CBS CORP
Form DEF 14A
April 13, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.

Filed by the Registrant x

Filed by a Party other than the Registrant O

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

CBS Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to

Exchange Act Rule 0-11 (set forth the amount on which the filing fee is

calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 13, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of CBS Corporation, which will be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York at 10:30 a.m., Eastern Daylight Time, on Wednesday, May 23, 2007. Holders of CBS Corporation Class A Common Stock are being asked to vote on the matters listed in the attached Notice of 2007 Annual Meeting of Stockholders.

If you hold shares of the Company s Class A Common Stock, please complete, sign, date and return the enclosed proxy card promptly to ensure that your shares will be voted at the Annual Meeting. Alternatively, you may vote by telephone or the Internet by following the instructions on the enclosed proxy card, or if you attend the Annual Meeting, you may vote your shares in person.

National Amusements, Inc., which as of March 30, 2007 beneficially owned shares of the Company's Class A Common Stock representing approximately 76% of the voting power of CBS Corporation's common stock, has advised CBS Corporation that it intends to vote all of its shares of the Company's Class A Common Stock in favor of each of the matters listed in Items 1 and 2 in the attached notice. Therefore, approval of those matters is assured

If you plan to attend the Annual Meeting and are a registered holder of the Company s Class A Common Stock, you will need to mark the appropriate box on the enclosed proxy card, or so indicate when you vote by telephone or the Internet, and an admission ticket will be sent to you. If you are a registered holder of the Company s Class B Common Stock or you hold shares of the Company s Class B Common Stock in a brokerage account and you plan to attend the Annual Meeting, you will need to obtain an admission ticket in advance by sending a written request along with proof of ownership, such as your brokerage firm account statement, to Manager, Shareholder Relations, CBS Corporation, 51 West 52nd Street, New York, NY 10019.

If you would like to register to receive the materials relating to the Annual Meeting electronically next year instead of by mail, please go to www.icsdelivery.com/cbs and follow the instructions to enroll. We highly recommend that you consider electronic delivery of these documents as it helps to lower the Company s costs and reduce the amount of paper mailed to your home.

We appreciate your interest in and support of CBS Corporation and look forward to seeing you at the Annual Meeting.

SUMNER M. REDSTONE

Executive Chairman and Founder

LESLIE MOONVES

President and Chief Executive Officer

CBS CORPORATION

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

To CBS Corporation Stockholders:

The 2007 Annual Meeting of Stockholders of CBS Corporation (the Company) will be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York at 10:30 a.m., Eastern Daylight Time, on Wednesday, May 23, 2007. The principal business of the meeting will be the consideration of the following matters:

- 1. The election of 14 directors;
- 2. The ratification of the appointment of PricewaterhouseCoopers LLP to serve as the Company s independent registered public accounting firm for fiscal year 2007; and
- 3. Such other business as may properly come before the Annual Meeting or any adjournment of the Meeting.

The close of business on March 30, 2007 has been fixed as the record date for determining the holders of shares of CBS Corporation Class A Common Stock entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. For a period of at least ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be open to the examination of any stockholder during ordinary business hours at the Company s corporate headquarters located at 51 West 52nd Street, New York, New York 10019.

By order of the Board of Directors,

ANGELINE C. STRAKA Secretary

April 13, 2007

TABLE OF CONTENTS

| | Page |
|--|------|
| VOTING AND SOLICITATION OF PROXIES | 1 |
| CORPORATE GOVERNANCE | 4 |
| CBS CORPORATION S BOARD OF DIRECTORS | 7 |
| <u>Director Independence</u> | 7 |
| Board Committees | 9 |
| SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT | 13 |
| SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE | 15 |
| RELATED PERSON TRANSACTIONS | 16 |
| ITEM 1 ELECTION OF DIRECTORS | 18 |
| DIRECTOR COMPENSATION | 23 |
| Outside Director Compensation During 2006 | 23 |
| Description of Outside Director Compensation | 25 |
| ITEM 2 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING | |
| <u>FIRM</u> | 28 |
| REPORT OF THE AUDIT COMMITTEE | 29 |
| SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND FEES PAID | 31 |
| COMPENSATION DISCUSSION AND ANALYSIS | 32 |
| COMPENSATION COMMITTEE REPORT | 39 |
| EXECUTIVE COMPENSATION | 41 |
| Summary Compensation Table for Fiscal Year 2006 | 41 |
| Grants of Plan-Based Awards During 2006 | 47 |
| Outstanding Equity Awards at Fiscal Year-End 2006 | 49 |
| Option Exercises and Stock Vested During 2006 | 50 |
| Pension Benefits in 2006 | 51 |
| Non-qualified Deferred Compensation in 2006 | 55 |
| Potential Payments Upon Termination | 58 |
| EQUITY COMPENSATION PLAN INFORMATION | 62 |
| ADDITIONAL INFORMATION | 64 |
| OTHER MATTERS | 64 |
| 2008 ANNUAL MEETING OF STOCKHOLDERS | 64 |

| CBS CORPORATION | |
|-----------------------------------|--|
| 2007 PROXY STATEMENT | |
| | |
| OTING AND SOLICITATION OF PROXIES | |

Solicitation of Proxies

A proxy is being solicited by the Board of Directors of CBS Corporation, a Delaware corporation (CBS Corporation or the Company), for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 23, 2007 at 10:30 a.m., Eastern Daylight Time. The close of business on March 30, 2007 is the record date for determining the holders of the Company s Class A Common Stock, par value \$0.001 per share, entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. Holders of the Company s Class A Common Stock will receive a proxy card or voting instruction card to vote their shares. Holders of the Company s non-voting Class B Common Stock, par value \$0.001 per share, will receive this proxy statement but are not entitled to vote at the Annual Meeting or any adjournment thereof.

As of March 30, 2007, the Company had outstanding 61,220,639 shares of its Class A Common Stock, each of such shares being entitled to one vote, and 678,005,170 shares of its Class B Common Stock (together with the Company s Class A Common Stock, the Common Stock). The Company intends to commence its distribution of this proxy statement and related materials on or about April 17, 2007.

Submission of Proxies

The persons named in the proxy card (the proxy holders) have been designated by the Company s Board of Directors to vote the shares represented by proxy at the Annual Meeting. The proxy holders are officers of the Company. They will vote the shares represented by each valid and timely received proxy in accordance with the holder s instructions, or if no instructions are specified, the shares represented by the proxy will be voted in accordance with the recommendations of the Board of Directors as described in this proxy statement. If any other matter properly comes before the Annual Meeting, the proxy holders will vote on that matter in their discretion.

Holders of the Company s Class A Common Stock may submit a proxy in the following ways:

- Complete, sign and date the proxy card or voting instruction card and return it in the envelope provided so that it is received prior to the Annual Meeting; or
- By telephone or the Internet by following the instructions on the proxy card or voting instruction card. Your telephone or Internet proxy must be received no later than 11:59 p.m., Eastern Daylight Time, on May 22, 2007.

Shares Held in 401(k) Plans. Voting instructions relating to shares of the Company s Class A Common Stock held in the Company s 401(k) plans must be received no later than 11:59 p.m., Eastern Daylight Time, on May 21, 2007, so that the trustee of the plans (who votes the shares on behalf of plan participants) has adequate time to tabulate the voting instructions. Shares held in 401(k) plans that are not voted or for which the trustee does not receive timely voting instructions will be voted by the trustee in the same proportion as the shares held in the respective plan that are timely voted.

Voting Other than by Proxy. While the Company encourages holders of its Class A Common Stock to vote by proxy, holders of the Company s Class A Common Stock (other than shares held in a 401(k) plan) also have the option of voting their shares in person at the Annual Meeting.

Revocation of Proxies

A proxy may be revoked before the voting deadline by sending written notice to Angeline C. Straka, Secretary, CBS Corporation, 51 West 52nd Street, New York, NY 10019, or by submission (including telephonic or Internet submission) of a proxy bearing a later date than the proxy being revoked to ADP Proxy Services, P.O. Box 9163, Farmingdale, NY 11735. Revocations made by telephone or the Internet must be received by 11:59 p.m., Eastern Daylight Time, on May 22, 2007. A holder may also revoke a proxy by voting in person at the Annual Meeting.

Shares Held in 401(k) Plans. Voting instructions relating to shares of the Company s Class A Common Stock held in the Company s 401(k) plans may be revoked prior to 11:59 p.m., Eastern Daylight Time, on May 21, 2007 by sending written notice to Angeline C. Straka, Secretary, CBS Corporation, 51 West 52nd Street, New York, NY 10019, or by submission (including telephonic or Internet submission) of voting instructions bearing a later date than the voting instructions being revoked to ADP Proxy Services, P.O. Box 9163, Farmingdale, NY 11735.

Quorum

Under the Company s Amended and Restated Bylaws, the holders of a majority of the aggregate voting power of the Company s Class A Common Stock outstanding on the record date, present in person or represented by proxy at the Annual Meeting, shall constitute a quorum. Abstentions and broker non-votes will be treated as present for purposes of determining the presence of a quorum.

Matters to Be Considered at the Annual Meeting

The Board of Directors recommends a vote FOR each of the following matters:

- 1. The election of each of the 14 nominated directors; and
- 2. The ratification of the appointment of PricewaterhouseCoopers LLP to serve as the Company s independent registered public accounting firm (independent auditor) for fiscal year 2007.

The affirmative vote of the holders of a majority of the aggregate voting power of the Company s Class A Common Stock present in person or represented by proxy at the Annual Meeting is required to approve each of the matters set forth above. A broker non-vote (as described below) will have no effect on such matters. An abstention with respect to any matter will have the effect of a vote against such matter.

Some beneficial holders of the Company s Class A Common Stock hold their shares in street name through a broker or other nominee. Under the rules of the New York Stock Exchange (NYSE), the broker or nominee may not be permitted to exercise voting discretion with respect to some matters to be acted upon at stockholders meetings. Therefore, if a beneficial holder does not give the broker or nominee specific voting instructions, the holder s shares may not be voted on those matters and a broker non-vote will occur. Under the rules of the NYSE, brokers or nominees may vote on the matters listed as Items 1 and 2 above if they do not receive instructions from the beneficial owner of the shares held in street name.

As of March 30, 2007, National Amusements, Inc. (National Amusements) beneficially owned through its wholly owned subsidiary, NAIRI, Inc. (NAIRI), approximately 76% of the Company s outstanding Class A Common Stock and approximately 12% of the Company s outstanding Class A Common Stock and Class B Common Stock on a combined basis. Sumner M. Redstone, the controlling stockholder of National Amusements, is Executive Chairman and Founder of the Company. National Amusements has advised the Company that it intends to vote all of its shares of the Company s Class A

Common Stock in favor of each of the matters listed as Items 1 and 2 above. Such action by National Amusements will be sufficient to constitute a quorum and to approve each of the matters.

Cost of Proxy Solicitation and Inspector of Election

The Company will pay the cost of the solicitation of proxies, including the preparation, printing and mailing of this proxy statement and the related materials. The Company will furnish copies of these materials to banks, brokers, fiduciaries and custodians that hold shares on behalf of beneficial owners so that they may forward the materials to the beneficial owners. The Company has retained IVS Associates, Inc. to tabulate the votes and serve as the independent inspector of election for the Annual Meeting.

Mailing Address

The Company s mailing address is 51 West 52nd Street, New York, NY 10019.

CORPORATE GOVERNANCE

CBS Corporation s corporate governance practices are established and monitored by its Board of Directors (the Board). The Board, with assistance from its Nominating and Governance Committee, regularly assesses CBS Corporation s governance practices in light of legal requirements and governance best practices. In several areas, CBS Corporation s practices go beyond the requirements of the NYSE corporate governance listing standards (the NYSE listing standards). For example, despite being a controlled company (which is a company of which more than 50% of the voting power is held by an individual or another company), CBS Corporation has a majority of independent directors on its Board and has an independent Compensation Committee and an independent Nominating and Governance Committee, none of which is required for controlled companies under the NYSE listing standards.

CBS Corporation s principal governance documents are as follows:

- Corporate Governance Guidelines
- Board Committee Charters:
- Audit Committee Charter
- o Compensation Committee Charter
- Nominating and Governance Committee Charter
- Business Conduct Statement
- Supplemental Code of Ethics for Senior Financial Officers

These documents are available on the Company s website at www.cbscorporation.com, and copies of these documents may also be requested by writing to Investor Relations, CBS Corporation, 51 West 52nd Street, New York, NY 10019. The Company encourages its stockholders to read these documents, as we believe they illustrate CBS Corporation s commitment to good governance practices. Certain key provisions of these documents are summarized below.

Corporate Governance Guidelines

CBS Corporation s Corporate Governance Guidelines (the Guidelines) set forth the Company s corporate governance principles and practices on a variety of topics, including the responsibilities, composition and functioning of the Board, director qualifications, and the roles of the Board Committees. The Guidelines are periodically reviewed and updated as needed. The Guidelines provide, among other things, that:

- A majority of the members of the Board of Directors must be independent as determined under the NYSE listing standards and the standards set forth in the Guidelines:
- All of the members of the Audit, Compensation, and Nominating and Governance Committees must be independent;
- Separate executive sessions of the non-management directors and independent directors be held a minimum number of times each year;
- The Board, acting on the recommendation of the Nominating and Governance Committee, shall determine whether a director candidate s service on more than three other public company boards of directors is consistent with service on the Board;
- Director compensation will be established in light of the policies set forth in the Guidelines, and directors are expected to meet stock ownership guidelines;

- The non-management directors play an active role in succession planning, including the evaluation of the Executive Chairman and the Chief Executive Officer; and
- The Board will hold an annual self-evaluation to assess its effectiveness.

Board Committee Charters

Each Board Committee operates under a written charter that has been adopted by the Board. The Company has three standing Committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Committee charters set forth the purpose, objectives and responsibilities of each Committee and discuss matters such as Committee membership requirements, number of meetings and the setting of meeting agendas. The charters are assessed at least every other year, or more frequently as the applicable Committee may determine, and are updated as needed. More information on the Committees, their respective roles and responsibilities and their charters can be found under CBS Corporation s Board of Directors Board Committees.

