Submission of the primary decisions of the AGM to the São Paulo Stock Exchange	04/26/2007
Submission of the minutes of the AGM to the São Paulo Stock Exchange	04/26/2007

**Extraordinary General Shareholders Meeting**

<b>Event</b>	<b>Date</b>
Submission of Public Announcement of EGS to the São Paulo Stock Exchange together with the Administration Proposal	06/04/2007
Publication of the Public Announcement of EGS	06/05/2007
General Shareholders Meeting date	06/22/2007
Submission of the primary decisions of the EGS to the São Paulo Stock Exchange	06/22/2007
Submission of the minutes of the EGS to the São Paulo Stock Exchange	06/22/2007

**Extraordinary General Shareholders Meeting**

<b>Event</b>	<b>Date</b>
Submission of Public Announcement of EGS to the São Paulo Stock Exchange together with the Administration Proposal	08/02/2007
Publication of the Public Announcement of EGS	08/03/2007
General Shareholders Meeting date	08/23/2007
Submission of the primary decisions of the EGS to the São Paulo Stock Exchange	08/23/2007
Submission of the minutes of the EGS to the São Paulo Stock Exchange	08/23/2007

**Public Meeting with Analysts**

<b>Event</b>	<b>Dates/Locations</b>
Vídeo Webcast	03/08/2007 Belo Horizonte MG
Public meeting with analysts, open to other interested parties	03/09/2007 08:00 a.m. APIMEC, Belo Horizonte MG
Public meeting with analysts, open to other interested parties	03/13/2007 08:00 a.m. APIMEC, Rio de Janeiro - RJ

Public meeting with analysts, open to other interested parties	03/13/2007 16:00 p.m.	APIMEC	São Paulo	SP
Public meeting with analysts, open to other interested parties	04/10/2007 08:30 a.m.	APIMEC	Brasília	DF
Public meeting with analysts, open to other interested parties	04/10/2007 06:00 p.m.	APIMEC	Fortaleza	CE
XII Public Meeting with analysts - APIMEC	From 05/10/2007 to 05/12/2007		Tiradentes	MG
Vídeo Webcast - Second Quarter 2007 Results	08/14/2007		Belo Horizonte	MG
Public meeting with analysts, open to other interested parties	08/17/2007	APIMEC, Belo Horizonte		MG
Public meeting with analysts, open to other interested parties	08/22/2007	APIMEC	São Paulo	SP
Public meeting with analysts, open to other interested parties	08/23/2007	APIMEC	Brasília	DF
Public meeting with analysts, open to other interested parties	08/24/2007	APIMEC, Rio de Janeiro - RJ		
Public meeting with analysts, open to other interested parties	08/30/2007	APIMEC, Porto Alegre- RS		
Public meeting with analysts, open to other interested parties	08/31/2007	APIMEC, Florianópolis- SC		

**Corporate action: cash payments to stockholders from allocation of net profit for the business year ending 31/12/2006**

Cash benefits	Date of decision	Event	Amount, common stock (R\$)	Amount, preferred stock (R\$)	Amount, R\$ million	Start of payment	Remarks
Interest On Equity	04/27/2006	Meeting of Board of Directors	1,043078154	1,043078154	169		- Payment in two installments: 1st by 6/29/07 and 2nd installment by 12/30/07.
Dividend	04/26/2007	AGM	2,943786152	2,943786152	715,7		- Payment in two installments: 1st by 6/29/07 .and 2nd installment by 12/30/07
Dividend	04/26/2007	AGM	2,044198824	2,044198824	497		- Payment in two installments: 1st by 6/29/07 and 2nd installment by 12/30/07.

**Meeting of the Board of Directors**

Subject	Date
401a Board of Directors Meeting date	01/09/2007
Submission of Public Announcement of EGS to the São Paulo Stock Exchange	01/09/2007
Submission of the minutes of the EGS to the São Paulo Stock Exchange	01/17/2007

Agenda

Constitution of the Executive Board, as from January 9, 2007:

- |   |                                  |
|---|----------------------------------|
| 1. Director-President and Director Vice-President:    | Djalma Bastos de Morais;         |
| 2. Chief Generation and Transmission Officer:         | Fernando Henrique Shuffner Neto  |
| 3. Chief Planning, Projects and Construction Officer: | José Carlos de Mattos            |
| 4. Chief Distribution and Sales Officer:              | José Maria de Macedo             |
| 5. Chief Financial and Investor Relations Officer:    | Luiz Fernando Rolla              |
| 6. Chief Corporate Management Officer:                | Marco Antonio Rodrigues da Cunha |

The members of the Board requested the Executive Officers to begin the formal process for creation of a Sales Manager's Department to be headed by Mr. Bernardo Afonso Salomão de Alvarenga.

**Meeting of the Board of Directors**

Subject	Date
402a Board of Directors Meeting date	01/23/2007
Submission of Public Announcement of EGS to the São Paulo Stock Exchange	01/23/2007
Submission of the minutes of the EGS to the São Paulo Stock Exchange	03/28/2007

Agenda

1. Signing of a technical scientific operational agreement with the Minas Gerais State Council for Children's and Adolescent's Rights for passthrough to that Council of an amount arising from the donations to the Infancy and Adolescence Funds (FIAs), by the employees of Cemig, Cemig D and Cemig GT.
2. Contracting of a stockholders' service.



























Share pr

Net inco

1H 07  
1H 06

382,145  
292,650





Ebitda

A CVA regulatory asset in Purchase and sale of electricity higher than the amount previously posted, with a positive impact of R\$ 30,793, of which R\$ 29,245 was generated in the business year 2006.

A reduction of revenue by R\$ 30,919, resulting from review of the values of annual permitted revenue linked to the new transmission facilities.

Reversal of a provision for contingencies, in Light, in the amount of R\$ 40,750, relating to the increase in the rate of Cofins tax from 2% to 3%, as a result of expiry of the demandability of the tax.





Revenue from  
supply of  
electricity

an  
increase of  
R\$ 1,064.562  
in gross  
revenue due  
to  
consolidation  
of Rio Minas  
Energia  
Participações  
S.A. RME,  
this  
consolidating  
began in the  
third quarter  
of 2006.

A  
tariff  
adjustment in  
Cemig  
Distribuição,  
with average  
impact on  
consumer  
tariffs of  
7.05%, from  
April 8, 2006  
(full effect in  
2007); and

A  
tariff  
adjustment  
averaging  
5.16% on  
consumer  
tariffs,  
starting from  
April 8, 2007;  
and













































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+55-31-3506-50











































































































































































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.

COMPANHIA ENERGETICA DE MINAS  
GERAIS CEMIG

By: /s/ Luiz Fernando Rolla  
Name: Luiz Fernando Rolla  
Title: Chief Financial Officer and Investor  
Relations Officer

Date: August 23, 2007

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