Business Conduct Statement

The Company s Business Conduct Statement (BCS) sets forth the Company s standards for ethical conduct that are expected of all directors and employees of the Company and its subsidiaries. The BCS is available on the Company s website at www.cbscorporation.com and has also been distributed to the Company s directors and employees worldwide. As part of the Company s compliance and ethics program, directors and employees are required to certify as to compliance with the BCS and must disclose any potential conflicts of interest on an ongoing basis. The Company has also implemented an online training program on the BCS. The BCS addresses, among other things, topics such as:

- Compliance with laws, rules and regulations, including the Foreign Corrupt Practices Act;
- Conflicts of interest, including the disclosure of potential conflicts to the Company;
- Confidentiality, insider information and trading, and fair disclosure;
- Financial accounting and improper payments;
- CBS Corporation s commitment to being an equal opportunity employer and to providing a bias-free and harassment-free workplace environment;
- Fair dealing and relations with competitors, customers and suppliers;
- Health, safety and the environment; and
- Political contributions and payments.

The BCS also provides numerous avenues for employees to report violations of the BCS or any matters of concern anonymously or with attribution to the appropriate officers of the Company and/or the Audit Committee. These avenues include telephone hotlines (in the United States and for international locations), email contacts, or direct communication with the Company s Compliance Officers. The BCS makes clear that retaliation against an employee for a report made in good faith will not be tolerated.

Waivers of the BCS for the Company s executive officers or directors will be disclosed on the Company s website <u>at www.cbscorporation.c</u>om or by Form 8-K filed with the Securities and Exchange Commission (SEC).

Supplemental Code of Ethics for Senior Financial Officers

The Supplemental Code of Ethics is applicable to the Company s Executive Chairman, President and Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Supplemental Code of Ethics, which is available on the Company s website at www.cbscorporation.com, addresses matters specific to those senior financial positions in the Company, including responsibility for the disclosures made in CBS Corporation s filings with the SEC, reporting obligations with respect to certain matters and a general obligation to promote honest and ethical conduct within the Company. The senior financial officers are also required to comply with the BCS. Amendments to or waivers of the Supplemental Code of Ethics for these officers will be disclosed on the Company s website at www.cbscorporation.com or by Form 8-K filed with the SEC. Other than the waiver of conflict of interest in connection with the Company s agreement with National Amusements and NAIRI under which they participate in the Company s \$8.0 billion stock purchase program (see Related Person Transactions for more information), no waivers of the BCS or Supplemental Code of Ethics for Senior Financial Officers have been granted. The National Amusements/NAIRI waiver is posted on the Company s website.

CBS CORPORATION S BOARD OF DIRECTORS

The Company s Board of Directors is currently comprised of 13 members: David R. Andelman, Joseph A. Califano, Jr., William S. Cohen, Gary L. Countryman, Charles K. Gifford, Leonard Goldberg, Bruce S. Gordon, Linda M. Griego, Arnold Kopelson, Leslie Moonves, Doug Morris, Shari Redstone and Sumner M. Redstone. All of the current members of the Board, except for Messrs. Countryman, Goldberg, Kopelson and Morris and Ms. Griego, were elected at the Company s 2006 Annual Meeting of Stockholders. Mr. Goldberg was elected in January 2007, and Messrs. Countryman, Kopelson and Morris and Ms. Griego were elected in March 2007.

During 2006, the Board of Directors held 12 meetings and acted by unanimous written consent 2 times. Each incumbent director who was a member of the Board in 2006 attended at least 75% of the meetings of the Board and Committees on which such director served during 2006. In addition to Board and Committee meetings, directors are expected to attend the Annual Meeting, and all but one of the directors standing for election in 2006 were present at the Company s 2006 Annual Meeting of Stockholders.

The non-management directors meet separately, without directors who are Company employees, at regularly scheduled sessions a number of times each year equal to at least 50% of the number of regularly scheduled Board meetings, and at such other times as they deem appropriate. The independent directors meet separately, without those directors who are not independent as determined by the Board, at least two times each year, and at such other times as they deem appropriate. The members of the Nominating and Governance Committee preside at meetings of the non-management directors and independent directors on a rotating basis. During 2006, the non-management directors met 8 times, and the independent directors met 7 times.

Director Independence

The Company s Guidelines provide that a majority of the Company s directors must be independent of the Company, as independence is defined in the NYSE listing standards and in the Guidelines. The NYSE listing standards set forth five bright-line tests that require a finding that a director is not independent if the director fails any of the tests. In addition, the NYSE listing standards provide that a director is not independent unless the Board affirmatively determines that the director has no material relationship with the Company. The Guidelines set forth categorical standards to assist the Board in determining what constitutes a material relationship with the Company. Generally under these categorical standards, the following relationships are deemed not to be material:

- The types of relationships identified by the NYSE listing standard s bright-line tests, if they occurred more than five years ago (the Board will review any such relationship if it occurred more than three but less than five years ago);
- A relationship whereby the director has received, or an immediate family member of the director has received for service as an executive officer, less than \$100,000 in direct compensation from the Company during any twelve-month period within the last three years; and
- A relationship where the director is an executive officer or employee, or an immediate family member of the director is an executive officer, of the following:
- o a company that made payments to or received payments from CBS for property or services in an amount that, in any of the last three fiscal years, is less than 1% of such company s annual consolidated gross revenues;

- o a company which is either indebted to or a creditor of the Company in an amount that is less than 1% of such indebted company s total consolidated assets; and
- o a tax-exempt organization that received contributions from the Company in the prior fiscal year in an amount less than the greater of \$500,000 or 1% of that organization s consolidated gross revenues.

For relationships that exceed the thresholds set forth above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who are independent. In addition, the Guidelines state that, generally, the types of relationships not addressed by the NYSE listing standards or described in the Guidelines will not cause an otherwise independent director to be considered not independent. However, the Board may determine that a director is not independent for any reason it deems appropriate.

The full text of the Guidelines is available on the Company s website at www.cbscorporation.com.

In March and April 2007, the Nominating and Governance Committee reviewed the independence of the 14 director nominees standing for election at the Annual Meeting to determine which nominees meet the independence standards outlined above. Based on this review by, and the recommendations of, the Nominating and Governance Committee, the Board determined that 9 of the 14 nominees are independent. The independent director nominees are Messrs. Califano, Cohen, Countryman, Gifford, Goldberg, Gordon, Morris and Frederic V. Salerno and Ms. Griego. Mr. Salerno is not a current director of the Company, but is a nominee for election as a director at the Annual Meeting.

During its review, in determining that the director nominees named above are independent, the Board considered the transactions disclosed under Related Person Transactions and the following types of transactions, relationships or arrangements, all of which the Board determined were immaterial to, and would not impair, each such director s independence:

- With respect to Mr. Califano, the contributions made by the Company and its subsidiaries in each of the previous three fiscal years to a not-for-profit organization of which Mr. Califano is an executive officer were less than the greater of \$500,000 or 1% of that organization s consolidated gross revenues for each such year.
- With respect to Mr. Goldberg and Ms. Griego, the annual purchases made by the Company and its subsidiaries from companies of which each director is an executive officer and/or holds a significant equity interest, and sales by the Company and its subsidiaries to such companies, were less than 1% of the annual consolidated gross revenues of the applicable company during each of the previous three fiscal years.
- With respect to Mr. Morris, the annual purchases made by the Company and its subsidiaries from the company of which he is an executive officer, including its parent and any subsidiary in a consolidated group with such company, and sales by the Company and its subsidiaries to such consolidated group, were less than 1% of the annual consolidated gross revenues of the consolidated group during each of the previous three fiscal years.

Board Committees

The following chart sets forth the current membership of each Board Committee. The Board reviews and determines the membership of the Committees at least annually.

| Committee | Members |
|-------------------------------------|--|
| Audit Committee | Charles K. Gifford, Chair* Joseph A. Califano, Jr. Bruce S. Gordon |
| Compensation Committee | Charles K. Gifford, Chair William S. Cohen Bruce S. Gordon |
| Nominating and Governance Committee | Joseph A. Califano, Jr., Chair Charles K. Gifford |

* On March 26, 2007, the Board elected Mr. Countryman to succeed Mr. Gifford as Chair of the Audit Committee, effective May 1, 2007.

During 2006, the Audit Committee held 10 meetings, the Compensation Committee held 13 meetings and the Nominating and Governance Committee held 14 meetings. Information about the Committees, including their respective roles and responsibilities and charters, is set forth below

Audit Committee

The Audit Committee Charter provides that the Audit Committee will be comprised of at least three members and that all of the members on the Committee must be independent directors. Also, the Committee must have at least one audit committee financial expert (as described below) and all Committee members must be financially literate. The Committee holds at least six regular meetings each year, and it regularly meets separately at these meetings with the independent auditor, the Company s General Counsel, its Vice President of Internal Audit and other members of the Company s senior management. The Committee is responsible for the following, among other things:

- The appointment, retention, termination, compensation and oversight of the Company s independent auditor, including reviewing with the independent auditor the scope of the audit plan and audit fees;
- Reviewing the Company s financial statements and related disclosures, including with respect to internal control over financial reporting;
- Oversight of the Company s internal audit function; and
- Oversight of the Company s compliance with legal and regulatory requirements.

For additional information on the Committee s role and its oversight of the independent auditor during 2006, see Report of the Audit Committee.

Audit Committee Financial Experts. The Board of Directors has determined that all of the members of the Audit Committee are financially literate, as that term is interpreted by the Board in its business judgment. In addition, the Board has determined that of the members of the Audit Committee, at least one of the members, Mr. Gifford (Chair), qualifies as an audit committee financial expert, as that term is defined in the regulations promulgated under the Securities Act of 1933, as amended (the Securities Act). The Board has also determined that of the members of the Audit Committee as it will be constituted effective May 1, 2007, at least one of the members, Mr. Countryman (Chair, effective May 1, 2007), qualifies as an audit committee financial expert.

Service on the Audit Committees of Other Public Companies. The Company does not restrict the number of other audit committees on which members of its Audit Committee may serve. Mr. Califano and Mr. Gifford (Chair) do not serve on any other public company audit committee. Mr. Gordon currently serves on one other public company audit committee. The Board has determined that Mr. Salerno will serve on the Audit Committee upon his election as a director at the Annual Meeting. Mr. Salerno currently serves on the audit committees of more than three other public companies. The Board has determined that Mr. Salerno s service on the audit committees of such other companies would not impair his ability to serve effectively on the Company s Audit Committee, particularly given his experience as the former chief financial officer of a major public company and the fact that he is retired from full-time employment.

Compensation Committee

The Compensation Committee Charter provides that the Compensation Committee will be comprised of at least three members, except that the Committee is deemed to be properly constituted with at least two members in the event of a vacancy until the Board fills the vacancy. The Charter also provides that all of the members on the Committee must be independent directors and must be outside directors as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Committee holds at least four regular meetings each year and is responsible for the following, among other things:

- Adopting and periodically reviewing the Company s compensation philosophy, strategy and principles;
- Reviewing and approving the total compensation packages for the Executive Chairman, the Chief Executive Officer, the Company s other executive officers, the operating managers who report directly to the Chief Executive Officer, and other persons among the Company s most highly compensated executives, up to a total of 20 executives (other than Talent (as such term is commonly used in the media or entertainment industries)) (the senior executives); and
- Overseeing the administration of the Company s incentive compensation plans (including the bonus plan for executives subject to Section 162(m)) and its equity compensation plans.

Consideration and Determination of Executive Compensation. The Compensation Committee reviews all components of senior executives—compensation, including base salary, annual and long-term incentives, severance arrangements, previously awarded equity-based grants and retirement benefits. In approving compensation for the senior executives, the Committee reviews the evaluations by the Executive Chairman and the Chief Executive Officer, as appropriate, of the senior executives—respective performances. The Committee reports to the Board on the process for setting compensation for the Executive Chairman and Chief Executive Officer. The role of the Company—s executive officers in determining or recommending the amount or form of executive compensation is more fully described in Compensation Discussion and Analysis.

The Committee has the power to delegate its authority and duties to subcommittees or individuals as it deems appropriate and in accordance with applicable laws and regulations. In 2006, the Committee delegated to the Chief Executive Officer limited authority to grant long-term incentive awards to executives who are not senior executives under the Company s long-term management incentive program, as more fully described in Compensation Discussion and Analysis. The Committee delegated this authority in order for the Company to have the ability to act in a timely manner in a competitive environment in connection with the hiring of new executives or the compensating of an existing executive being given a significant increase in responsibility.

The Compensation Committee is empowered to retain compensation consultants having special competence to assist the Committee in evaluating executive officer and employee compensation. The Committee has the sole authority to retain and terminate such consultants and to review and approve such consultants—fees and other retention terms. The Committee retains an independent compensation consulting firm, Towers Perrin, to advise the Committee in its review of senior executive compensation. In furtherance of this review, the independent consultant examines the compensation practices at companies with which the Company competes for senior executive talent, including those companies engaged in similar business activities and other publicly traded U.S. companies, and provides other analysis, as more fully described in Compensation Discussion and Analysis.

Nominating and Governance Committee

The Nominating and Governance Committee s Charter provides that the Nominating and Governance Committee will be comprised of at least three members, except that the Committee is deemed to be properly constituted with at least two members in the event of a vacancy until the Board fills the vacancy. The Charter also provides that all of the members on the Committee must be independent directors. The Committee holds at least three regular meetings each year and is responsible for the following, among other things:

- Identifying and recommending to the Board nominees for election to the Board and reviewing the composition of the Board as part of this process;
- Overseeing all aspects of the Company s corporate governance initiatives, including regular assessments of its principal governance documents;
- Establishing criteria for the annual self-evaluations of the Board and its Committees;
- Making recommendations to the Board on director compensation matters;
- Monitoring developments in the law and practice of corporate governance; and
- Developing and recommending items for Board meeting agendas.

The members of the Nominating and Governance Committee also chair the executive sessions of non-management and independent directors on a rotating basis.

Consideration and Determination of Director Compensation. The Committee annually reviews and recommends for the Board's consideration the form and amount of compensation for Outside Directors. Outside Directors are directors of the Company who are not employees of the Company or any of its subsidiaries. Only Outside Directors are eligible to receive compensation for serving on the Board as more fully described in Director Compensation.

In accordance with its Charter, the Committee is guided by three principles in its review of Outside Director compensation and benefits: Outside Directors should be fairly compensated for the services they provide to the Company, taking into account, among other things, the size and complexity of the Company s business and compensation and benefits paid to directors of comparable companies; Outside Directors interests should be aligned with the interests of stockholders; and Outside Directors compensation should be easy for stockholders to understand.

The recommendations of the Committee with respect to director compensation are subject to approval by the Board.

2007 Director Nomination Process. In connection with the 2007 director nomination process, the Committee reviewed the current composition of the Board in light of the considerations set forth in its Charter and the Company s Guidelines. The Committee retained a search firm to assist its efforts in identifying potential candidates for membership on the Board. This search firm discussed with the

Committee the desired background and qualifications of candidates for director and matters relating to the composition and size of the Board. In addition, the Committee also considered input received from directors on Board member qualifications and Board composition. After taking these considerations into account, the Committee determined to recommend to the Board that all of the current members of the Board and Mr. Salerno be nominated to stand for election at the Annual Meeting.

Stockholder Recommendations for Director. The Committee will consider candidates for director recommended by the stockholders of the Company. All recommendations by stockholders for potential director candidates, which shall include written materials with respect to the potential candidate, should be sent to Angeline C. Straka, Secretary, CBS Corporation, 51 West 52nd Street, New York, NY 10019. The Company s Guidelines and Nominating and Governance Committee Charter set forth certain criteria for director qualifications and Board composition that stockholders should consider when making a recommendation. These criteria include an expectation that directors have substantial accomplishments in their professional backgrounds, are able to make independent, analytical inquiries, and exhibit practical wisdom and mature judgment. CBS directors should also possess the highest personal and professional ethics, integrity and values and be committed to promoting the long-term interests of CBS Corporation s stockholders. Director candidates recommended by stockholders who meet the director qualifications, which are described more fully in the Company s Guidelines and Nominating and Governance Committee Charter, will be considered by the Chair of the Committee, who will present the information on the candidate to the entire Committee. All director candidates recommended by stockholders will be considered by the Committee in the same manner as any other candidate.

Communications with Directors

Stockholders and other parties interested in contacting CBS Corporation s non-management directors may send an email to: nonmanagementdirectors@cbs.com or write to Non-Management Directors, CBS Corporation, 51 West 52nd Street, 35th Floor, New York, NY 10019. The non-management directors contact information is also available on CBS Corporation s website at www.cbscorporation.com. Non-management directors have approved the process for handling communications received in this manner.

Stockholders should also use the email and mailing address for the non-management directors to send communications to the Board. The process for handling stockholder communications to the Board received in this manner has been approved by the independent directors of the Board. Correspondence relating to accounting or auditing matters will be handled in accordance with procedures established by the Audit Committee for such matters.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth as of February 28, 2007, unless otherwise indicated, information concerning the beneficial ownership of the Company s Class A and Class B Common Stock by (i) each current director and director nominee, (ii) each named executive officer and (iii) the current directors and executive officers of the Company as a group. The information below does not reflect ownership of stock options or restricted share units (RSUs) if such stock options do not become exercisable or such RSUs do not vest within 60 days from February 28, 2007. Each person has sole voting and investment power over the shares reported, except as noted. Also set forth below is information concerning the beneficial ownership by each person, or group of affiliated persons, who is known by the Company to beneficially own 5% or more of the Company s Class A Common Stock. As of February 28, 2007, there were 61,256,839 shares of the Company s Class A Common Stock outstanding and 724,184,939 shares of the Company s Class B Common Stock outstanding.

| | Beneficial Ownership of Equity Securities | | | | | | | | |
|-------------------------|---|------------------|--------------|---------------------|--|--|--|--|--|
| Name | Title of Security | Number of Shares | | Percent of Class | | | | | |
| David R. Andelman | Class A Common | 4,314 | (1) | * | | | | | |
| | Class B Common | 42,883 | (1)(2) | * | | | | | |
| Louis J. Briskman | Class A Common | 0 | | * | | | | | |
| | Class B Common | 308,656 | (2)(3)(4) | * | | | | | |
| Joseph A. Califano, Jr. | Class A Common | 2,202 | (1) | * | | | | | |
| | Class B Common | 32,243 | (1)(2)(3) | * | | | | | |
| William S. Cohen | Class A Common | 3,558 | (1) | * | | | | | |
| | Class B Common | 30,662 | (1)(2) | * | | | | | |
| Gary L. Countryman (5) | Class A Common | 0 | | * | | | | | |
| | Class B Common | 0 | | * | | | | | |
| Charles K. Gifford | Class A Common | 0 | | * | | | | | |
| | Class B Common | 20,586 | (2) | * | | | | | |
| Leonard Goldberg | Class A Common | 0 | | * | | | | | |
| | Class B Common | 5,000 | (3) | * | | | | | |
| Bruce S. Gordon | Class A Common | 0 | | * | | | | | |
| | Class B Common | 20,079 | (2) | * | | | | | |
| Susan C. Gordon | Class A Common | 377 | (4) | * | | | | | |
| | Class B Common | 80,052 | (2)(4) | * | | | | | |
| Linda M. Griego (5) | Class A Common | 0 | | * | | | | | |
| | Class B Common | 0 | | * | | | | | |
| Arnold Kopelson (5) | Class A Common | 0 | | * | | | | | |
| | Class B Common | 0 | | * | | | | | |
| Leslie Moonves | Class A Common | 0 | | * | | | | | |
| | Class B Common | 1,499,193 | (2)(3)(4) | * | | | | | |
| Doug Morris (5) | Class A Common | 0 | | * | | | | | |
| | Class B Common | 0 | | * | | | | | |
| Shari Redstone | Class A Common | 2,244 | (1)(6) | * | | | | | |
| | Class B Common | 12,486 | (1)(2)(3)(6) | * | | | | | |
| 13 | | | | | | | | | |

| Sumner M. Redstone | Class A Common | 46,829,454 | (7) | 76.4 % |
|---|----------------|------------|--------------|--------|
| | Class B Common | 42,689,119 | (2)(4)(7) | 5.9 % |
| Fredric G. Reynolds | Class A Common | 0 | | * |
| | Class B Common | 162,326 | (3)(4) | * |
| Frederic V. Salerno (5) | Class A Common | 7,918 | (1) | * |
| | Class B Common | 13,134 | (1) | * |
| Current directors and executive officers as a group, | Class A Common | 12,695 | (1)(4) | * |
| other than the interests of Mr. Redstone (23 persons) | Class B Common | 2,915,385 | (1)(3)(4)(8) | * |
| NAIRI, Inc./National Amusements, Inc. | | | | |
| 200 Elm Street | Class A Common | 46,829,414 | (9) | 76.4 % |
| Dedham, MA 02026 | Class B Common | 39,809,527 | (9) | 5.5 % |
| Mario J. Gabelli (10) | Class A Common | 4,844,623 | | 7.9 % |
| Gabelli Asset Management Inc. | | | | |
| One Corporate Center | | | | |
| Rye, NY 10580-1435 | | | | |

^{*} Represents less than 1% of the outstanding shares of the class.

- Includes (a) the following Company Class A Common Stock phantom units and Class B Common Stock phantom units credited pursuant to the Company s deferred compensation plans for outside directors: Andelman, 4,314 Class A and 4,334 Class B; Califano, 2,202 Class A and 2,215 Class B; Cohen, 3,558 Class A and 3,573 Class B; Shari Redstone, 2,244 Class A and 2,248 Class B; and Salerno, 7,918 Class A and 7,946 Class B (these amounts were deferred prior to the Separation (as defined in Related Person Transactions) and are held in an account in Mr. Salerno s name at Viacom Inc.); and (b) the following shares of the Company s Class B Common Stock underlying vested RSUs on which settlement has been deferred: Andelman, 4,170; Califano, 4,170; Cohen, 4,170; Gifford, 2,155; and Shari Redstone, 2,155. Pursuant to the governing plans, the phantom common stock units are payable in cash and the RSUs are payable in shares of the Company s Class B Common Stock following termination of service as a director.
- Includes the following shares of the Company s Class B Common Stock which the indicated executive officer or director had the right to acquire within 60 days from February 28, 2007, through the exercise of stock options: Andelman, 34,379; Briskman, 262,519; Califano, 22,919; Cohen, 22,919; Gifford, 14,431; Bruce Gordon, 17,924; Susan Gordon, 17,828; Moonves, 532,233; Shari Redstone, 6,583; and Sumner Redstone, 2,276,186.
- Includes the following number of shares of the Company s Class B Common Stock (a) owned by family members but as to which the indicated director or executive officer disclaims beneficial ownership: Califano, 927; Moonves, 1,617; and Reynolds, 982; (b) held in a family partnership: Briskman, 2,784, as to which he disclaims beneficial ownership to the extent that he has no pecuniary interest; and (c) owned by a trust, as to which the indicated director has shared voting and investment power: Goldberg, 5,000 and Shari Redstone, 1,500.
- (4) Includes shares held through the CBS 401(k) Plan.

- (5) Information (a) for Messrs. Countryman, Kopelson and Morris and Ms. Griego is as of March 27, 2007, the effective date of their election to the CBS Board of Directors; and (b) for Mr. Salerno is as of April 11, 2007.
- (6) Ms. Redstone is a stockholder of National Amusements and has a significant indirect beneficial interest in the Company shares owned by National Amusements.
- (7) Except for 40 shares of the Company s Class A Common Stock owned directly by Mr. Redstone, all shares of the Company s Class A Common Stock are owned beneficially by National Amusements.

Except for 603,188 shares of the Company s Class B Common Stock and 2,276,186 stock options to purchase shares of the Company s Class B Common Stock (also described in footnote (2) above) owned directly by Mr. Redstone, 118 shares of the Company s Class B Common Stock held by Mr. Redstone through the CBS 401(k) Plan, and 100 shares of the Company s Class B Common Stock held by Mr. Redstone s spouse, all shares of the Company s Class B Common Stock are owned beneficially by National Amusements. Mr. Redstone can be reached at the address set forth on the above table for National Amusements.

- (8) Includes 1,482,696 shares of the Company s Class B Common Stock which the current directors and executive officers as a group other than Mr. Redstone, had the right to acquire within 60 days from February 28, 2007, through the exercise of stock options.
- (9) Mr. Redstone is the beneficial owner of the controlling interest in National Amusements and, accordingly, beneficially owns all such shares. NAIRI is a wholly owned subsidiary of National Amusements.
- This information is based on a Schedule 13D dated January 3, 2006 and filed with the SEC by Gamco Investors, Inc. et al. on January 13, 2006. The Schedule 13D reported that the Gabelli entities collectively owned 7.3% of the Company s Class A Common Stock as of January 3, 2006. The Schedule 13D reported that the Gabelli entities have investment discretion and/or voting power with respect to substantially all of such shares. There have been no filings with respect to these shares since January 2006.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company s executive officers and directors, and persons who own more than 10% of a registered class of the Company s equity securities, to file reports of ownership and changes in ownership with the SEC and the NYSE and to furnish the Company with copies of all Section 16(a) forms they file. Based upon the Company s compliance program, a review of the forms furnished to the Company and written representations, the Company believes that during 2006 its executive officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements.

RELATED PERSON TRANSACTIONS

Agreements Related to Viacom Inc.

The separation of former Viacom Inc. (Former Viacom) into two publicly traded companies, CBS Corporation and new Viacom Inc. (Viacom), was completed on December 31, 2005 (the Separation). National Amusements, the Company's controlling stockholder, is also the controlling stockholder of Viacom. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of National Amusements, serves as the Executive Chairman of the Board of Directors for both the Company and Viacom. In connection with the Separation, CBS Corporation and Viacom entered into various agreements, including a separation agreement, a tax matters agreement and a transition services agreement. In accordance with the terms of the separation agreement, Viacom paid to the Company an estimated special dividend of \$5.4 billion in December 2005. Pursuant to the provisions of the separation agreement, the estimated special dividend was subject to adjustment. During 2006, Viacom paid to the Company the net undisputed adjustment to the special dividend of \$172 million plus net interest of \$3.1 million. In January 2007, the Company and Viacom resolved the remaining disputed items with respect to the special dividend, and Viacom paid to the Company an additional \$170 million, resulting in an aggregate adjustment to the special dividend of \$342 million.

During 2006, the Company, through its normal course of business, was involved in transactions with companies owned by Viacom. The Company, through its Television segment, licenses it television products to Viacom, primarily MTV Networks and Black Entertainment Television. In addition, the Company recognizes advertising revenues for media spending placed by various subsidiaries of Viacom, primarily Paramount Pictures. Paramount Pictures also distributes certain of the Company s television products in the home entertainment market. Simon & Schuster is also involved in certain nonmaterial transactions with Viacom. The Company s total revenues from these transactions were \$222.8 million for the year ended December 31, 2006. In addition, the Company, through Showtime Networks and CBS Television, purchases motion picture programming from Viacom, primarily Paramount Pictures, and places advertisements with various subsidiaries of Viacom. The total purchases from these transactions were \$198.7 million for the year ended December 31, 2006. As of December 31, 2006, Viacom owed the Company approximately \$447.9 million, and the Company owed Viacom approximately \$72.0 million in connection with the Company s various normal course of business transactions with Viacom.

The Company believes that the terms of all such transactions were no more or less favorable to the Company and its businesses than they would have obtained from unrelated parties. The Company expects for the foreseeable future to continue to have transactions with Viacom.

Other Related Person Transactions

On October 28, 2004, the Company entered into an agreement (the NAIRI Agreement) with National Amusements and NAIRI pursuant to which the Company agreed to buy, and National Amusements and NAIRI agreed to sell, a number of shares of the Company s Class B Common Stock each month such that the ownership percentage of the Company s Class A Common Stock and Class B Common Stock (considered as a single class) held by National Amusements and/or NAIRI would not increase as a result of purchases of shares of the Company s Common Stock under its \$8.0 billion stock purchase program announced in October 2004. In 2006, the Company did not make any purchases under this program, and the Company has made no purchases under this program in 2007 to date. A copy of the NAIRI Agreement was filed with the SEC as Exhibit 10(a) to the Company s Quarterly Report on Form 10-Q for the period ended September 30, 2004.

Mr. Redstone is the indirect beneficial owner of approximately 10.7% of the common stock of WMS Industries Inc. (WMS) as of April 5, 2007, according to a Schedule 13D filed with the SEC on April 6, 2007, of which 9.5% is held directly by National Amusements. A subsidiary of the Company licensed to WMS the right to use certain brands for slot machines that WMS produces. In 2006, WMS paid the Company s subsidiary an aggregate of approximately \$935,600 in connection with these agreements.

The Company believes that the terms of the licensing arrangements were no more or less favorable to its subsidiary than it would have obtained from unrelated parties. The Company may continue to enter into licensing agreements with WMS in the future.

The National Center on Alcohol and Substance Abuse at Columbia University (CASA), of which Mr. Califano is Chairman and President, sponsors an annual Family Day event, the purpose of which is to encourage families to eat dinner together. In 2006, certain divisions of the Company supported the cause by airing public service announcements (PSAs) that promote Family Day. It is anticipated that divisions of the Company will from time to time promote Family Day. In addition, in 2006, the Company made a contribution of \$50,000 to CASA in connection with its \$250,000 commitment to CASA, payable in equal installments over five years, commencing with this 2006 contribution.

Julie Chen, the wife of Mr. Moonves, is an anchor on CBS Networks *The Early Show* and the host of the CBS Network show *Big Brother*. Ms. Chen s compensation is comparable to talent in similar positions at the CBS Network, and the Company believes it is comparable to entertainment talent in such positions generally.

Amy Salerno, a daughter of Mr. Salerno who is a nominee for election as a director at the Company s 2007 Annual Meeting, is an employee in the Business Development department of Showtime Networks Inc., a subsidiary of the Company. Ms. Salerno has been an employee of Showtime Networks for approximately 7 years. She is not an executive officer of the Company or of Showtime. In 2006, she earned approximately \$131,000 in compensation. Her compensation is comparable to other Showtime employees at a similar level.

In November 1995, the Company entered into an agreement with Gabelli Asset Management Company (GAMCO) pursuant to which GAMCO manages certain assets for qualified U.S. pension plans sponsored by the Company. In 2006, the Company paid GAMCO approximately \$268,461 for such investment management services. The Company believes that the terms of the agreement with GAMCO are no more or less favorable to the Company than it could have obtained from unrelated parties. Entities that are affiliated with GAMCO collectively own 4,844,623 shares of the Company s Class A Common Stock, according to a Schedule 13D filed with the SEC on January 13, 2006 by such entities, the most recent filing available, which, as of February 28, 2007, represents approximately 7.9% of the outstanding shares of the class.

Review, Approval or Ratification of Transactions with Related Persons

The Board of Directors adopted a written policy whereby the Nominating and Governance Committee reviews and approves, ratifies or takes other actions it deems appropriate with respect to a related person transaction that, under the rules of the SEC, is required to be disclosed in the Company s proxy statement. In its review, the Committee considers the related person s interest in the transaction; the material terms of the transaction, including the dollar amount involved; the importance of the transaction to the related person and the Company; whether the transaction would impair the judgment of the related person; and any other information the Committee deems appropriate.

Any member of the Committee who is a related person with respect to a transaction under review may not participate in the review or vote respecting the transaction; however, that person may be counted in determining the presence of a quorum at a meeting of the Committee that considers the transaction.

Under the policy, the Company s legal staff is primarily responsible for determining whether a related person a director, executive officer or holder of greater than 5% of the Company s voting stock has a direct or indirect material interest in a transaction with the Company that is required to be disclosed. The determination will be made after a review of information obtained from the related person and information available from the Company s records. The staff is responsible for establishing and maintaining policies and procedures to obtain relevant information to allow it to make the determination.

ITEM 1 ELECTION OF DIRECTORS

The election of 14 directors is proposed by the Board of Directors, each director to hold office, in accordance with the Company s Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, for a term of one year and until his or her successor is duly elected and qualified. The Company s Board of Directors proposes for election: David R. Andelman, Joseph A. Califano, Jr., William S. Cohen, Gary L. Countryman, Charles K. Gifford, Leonard Goldberg, Bruce S. Gordon, Linda M. Griego, Arnold Kopelson, Leslie Moonves, Doug Morris, Shari Redstone, Sumner M. Redstone and Frederic V. Salerno. All of the nominees are current members of the Company s Board of Directors, except for Mr. Salerno. All of the current members of the Board, except for Messrs. Countryman, Goldberg, Kopelson and Morris and Ms. Griego, were elected at the Company s 2006 Annual Meeting of Stockholders. Mr. Goldberg was elected in January 2007, and Messrs. Countryman, Kopelson and Morris and Ms. Griego were elected in March 2007. Mr. Salerno is not a current director of the Company, but is a nominee for election as a director at the Annual Meeting.

In accordance with the Board's recommendation, the proxy holders will vote the shares of the Company's Class A Common Stock covered by the respective proxies for the election of each of the 14 director nominees set forth below, unless the stockholder gives instructions to the contrary. If, for any reason, any of the director nominees become unavailable for election, the proxy holders may exercise discretion to vote for substitute nominees proposed by the Board. Each of the director nominees has indicated that he or she will be able to serve if elected and has agreed to do so.

Information about each director nominee is set forth below, including the director s business experience, tenure on the Company s Board, independence status as determined by the Board in accordance with the standards discussed under CBS Corporation s Board of Directors Director Independence, and service on the boards of directors of other publicly traded companies and investment companies.

David R. Andelman

Age 67

Director since 2000

Joseph A. Califano, Jr.

Age 75

Director since 2003

Mr. Andelman is an attorney associated with the law firm of Lourie & Cutler, P.C. in Boston, Massachusetts since 1964. Mr. Andelman also serves as a director and treasurer of Lourie & Cutler. He is also a director of National Amusements.

Mr. Califano is Chairman of the Board and President of The National Center on Addiction and Substance Abuse at Columbia University, a position he has held since 1992.

Mr. Califano has served as Adjunct Professor of Public Health at Columbia University s Medical School and School of Public Health since 1992 and is a member of the Institute of Medicine of the National Academy of Sciences. He was senior partner of the Washington, D.C. office of the law firm Dewey Ballantine from 1983 to 1992. Mr. Califano served as the United States Secretary of Health, Education and Welfare from 1977 to 1979, and he served as President Lyndon B. Johnson s Assistant for Domestic Affairs from 1965 to 1969. He is the author of 11 books. Mr. Califano is also a director of Midway Games Inc. and Willis Group Holdings Limited.

William S. Cohen

Age 66

Director since 2003

Gary L. Countryman

Age 67

Director since March 2007

Charles K. Gifford

Age 64

Director since 2006

Leonard Goldberg

Age 73

Director since January 2007

Mr. Cohen has been Chairman and Chief Executive Officer of The Cohen Group, a business consulting firm, since January 2001, and Chairman of The Cohen Group Financial Partners, a merchant banking firm, since February 2004. Prior to founding The Cohen Group, Mr. Cohen served as the United States Secretary of Defense from January 1997 to 2001. He also served as a United States Senator from 1979 to 1997 and as a member of the United States House of Representatives from 1973 to 1979. Mr. Cohen is also a director of Head N.V.

Mr. Countryman has been Chairman Emeritus of the Liberty Mutual Group since 2000. He served as Chairman of Liberty Mutual Group from 1986 to 2000 and as Chief Executive Officer from 1986 to 1998. Mr. Countryman is also Chairman of the Dana Farber Cancer Institute and President of the United Way of New England. Mr. Countryman is also a director of the Bank of America, the Liberty Mutual Group and NSTAR.

Mr. Gifford has been Chairman Emeritus of Bank of America Corporation since February 2005. He was Chairman and Chief Executive Officer of BankBoston prior to its 1999 merger with Fleet Financial Group and became President and Chief Operating Officer of the combined companies. Mr. Gifford became Chief Executive Officer of FleetBoston Financial in 2001 and Chairman in 2002. Mr. Gifford is also a director of NSTAR and Bank of America.

Mr. Goldberg has been President of Mandy Films, Inc. and Panda Productions, Inc., both television and film production companies, since 1984. He was President of Twentieth Century Fox from 1987 to 1989. In addition, from 1972 to 1984, he partnered with producer Aaron Spelling to launch various television series and made-for-television movies. Prior to that, Mr. Goldberg served as Vice President of Production at Screen Gems (now Columbia Pictures Television) from 1969 to 1972. During the years 1961 to 1969, he served in various positions with the ABC Network, advancing to Head of Programming.

Bruce S. Gordon

Age 61

Director since 2006

Linda M. Griego

Age 59

Director since March 2007

Arnold Kopelson

Age 72

Director since March 2007

Mr. Gordon served as President and Chief Executive Officer of the National Association for the Advancement of Colored People (NAACP) from June 2005 to March 2007. In December 2003, Mr. Gordon retired from Verizon Communications where he had served as President, Retail Markets Group since June 2000. Prior to that, Mr. Gordon served as Group President, Enterprise Business with Bell Atlantic Corporation since December 1998. He served as Group President, Consumer and Small Business Services of Bell Atlantic from 1993 to August 1997, and as Group President, Retail, from August 1997 to December 1998. Mr. Gordon is also a director of Tyco International Ltd.

Ms. Griego has served, since 1986, as President and Chief Executive Officer of Griego Enterprises, Inc., a business management company. She oversees the operations of Engine Co. No. 28, a prominent restaurant in downtown Los Angeles that Ms. Griego founded in 1988. From 1990 to 2000, Ms. Griego held a number of government related appointments, including Deputy Mayor of the city of Los Angeles, President and Chief Executive Officer of the Los Angeles Community Development Bank, and President and Chief Executive Officer of Rebuild LA, the agency created to jump-start inner-city economic development following the 1992 Los Angeles riots. Over the past two decades, she has also served on a number of government commissions and boards of directors of non-profit organizations, including current service on the boards of Cedars Sinai Medical Center, the Robert Wood Johnson Foundation, the Packard Foundation and the Public Policy Institute of California. Ms. Griego has served as a director of publicly traded and private corporations, including presently serving as director of City National Bank, Southwest Water Company and AECOM Technology Corporation.

Mr. Kopelson has been Co-Chairman and President of Kopelson Entertainment, through which he produces films and finances the acquisition and development of screenplays, since 1979. Prior to that, he practiced entertainment and banking law, specializing in motion picture financing. He has been honored with a Best Picture Academy Award, a Golden Globe, and an Independent Spirit Award, and his films have generated 17 Academy Award nominations. Mr. Kopelson serves on the Executive Committee of the Producers Branch of the Academy of Motion Picture Arts and Sciences and is a member of the Advisory Board of the Rand Corporation Center for Middle East Public Policy.

Leslie Moonves

Age 57

Director since 2006

Doug Morris

Age 68

Director since March 2007

Shari Redstone1

Age 52

Director since 1994

Mr. Moonves has been President and Chief Executive Officer of the Company since January 2006. Previously, Mr. Moonves served as Co-President and Co-Chief Operating Officer of Former Viacom from June 2004 through December 2005. Prior to that, he served as Chairman and Chief Executive Officer of CBS Broadcasting since 2003 and as its President and Chief Executive Officer since 1998. Mr. Moonves joined former CBS Corporation in 1995 as President, CBS Entertainment. Prior to that, Mr. Moonves was President of Warner Bros. Television since July 1993. Mr. Moonves is also a director of KB Home.

Mr. Morris has been the Chairman and Chief Executive Officer of Universal Music Group since November 1995. In July 1995, he formed a joint venture with Universal Music Group for a full-service record label. Prior to that, Mr. Morris served as President and Chief Operating Officer of Warner Music U.S. commencing in 1994 and was soon after appointed Chairman. He served as President of Atlantic Records and Co-Chief Executive Officer of the Atlantic Recording Group from 1980 to 1994. Mr. Morris began his career as a songwriter, producer, and the founder of his own record label, which was acquired by Atlantic Records in 1978.

Ms. Redstone has been Vice Chair of the Board of the Company since June 2005, and President of National Amusements since January 2000. Prior to that, Ms. Redstone served as Executive Vice President of National Amusements since 1994. Ms. Redstone practiced law from 1978 to 1993, with her practice including corporate law, estate planning and criminal law. Ms. Redstone is a member of the Board of Directors and Executive Committee for the National Association of Theatre Owners, Co-Chairman and Co-President of MovieTickets.com, Inc. and Chairman and Chief Executive Officer of CineBridge Ventures, Inc. Ms. Redstone is a board member of several charitable organizations, including the Board of Trustees at Dana Farber Cancer Institute, the Board of Directors at Combined Jewish Philanthropies and the Board of Directors of the John F. Kennedy Library Foundation. Ms. Redstone is also a director of National Amusements, Midway Games Inc. (Vice Chairwoman) and Viacom (Vice Chair).

Sumner M. Redstonei

Age 83 Director since 1986 Mr. Redstone is the Company s Founder and has been Executive Chairman of the Board since January 2006. He was Chairman of the Board of Former Viacom from 1987 through 2005 and served as Chief Executive Officer of Former Viacom from 1996 through 2005. Mr. Redstone has also served as Chairman of the Board of National Amusements since 1986 and Chief Executive Officer of National Amusements since 1967. He served as President of National Amusements from 1967 through 1999. Mr. Redstone served as the first Chairman of the Board of the National Association of Theatre Owners and is currently a member of its Board, Emeritus. Mr. Redstone has been a frequent lecturer at universities, including Harvard Law School, and was formerly a visiting professor of Brandeis University. Mr. Redstone graduated from Harvard University in 1944 and received a LL.B. from Harvard University School of Law in 1947. Upon graduation, Mr. Redstone served as Law Secretary with the United States Court of Appeals and then as a Special Assistant to the United States Attorney General. Mr. Redstone served in the Military Intelligence Division during World War II. While a student at Harvard, he was selected to join a special intelligence group whose mission was to break Japan s high-level military and diplomatic codes. Mr. Redstone received, among other honors, two commendations from the Military Intelligence Division in recognition of his service, contribution and devotion to duty. Mr. Redstone is also a recipient of the Army Commendation Award. Mr. Redstone is also Chairman of the Board of National Amusements and is Executive Chairman of the board of directors of Viacom.

Frederic V. Salerno

Age 63 Nominee for Director Mr. Salerno previously served as a director of Former Viacom from 1994 through 2005. He is a retired Vice Chairman and Chief Financial Officer of Verizon Communications Inc., a position he held from June 2000 to October 2002. Prior to that, Mr. Salerno served as Vice Chairman and Chief Financial Officer of Bell Atlantic (Verizon s predecessor) from August 1997. Prior to the merger of Bell Atlantic and NYNEX Corporation, Mr. Salerno served as Vice Chairman, Finance and Business Development of NYNEX from 1994 to 1997. Mr. Salerno was Vice Chairman of the Board of NYNEX and President of the NYNEX Worldwide Services Group from 1991 to 1994. Mr. Salerno is also a director of Akamai Technologies, Inc., The Bear Stearns Companies Inc., IntercontinentalExchange, Inc., Popular Inc. and Viacom.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors recommends a vote FOR the election of each of the director nominees named above.

¹ Ms. Redstone is Sumner Redstone s daughter. None of the other director nominees is related to any other director or executive officer by blood, marriage or adoption.

DIRECTOR COMPENSATION

Outside Director Compensation During 2006

The following table sets forth information concerning the compensation of the Company s Outside Directors for 2006.

| Name | l | | es Earned or d in Cash | | Stock Awards (\$) | Option Awards (\$) | Pe Va No De Co | nange in nsion alue and on-qualif eferred ompensat arnings | | | | Other pensation | | | Total (\$) |
|--------------------------|---|-----|---------------------------|--|-------------------------|--------------------------|----------------------------|--|-----|--|------------|--------------------|----|---|---------------|
| (a) | | (b) | (1) | | (c) (2) | (d) (3) | (e) | ١ | | | (f) | | | | (g) |
| Andelman, David R. | | | \$ 82,000 | | \$ 72,184 | \$ 51,819 | | N/A | | | | | | | \$ 206,003 |
| Califano, Jr., Joseph A. | | | 152,175 | | 72,184 | 51,819 | | N/A | | | | | | | 276,178 |
| Cohen, William | Ш | | 90,950 | | 72,184 | 51,819 | | N/A | | | | | | | 214,953 |
| Dauman, Philippe P. (4) | | | 61,000 | | 8,378 | 1,308 | | \$ 0 | (5) | | | | | | 70,686 |
| Gifford, Charles K. | Ш | | 163,550 | | 50,332 | 97,022 | | N/A | | | | | | | 310,904 |
| Gordon, Bruce S. | | | 132,800 | | 50,332 | 97,022 | | N/A | | | | | | | 280,154 |
| Redstone, Shari | | | 84,000 | | 50,332 | 24,559 | | N/A | | | \$ | 122,550 | (6 |) | 281,441 |
| Reese, Ann N. (4) | | | 114,000 | | 0 | 0 | | N/A | | | | | | | 114,000 |
| Sprieser, Judith A. (4) | | | 167,000 | | 0 | 0 | | N/A | | | | | | | 167,000 |
| Walter, Robert D. (4) | | | 52,000 | | 21,852 | 3,409 | | N/A | | | | | | | 77,261 |

Reflects cash amounts earned in 2006 for the annual board retainer, committee chair retainers, and meeting fees for board and committee meetings, including a committee chair retainer and meeting fees for a special litigation committee that met 4 times during 2006. For 2006, Messrs. Andelman, Califano, Cohen, Gifford and Mses. Redstone and Reese deferred these amounts under the CBS Corporation Deferred Compensation Plan for Outside Directors.

Amounts reflect the 2006 compensation expense associated with stock-based awards (RSUs) granted in 2006 and in prior years. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions, which would otherwise be taken into account under SFAS No. 123 (revised 2004) Share-Based Payment (SFAS 123R). These amounts reflect the Company's accounting expense for these awards and may not correspond to the actual value recognized by the director. Differences in the amounts shown among Board members largely reflect differences in length of service. The expense is calculated in accordance with SFAS 123R. See RSUs and Restricted Shares in Note 12 to the audited 2006 consolidated financial statements on pages II-69 II-70 in the Company's Form 10-K for the fiscal year ended December 31, 2006, for a discussion of the assumptions made in calculating these amounts.

The fair value of stock awards granted during 2006 on the date of grant and the outstanding stock awards held by each of the directors named in the table as of the end of fiscal year 2006 (except as otherwise noted) are as follows:

| Name | | of l | r Value RSU Grants 2006 | | Aggregate Number of RSUs Outstanding at FYE 2006 |
|--------------------------|---|------|-------------------------------|--|---|
| Andelman, David R. | | | \$ 55,004 | | 2,105 |
| Califano, Jr., Joseph A. | | | 55,004 | | 2,105 |
| Cohen, William | | | 55,004 | | 2,105 |
| Dauman, Philippe P. | Ш | | 55,004 | | 0 (b) |
| Gifford, Charles K. | | | 55,004 | | 2,105 |
| Gordon, Bruce S. | | | 55,004 | | 2,105 |
| Redstone, Shari | | | 55,004 | | 2,105 |
| Reese, Ann N. | | | 55,004 | | 0 (b) |
| Sprieser, Judith A. | | | 55,004 | | 0 (b) |
| Walter, Robert D. | | | 55,004 | | 0 (b) |

- (a) Amounts reflect the fair value of 2,105 RSUs, on the date of grant, January 31, 2006, in accordance with SFAS 123R.
- (b) Amounts reflect the aggregate number of stock awards outstanding as of the date of the indicated director s departure as noted in footnote (4) below. An award of 2,105 RSUs for this director was forfeited as a result of his or her leaving the Board during 2006 prior to the vesting of the RSUs.
- Amounts reflect the 2006 compensation expense, calculated in accordance with SFAS 123R, associated with stock option awards made in 2006 and in prior years. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions, which would otherwise be taken into account under SFAS 123R. These amounts reflect the Company s accounting expense for these awards and may not correspond to the actual value recognized by the director. Differences in the amounts shown among Board members largely reflect differences in length of service. See Stock Options in Note 12 to the audited 2006 consolidated financial statements on pages II-66 II-69 in the Company s Form 10-K for the fiscal year ended December 31, 2006, for a discussion of the assumptions made in calculating these amounts.

The outstanding option awards held by each of the directors named in the table as of the end of fiscal year 2006 (except as otherwise noted), and the fair value of the option awards granted during 2006 on the date of grant using the Black-Scholes option-pricing model, are as follows:

| Name | | 0 C | air Value f Initial Option Grants 1 2006 a) | Fair Value of Annual Option Grants in 2006 (b) | | | Aggregate Number of Option Awards Outstanding at FYE 2006 |
|--------------------------|---|--------|---|--|-----------|--|---|
| Andelman, David R. | Ш | | N/A | | \$ 35,753 | | 39,473 |
| Califano, Jr., Joseph A. | Ш | | N/A | | 35,753 | | 28,013 |
| Cohen, William | | | N/A | | 35,753 | | 28,013 |
| Dauman, Philippe P. | Ш | | N/A | | 35,753 | | 12,699 (c) |
| Gifford, Charles K. | | | \$ 86,591 | | 35,753 | | 17,827 |
| Gordon, Bruce S. | Ш | | 86,591 | | 35,753 | | 21,320 |
| Redstone, Shari | Ш | | N/A | | 35,753 | | 9,979 |
| Reese, Ann N. | Ш | | 86,591 | | 35,753 | | 0 (c) |
| Sprieser, Judith A. | | | 86,591 | | 35,753 | | 0 (c) |
| Walter, Robert D. | П | | N/A | | 35,753 | | 47,095 (c) |

- (a) Amounts reflect the fair value, in accordance with SFAS 123R, of options to purchase 12,734 shares of the Company s Class B Common Stock granted to newly elected directors on January 3, 2006.
- (b) Amounts reflect the fair value, in accordance with SFAS 123R, of options to purchase 5,093 shares of the Company s Class B Common Stock granted pursuant to annual grants awarded to directors on January 31, 2006.
- (c) Awards of options to purchase 5,093 shares of the Company s Class B Common Stock granted on January 31, 2006, to each director indicated, and options to purchase 12,734 shares of the Company s Class B Common Stock granted on January 3, 2006, to Mses. Reese and Sprieser, were forfeited as a result of such director s leaving the Board during 2006. Amounts reflect the aggregate number of option awards outstanding as of the date of the indicated director s departure as noted in footnote (4) below.
- The following directors left the Board during 2006: Philippe P. Dauman, effective September 6, 2006; Ann N. Reese, effective October 30, 2006; Judith A. Sprieser, effective December 13, 2006; and Robert D. Walter, effective May 26, 2006.
- Mr. Dauman formerly served as an executive officer of Former Viacom. The present value as of December 31, 2006 of all pension benefits accrued in connection with this service is \$1,529,098, which represents a change of -\$12,798 from December 31, 2005. The present value is reduced, even though the monthly annuity remains the same, due to the fact that he has not yet started to receive payments and would, based on the current mortality tables, receive fewer total payments over his expected lifetime.
- Amounts for Ms. Redstone reflect the personal use of the Company aircraft. The incremental cost to the Company of the personal use of the Company s aircraft is calculated by dividing the total variable costs (including fuel, unscheduled maintenance, landing and navigation fees, catering, flight crew trip expenses, telecommunications and supplies and miscellaneous expenses) by the total flight hours for such year and multiplying such amount by Ms. Redstone s total number of flight hours for her personal use for the year. Fixed costs which do not change based on usage, such as pilot salaries, hangar rental and insurance, are excluded. To the extent Ms. Redstone uses the corporate aircraft of Viacom for personal use, the Company reimburses Viacom 50% of a previously agreed upon per flight hourly amount and 50% of the incremental variable costs to Viacom using the methodology described above.

Description of Outside Director Compensation

Directors of the Company who are not employees of the Company or any of its subsidiaries are Outside Directors as defined in the director plans described below. Outside Directors receive compensation for their service on the Board and are eligible to participate in these director plans. Messrs. Andelman, Califano, Cohen, Countryman, Gifford, Goldberg, Gordon, Kopelson and Morris and Mses. Griego and Redstone are currently deemed Outside Directors. Mr. Salerno, upon election to the Board at the Annual Meeting, would also be deemed an Outside Director. Messrs. Redstone and Moonves are not compensated for serving on the Board and are not eligible to participate in any director plans.

Cash Compensation

The Company pays the following cash compensation to Outside Directors:

- A \$60,000 annual retainer, paid in equal installments quarterly in advance;
- A per meeting attendance fee of \$2,000 for each Board meeting;
- A per meeting attendance fee of \$2,000 to Committee members for each meeting of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee; and

• A \$20,000 annual retainer for the chair of each of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, payable in equal installments quarterly in advance.

Deferred Compensation Plan

The Company maintains deferred compensation plans for Outside Directors (the Director Deferred Compensation Plans). Under the Director Deferred Compensation Plans, Outside Directors may elect to defer their Board and committee retainer and meeting fees for the upcoming calendar year. Deferred amounts are credited during a calendar quarter to an interest-bearing income account or a stock unit account in accordance with the director s prior election. Amounts credited to an income account bear interest at the prime rate in effect at the beginning of each calendar quarter. Amounts credited to a stock unit account are deemed invested in phantom units for shares of the Company s Class A Common Stock and Class B Common Stock, calculated based on the closing market prices on the first day of the next calendar quarter.

Upon a director s leaving the Board, the amounts deferred under the Director Deferred Compensation Plans are paid in cash in a lump sum or in three or five annual installments, based on the director s prior election, with the lump sum or initial annual installment becoming payable on the later of six months after the director leaves the Board (90 days after the director leaves the Board in the case of amounts deferred before January 1, 2005) or on January 15th of the following year. The value of a stock unit account is determined by reference to the average of the closing market prices of the Company s Class A Common Stock and Class B Common Stock on the NYSE on each trading date during the four-week period ending five business days prior to the payment date. Amounts paid in installments accrue interest until the final installment is paid.

Equity Compensation

The Company maintains the amended and restated CBS Corporation 2005 RSU Plan for Outside Directors (the Director RSU Plan) and the amended and restated CBS Corporation 2000 Stock Option Plan for Outside Directors (the Director Option Plan).

Stock Awards

Under the Director RSU Plan, Outside Directors receive an annual grant of RSUs on January 31st of each year equal to \$55,000 in value based on the closing price of the Company s Class B Common Stock on the NYSE on the date of grant. The RSUs will vest one year from the date of grant. RSUs are payable to Outside Directors in shares of the Company s Class B Common Stock upon vesting unless the Outside Director elects to defer settlement of the RSUs to a future date. Outside Directors are entitled to receive dividend equivalents on the RSUs in the event the Company pays a regular cash dividend on the Company s Class B Common Stock. Dividend equivalents will accrue on the RSUs (including deferred RSUs) in accordance with the plan until the RSUs are settled, at which time the dividend equivalents are payable in shares of the Company s Class B Common Stock.

Option Awards

Outside Directors receive the following awards under the Director Option Plan:

- An initial grant of 12,734 stock options to purchase shares of the Company s Class B Common Stock on the date the director joins the Board as, or otherwise becomes, an Outside Director, which options will vest one year from the date of grant; and
- An annual grant of 5,093 stock options to purchase shares of the Company s Class B Common Stock on January 31st of each year, which options will vest in three equal annual installments, on the first, second and third anniversaries of the date of grant.

The exercise price for the stock option grants made under the plan is the closing price of the Company s Class B Common Stock on the NYSE on the date of grant, or if such day is not a business day, on the business day immediately preceding the date of grant.

Other

Expenses: Directors are reimbursed for expenses incurred in attending Board, committee and stockholder meetings (including travel and lodging) in accordance with the Company s normal travel policies.

Director Attendance at Certain Other Events: CBS Corporation believes it is in its best interest for directors to participate in certain Company events and meet with management, customers, talent and others important to the Company, in order for them to experience the Company s products, services and entertainment offerings.

Shareholder Derivative Litigation and Related Matters

Two shareholder derivative lawsuits, consolidated as In re Viacom Inc. Shareholders Derivative Litigation, were filed in July 2005 in New York State Supreme Court relating to executive compensation and alleged corporate waste. The actions name each member of Former Viacom s Board of Directors, Messrs. Tom Freston and Leslie Moonves (each of whom were executive officers of Former Viacom), and, as a nominal defendant, Former Viacom, alleging that the 2004 compensation of Messrs. Redstone, Freston and Moonves was excessive and unwarranted and challenging the independence of certain Former Viacom directors. Mr. Redstone is the Company s Executive Chairman of the Board of Directors and Founder, and Mr. Moonves is the Company s President and Chief Executive Officer. Mr. Freston was formerly Viacom s President and Chief Executive Officer. Plaintiffs seek unspecified damages from the members of the Former Viacom Board of Directors for their alleged breach of fiduciary duties, disgorgement of the 2004 compensation paid to the above-named officers of Former Viacom, equitable relief, and attorney fees and expenses. The Company moved to dismiss the complaints and oral argument was heard on February 16, 2006. On June 26, 2006, the court denied the Company s motion to dismiss. The Company s appeal from that decision was argued on January 5, 2007, and the Company is awaiting a decision. The trial court proceedings have been stayed pending the resolution of the Company s appeal. On January 23, 2007, a new shareholder derivative action was filed in New York Supreme Court, which contains allegations similar to those in earlier actions. Any liabilities in this matter adverse to the Company and/or Viacom will be shared equally between the Company and Viacom. In January 2007, the parties reached an agreement in principle to settle all of these actions, which is subject to final documentation and court approval. The Company believes that the plaintiffs positions in these actions are without merit, and, if they are not settled, it intends to vigorously defend itself in the litigation.

The Company has received shareholder demands seeking access to books and records of the Company relating to executive compensation paid to Sumner M. Redstone, Tom Freston and Leslie Moonves, accompanied by statements that such demands are in furtherance of an investigation of possible mismanagement, self-dealing and corporate waste by directors and officers of Former Viacom. Another shareholder demand seeking access to books and records relates to the compensation of Sumner M. Redstone and Mel Karmazin (former Chief Operating Officer of Former Viacom). One of the demands also seeks access to books and records of the Company relating to Sumner M. Redstone s acquisition of a controlling interest in Midway Games Inc. The Company intends to comply with all reasonable requests. Under the separation agreement between the Company and Viacom, liabilities in connection with executive compensation claims relating to officers of Former Viacom are shared equally by the Company and Viacom.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during fiscal year 2006 was, or has ever been, an officer or employee of the Company, and no executive officer of the Company served on the compensation committee of any company that employed any member of the Company s Compensation Committee.

ITEM 2 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed PricewaterhouseCoopers LLP (PwC) as the Company s independent registered public accounting firm for the year ending December 31, 2007, subject to stockholder ratification. The Audit Committee has reviewed PwC s independence from the Company as described in the Report of the Audit Committee. In appointing PwC as the Company s independent registered public accounting firm for the year ending December 31, 2007, and in recommending that the Company s stockholders ratify the appointment, the Audit Committee has considered whether the non-audit services provided by PwC were compatible with maintaining PwC s independence from the Company and has determined that such services do not impair PwC s independence.

Representatives of PwC are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they desire to do so. They will also be available to respond to questions at the Annual Meeting.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP to serve as the Company s independent registered public accounting firm for fiscal year 2007.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any filing under the Securities Act or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent the Company specifically incorporates such information by reference.

The Audit Committee Charter states that the purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the audit of the consolidated financial statements of the Company. The Audit Committee also assists the Board of Directors oversight of:

- The quality and integrity of the Company s consolidated financial statements and related disclosures;
- Evaluation of the effectiveness of the Company s internal control over financial reporting and risk management;
- The Company s compliance with legal and regulatory requirements;
- The independent auditor s qualifications and independence; and
- The performance of the Company s internal audit function and independent auditor.

Under the Audit Committee Charter, the Audit Committee s authorities and duties include, among other things:

- Direct responsibility for the appointment, retention, termination, compensation and oversight of the work of the independent auditor, which reports directly to the Audit Committee, and the sole authority to pre-approve all services provided by the independent auditor;
- Reviewing and discussing the Company s annual audited financial statements, quarterly financial statements and earnings releases with the Company s management and its independent auditor;
- Reviewing the organization, responsibilities, audit plan and results of the internal audit function;
- Reviewing with management, the internal auditor and the independent auditor the effectiveness of the Company s internal control over financial reporting and disclosure controls and procedures; and
- Reviewing with management material legal matters and the effectiveness of the Company s procedures to ensure compliance with legal and regulatory requirements.

The Audit Committee also discusses certain matters with the independent auditor on a regular basis, including the Company s critical accounting policies, certain communications between the independent auditor and management, and the qualifications of the independent auditor.

The full text of the Audit Committee Charter is available on CBS Corporation s website at www.cbscorporation.com. The Audit Committee assesses the adequacy of its Charter at least every other year, or more frequently as the Committee may determine.

The Company s management is responsible for the preparation of the Company s consolidated financial statements, the financial reporting processes and maintaining effective internal control over financial reporting. The independent auditor is responsible for performing an audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and expressing an opinion on the conformity of the audited consolidated financial statements to U.S. generally accepted accounting principles. The independent auditor also expresses an opinion on

management s assessment of the effectiveness of the Company s internal control over financial reporting and on the effectiveness of the Company s internal control over financial reporting. The Audit Committee monitors and oversees these processes.

As part of its oversight role, the Audit Committee has reviewed and discussed with management and the Company's independent auditor, PricewaterhouseCoopers LLP (PwC), the Company's audited consolidated financial statements for the year ended December 31, 2006, the Company's disclosures under Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's 2006 Annual Report on Form 10-K and matters relating to the effectiveness of the Company's internal control over financial reporting as of December 31, 2006.

The Audit Committee has also discussed with PwC all required communications, including the matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by Statement on Auditing Standards No. 90 (Audit Committee Communications). In addition, the Audit Committee has received the written disclosures and the letter from PwC required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with PwC the firm s independence from the Company.

Based on the Audit Committee s review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

Members of the Audit Committee

Charles K. Gifford, Chair Joseph A. Califano, Jr. Bruce S. Gordon

SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND FEES PAID

The following table sets forth the fees paid by the Company and its subsidiaries for services rendered by PwC for the years ended December 31, 2006 and 2005.

| | 2006 | 2005(1) |
|-----------------------|--------------|--------------|
| Audit Fees | \$ 7,914,497 | \$ 8,817,341 |
| Audit-Related Fees(2) | 325,528 | 368,748 |
| Tax Fees(3) | 230,474 | 212,411 |
| All Other Fees(4) | 3,900 | 23,317 |
| Total | \$ 8,474,399 | \$ 9,421,817 |

- In addition to the fees incurred by the Company and its subsidiaries for 2005, Viacom also incurred fees to PwC for 2005 in the amount of \$12,686,478, as set forth in Viacom s 2006 Proxy Statement. A portion of the fees incurred by the Company and Viacom in 2005 relate to the Separation, which was effective as of December 31, 2005.
- (2) Audit-related fees in 2006 and 2005 principally related to employee benefit plan audits and certain attestation services (primarily audits required by contract).
- Tax fees in 2006 and 2005 principally related to assistance with tax appeals, tax compliance services and tax advice and tax planning services for domestic and international subsidiaries.
- (4) All other fees in 2006 principally related to PwC reference materials, and all other fees in 2005 principally related to PwC reference materials, seminars and publications purchased by the Company.

Audit Committee Pre-Approval of Services Provided by PwC

All audit and non-audit services provided to the Company by PwC in 2006 were pre-approved by the Audit Committee. Under the Audit Committee is pre-approval policies and procedures in effect during 2006, the Chair of the Audit Committee was authorized to pre-approve the engagement of PwC to provide certain specified audit and non-audit services, and the engagement of any accounting firm to provide certain specified audit services, up to a maximum amount of \$200,000 per engagement, with the total amount of such authorizations outstanding that have not been reported to the Audit Committee not to exceed an aggregate of \$1,000,000. The Audit Committee receives regular reports on the engagements approved by the Chair pursuant to this delegation. For 2007, the Audit Committee adopted pre-approval policies and procedures that permit the Chair to pre-approve, and to delegate such pre-approval authority only to another Audit Committee member or members for, the specified audit and non-audit services up to a maximum amount of \$200,000 per engagement, with the total amount of such authorizations outstanding that have not been reported to the Audit Committee not to exceed an aggregate of \$1,000,000.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Objectives

CBS Corporation s compensation programs are designed to motivate and reward business success and to increase stockholder value. The Company s compensation programs are based on the following core objectives:

- <u>Stockholder Value Focused</u>: Align executives interests with stockholders interests, with particular emphasis on creating incentives that reward consistently increasing value.
- <u>Market-based</u>: Take into account the profile of compensation and benefits programs found in peer companies in order to attract and retain the talent needed to drive sustainable competitive advantage and deliver value to stockholders.
- <u>Performance-based</u>: Ensure plans provide reward levels that reflect variances between actual and desired performance results.
- <u>Flexible</u>: Enable management and the Board to make decisions based on the needs of the business and to recognize different levels of individual contribution and value creation.

Setting Senior Executive Compensation

The Company s compensation arrangements with each of the executive officers whose compensation is individually disclosed in the tables that appear on subsequent pages (the named executive officers) and certain other senior executives (together with the named executive officers, the senior executives) are reviewed and approved by the Compensation Committee. The Committee reviews all components of the senior executives compensation, including base salary, annual and long-term incentives, severance arrangements, previously awarded equity-based grants and retirement benefits.

The Compensation Committee retains an independent compensation consulting firm, Towers Perrin, to advise the Committee in its review of senior executive compensation. In furtherance of this review, the consultant examines the compensation practices at companies with which the Company competes for senior executive talent, including those companies engaged in similar business activities (*e.g.*, diversified media companies) and other publicly traded U.S. companies (general industry). Compensation arrangements for senior executives are evaluated against the most appropriate company comparisons. For certain senior executives, comparisons to the compensation of both industry-specific companies and general industry companies are considered with appropriate weighting. For some, comparisons are more appropriately made to only diversified media companies.

For 2006, for purposes of this competitive review, the consultant primarily referenced an industry-specific group which included other diversified media companies (*i.e.*, NBC Universal, News Corporation, Sony Corporation of America, Time Warner Inc., Viacom Inc. and The Walt Disney Company). The consultant also studied a general industry group, which included 24 publicly traded companies with certain similarities (*e.g.*, in market capitalization, geographic region and complexity) from which the Company may source, or to which the Company may lose, executive talent. Not all of the companies included in these groups may be used as a point of comparison when reviewing a senior executive s total compensation. In determining which companies are appropriate comparisons for each senior executive, the Compensation Committee considers the scope of responsibility and the nature of the business for which the individual executive is responsible. As a result, the companies available and/or appropriate for comparison may differ from one senior executive to the next.

In addition to competitive data provided by the consultant in assessing the reasonableness of senior executive compensation, the Compensation Committee also considers, with management s input, a senior executive s skills, competencies, depth of experience, responsibilities, individual performance and impact on Company performance. The Company may provide for compensation levels above competitive

practice to reflect the need for individual competencies that certain key senior executives bring to the organization.

The Compensation Committee does not use rigid guidelines in determining the mix of compensation elements (*i.e.*, long-term versus currently paid out compensation and cash versus non-cash compensation) for each senior executive. However, variable, at-risk compensation, both short-and long-term, makes up the majority of each senior executive s compensation.

Base Salary

The Company provides the senior executives with base salary to compensate them for services rendered during the fiscal year. In order to ensure that the majority of compensation is variable, at-risk and tied to performance, the Compensation Committee generally sets base salary levels for senior executives, including the named executive officers, between 25% and 40% of targeted total compensation. When reviewing proposals for changes to base salary, the Compensation Committee considers the following:

- Appropriate competitive compensation data for the position;
- Individual performance;
- The level of the annual merit increase budget across the Company as a whole; and
- Existing contractual obligations, if any.

For 2006, Mr. Moonves and Ms. Gordon received the base salary increases stipulated by their employment contracts. Mr. Briskman's employment contract provided for the consideration of a merit increase during 2006, and the Compensation Committee considered all of the factors outlined above in approving his increase. Messrs. Redstone and Reynolds did not receive base salary increases as their employment arrangements provide for their base salaries to remain the same during the terms of their contracts. The Summary Compensation Table for Fiscal Year 2006 reflects any changes in base salary during 2006.

Annual Incentive Awards

The Company s short-term incentive plans directly link annual bonus award levels to the Company s financial performance. Annual bonus compensation for Messrs. Redstone, Moonves, Reynolds and Briskman and Ms. Gordon and certain of the other senior executives is provided under the Company s Senior Executive Short-Term Incentive Plan (the Senior Executive STIP), which is designed to comply with the Section 162(m) exception for performance-based compensation under the Code. The Senior Executive STIP provides for performance-based annual bonuses. Annual bonus compensation for other senior executives is also performance-based and is provided under the Company s Short-Term Incentive Plan (STIP).

At the beginning of each fiscal year, the Compensation Committee approves performance goals and related funding levels for each of the Company's short-term incentive plans. The performance goals are set based on budget determinations which take into account expected growth rates of the Company's industry peers. In this process, each individual division's budget goal is set relative to its competitive marketplace, and the overall performance goal is primarily based on an aggregation of these divisional budget goals. In approving the performance goals, the Compensation Committee's intent is that, over time, actual performance relative to the set goals will demonstrate that the goals have been set at a level which is challenging, but achievable, and by no means assured. At the end of the year, the Compensation Committee evaluates actual performance relative to the goals set in order to determine the funding available for individual payouts. Bonuses for corporate executives are based on the Company's performance; bonuses for division executives are based primarily on division performance. The Compensation Committee may adjust performance goals and/or the funding levels to take into account

extraordinary events or other circumstances which have the effect of distorting the applicable performance goals.

Once the Compensation Committee determines that the performance goals have been met with respect to the Senior Executive STIP, it determines the level of award payments to the named executive officers. Under the Senior Executive STIP, awards may be paid, in whole or in part, in cash, in the form of stock-based awards issued under the LTMIP (as defined below) (for information on stock-based awards for 2006 performance, see the last paragraph of the Long-Term Management Incentive Program discussion below), or in any other form prescribed by the Committee. In setting the individual awards, the Committee does not rely exclusively on formulaic achievement of financial metrics, but instead follows a more flexible approach that takes into account all of the following factors, without specific weightings: the achievement of corporate objectives and individual performance, including contributions to the achievement of the financial goals, and the achievement of non-financial goals, such as fostering diversity in the workplace, positioning the Company for longer-term success, promoting the development of management, succession planning, legal compliance and ethical behavior.

For 2006, the performance criterion for the Senior Executive STIP was operating income before depreciation, amortization and inter-company eliminations. At its first meeting after the 2006 fiscal year end, the Compensation Committee reviewed and discussed the Company s performance versus the 2006 performance goal that had been set under the Senior Executive STIP to determine if the goal had been met. The Compensation Committee certified that the goal had been met and, therefore, approved awards for the named executive officers under the Senior Executive STIP. In setting the amounts of these bonuses, the Committee took into account the factors discussed above and the following Company accomplishments:

- The Company delivered an attractive return on investment to shareholders by increasing its dividend payments by 43% from \$.14 to \$.20 per quarter exceeding its earnings and cash flow financial targets, as well as significantly reducing potential shareholder dilution through the Voluntary Exchange Offer.
- Senior management aggressively and effectively positioned the Company in exploiting content on emerging platforms by strategically entering into digital media partnerships in key growing markets, including digital video, online music, Internet advertising, wireless markets and enhanced distribution which created new revenue streams for the Company.
- The Company continued to deliver high quality, broad appeal programming and content through its businesses as demonstrated by its top industry positioning in key viewer categories.
- Senior management continued to reshape the Company's portfolio mix through corporate restructuring, acquisitions and divestitures, including the formation of a new network, The CW, consolidation of Kingworld and CBS Paramount Television into a single CBS Television Distribution Group, and sales of small market radio stations and Paramount Parks, as well as the acquisition of CSTV Networks, Inc.
- The Company continues to attract and retain executive and creative talent in each of its key businesses that drives the development of compelling media content.

Long-term Incentives

Long-Term Management Incentive Program

The Company s long-term management incentive program (LTMIP) is designed to encourage executives to make decisions which will result in sustained long-term stockholder value-creation. It is also a vehicle used to retain talent, build executive ownership and ensure pay-for-performance. The LTMIP consists of awards of stock options, restricted share units (RSUs) and performance-based RSUs. The value to be delivered through these equity vehicles is reviewed with reference to competitive market data,

the Company s needs, potential stockholder dilution, and the expense to be incurred by the Company. Eligibility to participate in the LTMIP is generally limited to executives who have management responsibility.

The Committee determined that, for 2006, the type/mix of equity-based vehicles used to deliver value would vary by an executive s level in the organization. For the most senior levels of management (including all of the named executive officers), awards were comprised of an equal value of stock options and performance-based RSUs. For the next most senior levels (including individuals who hold positions that are most likely to impact the financial results of the Company), awards were comprised of a mix of performance-based RSUs and time-based RSUs (*i.e.*, RSUs whose vesting is conditioned exclusively on continued service during a specified vesting period), with a greater emphasis on the performance-based RSUs. For all other levels of eligible management, the entire award would be delivered in time-based RSUs. The performance-based RSUs were subject to the achievement of certain pre-determined performance goals set by the Compensation Committee in early 2006 in order to vest. The Committee may in the future make adjustments to this tiered-approach of award types or approve different award types.

To determine the appropriate type/mix of annual equity awards for eligible executives for 2006, the Compensation Committee reviewed the LTMIP with its independent compensation consultant and senior management. Considerations were based on current market trends on the use of restricted stock and the following internal factors:

- <u>Increased alignment with stockholder interests</u>: Stock options provide the opportunity to purchase and maintain an equity interest in the Company and share in the appreciation of the value of the stock.
- <u>Increased accountability for senior executives</u>: Performance-based RSUs drive senior executives to achieve certain operational goals. If these goals are not achieved, the award is forfeited.
- Retention of talent in both up and down markets: Time-based RSUs provide real value and are earned over the vesting period, and unless the Committee determines otherwise, a recipient must remain an employee of the Company over this period.

For the senior executives, the actual annual grant levels are, on an individual-by-individual basis, discussed by management and the Compensation Committee and ultimately approved by the Compensation Committee. The Compensation Committee takes into consideration the competitive total compensation analysis provided by the independent compensation consultant in determining these awards and any contractual target values. On January 31, 2007, in connection with his 2006 performance evaluation, the Compensation Committee awarded to Mr. Moonves 128,328 RSUs payable in shares of the Company s Class B Common Stock, issued pursuant to the Company s long-term management incentive plan. The award will time-vest in three equal installments beginning on the first anniversary of the date of grant. The award will be reportable in the Company s 2008 proxy statement in accordance with SEC rules.

Terms of LTMIP Awards

The number of RSUs awarded is determined on the basis of the closing price of a share of the Company s Class B Common Stock on the NYSE on the date of grant. The number of stock options awarded is determined on the basis of the Black-Scholes value (as determined by the Compensation Committee s independent consultant) using the closing price of the Company s Class B Common Stock on the date of grant. Stock options have an exercise price equal to the closing price of a share of the Company s Class B Common Stock on the NYSE on the date of grant and generally have an eight-year term. In general, vesting for stock options and RSUs occurs in equal annual installments over four years, contingent on continued employment (and in the case of performance-based RSUs, satisfaction of the performance goal).

The Compensation Committee establishes performance goals for grants of RSUs that are performance-based. The performance goals are set based on budget considerations similar to those taken into account under the Senior Executive STIP. In approving the performance goals, the Compensation Committee s intent is that, over time, actual performance relative to the set goals will demonstrate that the goals have been set at a level which is challenging, but achievable, and by no means assured. For 2006, the performance criterion was the achievement of a specific, pre-established level of free cash flow (defined as operating income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures). With respect to Messrs. Moonves and Reynolds, pursuant to the terms of their respective employment contracts, the performance criterion for their RSUs is operating income before depreciation, amortization, and inter-company eliminations. If the Company has not achieved the established performance goal, the performance-based RSUs will not vest and will be canceled. Dividend equivalents accrue on the RSUs and equal the value of regular cash dividends paid on the shares of the Company s Class B Common Stock. Dividend equivalents are paid in cash, less applicable withholdings, when the RSUs vest. If the RSUs do not vest, then the dividend equivalents accrued on those RSUs are forfeited.

The date on which the Compensation Committee approves awards under the Company s LTMIP is usually the grant date for both RSUs and stock option awards. In connection with new hires, the renewal of an employment agreement and in certain other cases, the Compensation Committee may grant an award that will become effective on a future date, with the exercise price of any stock options equal to the closing price of a share of the Company s Class B Common Stock on the NYSE on or after the date of grant. The Company does not set grant dates intentionally to precede the release of material non-public information. Communications regarding individual grant awards, including the terms and conditions, are provided to recipients as soon as administratively feasible.

In 2006, the Compensation Committee delegated to the President and Chief Executive Officer limited authority to grant long-term incentive awards to executives who are not senior executives under the LTMIP. The Compensation Committee s delegation specified the circumstances in which the authority could be used, limited the amount that can be awarded to an individual and the total amount that can be awarded in any period, and specified the method for establishing the grant date as a future date. The delegation also requires that the President and Chief Executive Officer report to the Compensation Committee periodically on his exercise of this delegated authority. The Compensation Committee delegated this authority in order for the Company to have the ability to act in a timely manner in a competitive environment in connection with the hiring of new executives or the compensating of an existing executive being given a significant increase in responsibility.

Other Equity-based Arrangements

Voluntary Exchange Offer (VEO) In 2006, the Company s Board of Directors and the Compensation Committee authorized the Company to proceed with an exchange offer under which eligible employees of CBS and its subsidiaries could exchange eligible options for restricted shares, or RSUs in the case of employees who were not subject to U.S. income tax, of the Company s Class B Common Stock. The VEO was intended to accomplish a number of important corporate objectives:

- Improve the retentive effects of the Company s long-term incentives to ensure the continuity of its employees;
- Reinforce the ownership culture and more closely align employees interests with those of the Company s stockholders; and
- Reduce the potential dilution associated with the Company s long-term incentive plans.

All of the named executive officers were eligible to participate in the VEO, and all of them exchanged their out-of-the-money options for restricted shares. Information regarding the individual VEO awards is provided in the Outstanding Equity Awards at Fiscal Year-End 2006 Table, and a description of material terms of the VEO is included in the narrative disclosure following that table.

Stock Ownership Guidelines

In order to further align the senior executives interests with those of the Company s stockholders, the Company has established stock ownership guidelines. Commencing in fiscal year 2007, the guidelines provide that, within a five-year time frame, these senior executives are expected to acquire and establish holdings in Company stock equal in value to a multiple of their cash base (base salary less mandatory deferrals, if applicable), depending upon their positions as follows:

| Senior Executive | Ownership Guideline Multiple |
|-------------------------|------------------------------|
| CEO | 5x cash base |
| Other Senior Executives | 2x to 3x cash base |

All types of equity holdings, with the exception of stock options, are included in determining ownership. The Compensation Committee monitors compliance with these guidelines.

Retirement and Deferred Compensation Plans

The Company provides eligible employees, including the named executive officers, with the opportunity to build financial resources for retirement through the Company s broad-based tax-qualified defined benefit and 401(k) plans. In addition, eligible executives, including the named executive officers, participate in the Company s non-qualified defined benefit and deferred compensation plans. In some instances, participants in these qualified and non-qualified plans may also have frozen benefits in other qualified and non-qualified plans. Information regarding these retirement and deferred compensation plans is set forth in the narrative following each of the Pension Benefits in 2006 table and Non-qualified Deferred Compensation in 2006 table.

All Other Compensation

The Company provides for other compensation to participating employees (including the named executive officers) by providing Company-matching contributions in the CBS 401(k) and 401(k) excess plans, and Company-paid life insurance. Compensation paid to the named executive officers in relation to these programs is included in the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2006.

In certain instances, the Company provides executives, including the named executive officers, with additional benefits that the Company believes are reasonable and help the Company to attract and retain these executives, as described in footnote 6 to the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2006.

Post-Termination Agreements

Post-termination payments with respect to the named executive officers are set forth in each of their respective employment agreements. None of the Company s employment arrangements with the named executive officers or long-term incentive plans provide for payment solely upon a change-in-control.

Compensation Deductibility Policy

In approving compensation, the Compensation Committee takes into account Section 162(m) of the Code, which generally limits to \$1 million the federal tax deductibility of compensation (including stock options and RSUs) paid in one year to the named executive officers. The tax deductibility of deferred compensation paid to an executive officer when he or she is no longer subject to Section 162(m) is not subject to the limitation. Performance-based compensation (including stock options and performance-based RSUs) is also subject to an exception, provided the plan under which such compensation is paid meets certain requirements, including stockholder approval.

The Company intends to comply with Section 162(m) for annual short-term and long-term incentives in order to ensure that this compensation will be deductible. However, the Compensation Committee may approve annual compensation exceeding the \$1 million limitation in order to provide appropriate compensation and in some instances may require deferral of some or all amounts exceeding \$1 million. Certain named executive officers receive annual awards under the Senior Executive STIP, and the senior executives receive long-term compensation under the Company s long-term management incentive plan. Both of these plans are designed to comply with the Section 162(m) exception for performance-based compensation. The stockholders of the Company have approved the Senior Executive STIP and the Company s long-term management incentive plan.

Employment Contracts

The Company does not, as a matter of course, enter into written employment agreements with senior executives. However, the Company may agree to enter into an employment agreement with a senior executive when it considers it to be in the Company s best interest. The Compensation Committee approves all employment arrangements with senior executives. With respect to employees other than senior executives, employment contracts are subject to an approval process coordinated through the Office of the Executive Vice President, Human Resources and Administration.

All of the named executive officers are, and were during 2006, under employment contracts with the Company. The terms and provisions of these contracts are more fully described in the narrative section following the Summary Compensation Table for Fiscal Year 2006.

COMPENSATION COMMITTEE REPORT

The following Compensation Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates such information by reference.

The Compensation Committee Charter states that the primary purpose of the Compensation Committee is to discharge the responsibilities of the Board of Directors relating to the compensation of the Company s executive officers and other senior executives. The Compensation Committee also has overall responsibility for evaluating and making recommendations to the Board regarding overall compensation packages, equity-based and incentive compensation plans, policies and programs of the Company.

Under the Charter, the Compensation Committee s authorities and duties include, among other things:

- Adopting and periodically reviewing the Company s philosophy, strategy and principles regarding the design and administration of the Company s compensation program;
- Reviewing and approving the total compensation packages for the Executive Chairman, the President and Chief Executive Officer, the Company s other executive officers, the operating unit heads who report directly to the President and Chief Executive Officer and other persons among the Company s most highly compensated executives (excluding Talent, as such term is currently used in the media or entertainment industries); and
- Overseeing the administration of the Company s incentive compensation plans (including the bonus plan for executives subject to Section 162(m) under the Code and equity compensation plans.

The Compensation Committee retains an independent compensation consulting firm to advise the Committee in its review of senior executive compensation. The consultant reports directly to the Compensation Committee.

The full text of the Compensation Committee Charter is available on the Company s website a<u>t www.cbscorporation.com</u>. The Compensation Committee assesses the adequacy of its Charter at least every other year, or more frequently as the Committee may determine.

The Compensation Committee of the Board of Directors of CBS Corporation has reviewed and discussed with the Company s management the Compensation Discussion and Analysis (CD&A). As discussed in the CD&A, the Committee, in determining performance-based compensation for the named executive officers for 2006 including the annual bonus for 2006 performance under the Senior Executive STIP, took into account, in addition to the fact that the named executive officers met the pre-established performance goal, the following Company accomplishments:

- The Company delivered an attractive return on investment to shareholders by increasing its dividend payments by 43% from \$.14 to \$.20 per quarter, exceeding its earnings and cash flow financial targets, as well as significantly reducing potential shareholder dilution through the Voluntary Exchange Offer.
- Senior management aggressively and effectively positioned the Company in exploiting content on emerging platforms by strategically entering into digital media partnerships in key growing markets, including digital video, online music, Internet advertising, wireless markets and enhanced distribution which created new revenue streams for the Company.
- The Company continued to deliver high quality, broad appeal programming and content through its businesses as demonstrated by its top industry positioning in key viewer categories.

- Senior management continued to reshape the Company's portfolio mix through corporate restructuring, acquisitions and divestitures, including the formation of a new network, The CW, consolidation of Kingworld and CBS Paramount Television into a single CBS Television Distribution Group, sales of small market radio stations and Paramount Parks, as well as the acquisition of CSTV Networks, Inc.
- The Company continues to attract and retain executive and creative talent in each of its key businesses that drives the development of compelling media content.

Based on this review and these discussions, the Compensation Committee has recommended to the CBS Corporation Board of Directors that the CD&A be included in this proxy statement and incorporated by reference from this proxy statement into the Company s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 1, 2007.

Members of the Compensation Committee

Charles K. Gifford, Chair William S. Cohen Bruce S. Gordon

EXECUTIVE COMPENSATION

Summary Compensation Table for Fiscal Year 2006

The following table sets forth information concerning total compensation for the fiscal year ended December 31, 2006 for the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Company (the named executive officers) who served in such capacities at the end of 2006.

| Name and Principal Position (a) | H | Year (b) | Salary (\$) (c) (1) | Bonus (\$) (d) (2) | Stock Awards (\$) (e) (3) | Option Awards (\$) (f) (4) | Change in Pension Value and NQDC Earnings (\$) (g) (5) | All Other Compensation (\$) (h) (6) | Total (\$) (i) |
|---|---|-------------|---------------------------|--------------------------|------------------------------------|-------------------------------------|--|--|----------------------|
| Sumner M. Redstone Executive Chairman and Founder | | 2006 | \$ 3,050,000 | \$ 7,320,000 | \$ 1,033,826 | \$ 657,753 | \$ 23,936 | \$ 78,600 | \$ 12,164,115 |
| Leslie Moonves President and Chief Executive Officer | | 2006 | 5,613,200 | 15,000,000 | 5,889,255 | 1,714,271 | 109,478 | 310,907 | 28,637,111 |
| Fredric G. Reynolds Executive Vice President and Chief Financial Officer | | 2006 | 1,750,000 | 3,750,000 | 545,959 | 310,070 | 87,456 | 26,064 | 6,469,549 |
| Louis J. Briskman Executive Vice President and General Counsel | | 2006 | 1,265,769 | 1,800,000 | 511,644 | 123,683 | 398,730 | 21,689 | 4,121,515 |
| Susan C. Gordon Senior Vice President, Controller and Chief Accounting Officer | | 2006 | 780,121 | 475,000 | 258,921 | 126,541 | 81,085 | 25,522 | 1,747,190 |

⁽¹⁾ Salary for the named executive officers includes the following amounts deferred under the Company s qualified and excess 401(k) plans and deferral arrangements pursuant to certain employment agreements as of December 31, 2006:

| | | Deferred |
|--------------------|---|---|
| 401(k) Plan | Excess 401(k) | Compensation |
| (a) | Plan | Arrangement |
| N/A | N/A | \$ 1,300,000 |
| \$ 20,000 | \$ 428,288 | 2,600,000 |
| 20,000 | 67,692 | 250,000 |
| 20,000 | 45,631 | N/A |
| 20,000 | 27,534 | N/A |
| | (a) N/A \$ 20,000 20,000 20,000 | (a) Plan N/A N/A \$ 20,000 \$ 428,288 20,000 67,692 20,000 45,631 |

⁽a) Includes permissible catch-up contributions.

⁽²⁾ Amounts reflect payments made in February 2007 for fiscal year 2006 performance in connection with the Senior Executive STIP, a shareholder-approved plan which is designed to comply with the Section 162(m) exception for performance-based compensation under the Code. Satisfaction of the performance goal set by the Compensation Committee under the Senior Executive STIP determines the maximum amount of bonus compensation that may be awarded to executive officers for the performance year. Bonus amounts awarded to each named executive officer were based on the satisfaction of the performance goal and various qualitative factors as described in Compensation Discussion and Analysis.

⁽³⁾ Amounts reflect the Company s 2006 compensation expense, calculated in accordance with SFAS 123R, associated with stock-based awards (RSUs and/or restricted shares) granted in 2006 and in prior years. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions, which would otherwise be taken into account under SFAS 123R. These amounts reflect the Company s accounting expense for

these awards and may not correspond to the actual value recognized by the named executive officer. In connection with the VEO (as described in the narrative following the Grants of Plan-Based Awards During 2006 table), stock options to purchase shares of the Company s Class B Common Stock were exchanged by the named executive officers for restricted shares of the Company s Class B Common Stock having a value equal to 75% of the fair value attributed to the exchanged options. For the restricted shares issued in exchange for unvested options, compensation expense was recorded based on the grant date fair value of the exchanged options over the remaining vesting period for the options. See RSUs and Restricted Shares and Voluntary Exchange Offer in Note 12 to the audited 2006 consolidated financial statements on pages II-69 II-70 in the Company s Form 10-K for the fiscal year ended December 31, 2006 for further discussion of the assumptions made in calculating these amounts in column (e).

- Amounts reflect the Company s 2006 compensation expense associated with the stock option awards made in 2006, and in prior years calculated in accordance with SFAS 123R. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions, which would otherwise be taken into account under SFAS 123R. These amounts reflect the Company s accounting expense for these awards and may not correspond to the actual value recognized by the named executive officer. See Stock Options in Note 12 to the audited 2006 consolidated financial statements on pages II-66 II-69 in the Company s Form 10-K for the fiscal year ended December 31, 2006 for a discussion of the assumptions made in calculating these amounts.
- None of the non-qualified deferred compensation plans provide for above-market interest or preferential earnings. See Description of Non-qualified Deferred Compensation for more information on earnings on amounts deferred under these plans. Therefore, column (h) only includes the aggregate change in the actuarial present value of the named executive officer s accumulated benefit under all defined benefit plans (including supplemental plans) from December 31, 2005 through December 31, 2006. Information about each plan is included in the narrative following the Pension Benefits in 2006 table. For Mr. Briskman, the amount includes distributions he received in 2006 under pension plans pursuant to which he has an accumulated benefit, but is not currently accruing benefits. See Pension Benefits in 2006 for further information on these plans.
- (6) The following table describes each component of the All Other Compensation column:

| Executive | Company Contribution to 401(k) Plan | Company Contribution to 401(k) Excess Plan | Company-Paid Life Insurance (a) | PERQUISITES AND OTHER PERSONAL BENEFITS: Transportation- Related Benefits (b) | Automobile Insurance | Total (\$) |
|---------------------|---|---|---------------------------------------|---|-------------------------|---------------|
| | to 401(K) Plan | | ` ' | ` ' | msurance | * * * |
| Sumner M. Redstone | N/A | N/A | \$ 2,970 | \$ 75,630 | \$ 0 | \$ 78,600 |
| Leslie Moonves | \$ 3,000 | \$ 19,500 | 60,000 | 227,258 | 1,149 | 310,907 |
| Fredric G. Reynolds | 3,519 | 18,981 | 3,564 | 0 | 0 | 26,064 |
| Louis J. Briskman | 3,000 | 15,600 | 3,089 | 0 | 0 | 21,689 |
| Susan C. Gordon | 6,429 | 16,071 | 1,873 | 0 | 1,149 | 25,522 |

- (a) Represents premiums paid by the Company for life insurance coverage. Pursuant to his employment agreement, Mr. Moonves is covered by an individual life insuance policy, which he owns.
- (b) The amounts of perquisites and other personal benefits shown in this column include (i) the incremental cost to the Company of the personal use of the Company aircraft and (ii) the percentage of personal use of a car and driver provided to Messrs. Redstone and Moonves for business-related security reasons. The incremental cost to the Company of the personal use of the Company aircraft is calculated by dividing the total variable costs (including fuel, unscheduled maintenance, landing and navigation fees, catering, flight crew trip expenses, telecommunications, supplies and miscellaneous expenses) by the total flight hours for such year and multiplying such amount by the executive s total number of flight hours for his personal use for the year. Fixed costs which do not change based on usage, such as pilot salaries, hangar rental and insurance are excluded. To the extent Mr. Redstone uses the corporate aircraft of Viacom for personal use, the Company reimburses Viacom 50% of a previously agreed upon per flight hourly amount and 50% of the incremental variable costs to Viacom using the methodology described above.

Tickets to sporting and other entertainment events are available to employees, including the named executive officers, for personal use if the tickets are not needed for business use. The Company does not incur incremental costs with respect to tickets to sporting and other entertainment events, as the tickets were purchased by the Company for business purposes and are made available only when the tickets are not utilized for such purposes.

Employment Agreements

All of the named executive officers have employment agreements that set forth the terms and conditions of their employment with the Company. A summary of each of these agreements is provided below:

Sumner M. Redstone

During 2006 through March 12, 2007, the Company and Mr. Redstone were parties to an employment agreement, which became effective on January 1, 2006, pursuant to which Mr. Redstone serves as Executive Chairman and Founder of CBS Corporation. This employment agreement supersedes an earlier employment agreement entered into on July 1, 2004 between Mr. Redstone and the Company (then Former Viacom). Mr. Redstone s employment under this agreement is terminable at will by either party. Pursuant to his employment agreement, Mr. Redstone received a salary of \$1.75 million per annum, as well as deferred compensation at a rate of \$1.3 million per annum. In addition, he was eligible to receive annual bonus compensation for 2006 and each calendar year or portion thereof during which he is employed by the Company, with a target bonus set at 200% of the sum of his salary plus deferred compensation for such year. Mr. Redstone is provided with \$2.5 million of life insurance during his employment with CBS Corporation.

Pursuant to Mr. Redstone s previous employment agreement, stock options to purchase 1,500,000 shares of Former Viacom s Class B Common Stock had been granted and were converted at the time of the Separation into stock options to purchase 732,913 shares of the Company s Class B Common Stock and an equal number of shares of Viacom Class B Common Stock. Mr. Redstone voluntarily exchanged these options for unvested performance-based restricted stock through participation in the VEO. In addition, Mr. Redstone was awarded 115,000 RSUs payable in shares of Former Viacom Class B Common Stock during the first calendar quarter of 2005, which were converted at the time of the Separation into 56,190 RSUs payable in shares of the Company s Class B Common Stock and an equal number of RSUs payable in shares of Viacom Class B Common Stock. These RSUs vested in January 2006 upon the certification by the CBS Compensation Committee that the applicable performance criteria established for 2005 had been achieved. Mr. Redstone elected to defer settlement of these RSUs.

Effective March 13, 2007, the Company entered into an amendment to Mr. Redstone s employment agreement. Pursuant to this amendment, Mr. Redstone s salary was reduced from \$1.75 million per annum to \$1 million per annum effective on the first regular pay period that began after the date of the amendment (the Transition Date). Mr. Redstone has ceased to accrue deferred compensation as of the Transition Date.

Beginning with the 2007 calendar year, Mr. Redstone s target cash bonus was reduced to \$3.5 million per year, and pursuant to this amendment, Mr. Redstone will receive, beginning in 2007 and continuing through 2011, an annual award of stock options for shares of the Company s Class B Common Stock having a value of \$3 million. Mr. Redstone s stock option award for 2007 was granted on March 16, 2007, will vest in 25% installments on the first four anniversaries of the date of grant and has an exercise price equal to the closing price of the shares of the Company s Class B Common Stock on the NYSE on March 16, 2007 (\$30.21). Stock option grants for the following years will have an exercise price equal to the closing price of the shares of the Company s Class B Common Stock on the NYSE on the date of grant, will be made at the same time that the Company awards stock options to other senior executives and will also vest in 25% installments on the first four anniversaries of the date of grant. Beginning in 2007, and continuing through 2011, Mr. Redstone will also receive an annual award of performance share units (PSUs) under the LTMIP with a target value of \$3 million. PSUs are notional units of measurement and represent the right to receive a number of shares of the Company s Class B Common Stock determined on the basis of the relative total shareholder return of the Company s Class B Common Stock in comparison to the total shareholder return of the common stock of companies comprising the Standard & Poor s 500

Composite Index (with limited exceptions) over a three-year measurement period and, under certain circumstances, determined on the basis of the Company s operating income before depreciation and amortization. Payouts under the PSUs range from zero to a maximum of 300% of the target number of shares of the Company s Class B Common Stock for the award.

In addition to the above, effective as of March 16, 2007 (the Exchange Date), the approximate \$10 million balance of Mr. Redstone s existing deferred compensation account as of the close of business on the Exchange Date was converted into appreciation rights (Option Equivalents). The Option Equivalents have an exercise price equal to the closing price of a share of the Company s Class B Common Stock on the Exchange Date (\$30.21) and will vest in 25% installments on the first four anniversaries of the Exchange Date. Accordingly, Mr. Redstone will only realize value on such deferred amount to the extent the price of a share of the Company s Class B Common Stock is higher, at the time the Option Equivalents are exercised, than the exercise price.

If within one year of the Exchange Date, the Company announces a recapitalization, reorganization, merger or other similar corporate event out of the ordinary course and, as of the closing of the transaction, the intrinsic value of Mr. Redstone s Option Equivalents, based on the Company s Class B Common Stock price applicable to the transaction, would exceed the value that his deferred compensation account would have attained had the conversion not occurred, then the conversion of Mr. Redstone s deferred compensation account and all other arrangements provided for in the March 13, 2007 amendment will be unwound. In addition, if in the action entitled *In re Viacom Inc. Shareholder Derivative Litigation*, the New York State Supreme Court fails to approve a definitive settlement agreement between the plaintiffs and defendants in such action, or if such approval is reversed on appeal, then the March 13, 2007 amendment shall terminate upon written notice thereof given by either the Company or Mr. Redstone to the other party within 30 days, and the arrangements provided for in the March 13, 2007 amendment will be unwound.

Leslie Moonves

Mr. Moonves employment agreement with the Company provides that he serve as President and Chief Executive Officer of the Company through June 30, 2009. Pursuant to his employment agreement, dated July 1, 2004, and amended on June 14, 2005, Mr. Moonves receives a salary of \$3 million per annum starting on July 1, 2004, and deferred compensation at a rate of \$2 million per annum that increases in each subsequent calendar year by \$300,000 on January 1st, commencing on January 1, 2005. In addition, he is eligible to receive annual bonus compensation, with a target bonus set at 200% of the sum of his salary and deferred compensation for each year. He is provided with \$8 million of life insurance during the employment term.

Mr. Moonves employment agreement provides for him to receive annual awards of 115,000 (146,445 adjusted for the Separation) RSUs payable in shares of the Company s Class B Common Stock during the first quarter of each of 2005, 2006, 2007 and 2008. The RSUs vest upon certification by the Compensation Committee that the one-year performance goal established by the Committee for the year in which the RSUs were granted has been achieved. This performance goal mirrors the goal set each year for the Senior Executive STIP. The RSUs granted in January 2005 and March 2006 vested in January 2006 and January 2007, respectively, upon certification of the achievement of the respective performance goals by the Compensation Committee. Mr. Moonves can elect to defer settlement of the RSUs. The agreement also provided Mr. Moonves with a grant of stock options to purchase 1,500,000 shares of Former Viacom Class B common stock. These options were converted into options to purchase 1,910,157 shares of the Company s Class B Common Stock at the time of the Separation. As a result of Mr. Moonves subsequent participation in the VEO, these options were voluntarily exchanged for unvested performance-based restricted stock as described in the footnotes to the Grants of Plan-Based Awards During 2006 table and the Outstanding Equity Awards at Fiscal Year-End 2006 table.

The employment agreement for Mr. Moonves contains restrictive covenants imposing non-competition obligations, restricting solicitation of employees, protecting the Company s confidential information and its ownership of work product and requiring cooperation in litigation, as well as other covenants which are in effect during his employment and for specified periods after termination of employment.

The employment agreement for Mr. Moonves provides that, in the event of the termination of his employment by the Company without Cause or his voluntary termination for Good Reason (as these terms are defined in his agreement) during the employment term, Mr. Moonves will be entitled to receive salary, deferred compensation and target bonus compensation and medical, dental and life insurance benefits for the balance of the employment term (or, in the case of COBRA medical and dental coverage, for at least 18 months after the date of termination), subject to mitigation after the first 36 months. Further, in such event, all unvested RSUs will vest and become payable, and all stock options granted on or after July 1, 2004 that are vested on the date of such termination of his employment, or that would have vested and become exercisable by the end of the employment term, will be exercisable for the following period after the date of such termination (but not beyond the expiration date of the stock options): (i) two years, if the termination occurs between July 1, 2006 and June 30, 2007, and (ii) three years, if the termination occurs on or after July 1, 2007. If any payment or benefit owed to Mr. Moonves under his employment agreement would be subject to the excise tax imposed by Section 4999 of the Code, CBS will pay Mr. Moonves a gross-up of the excise tax.

Fredric G. Reynolds

On August 15, 2005, the Company entered into an employment agreement with Mr. Reynolds for a four-year term, pursuant to which Mr. Reynolds serves as the Executive Vice President and Chief Financial Officer of CBS Corporation, at a salary of \$1.5 million per annum plus deferred compensation at a rate of \$250,000 per annum. Mr. Reynolds annual target bonus is 100% of his salary and deferred compensation. Mr. Reynolds is eligible to receive annual grants of long-term compensation for 2006 and subsequent years, as determined by the Company s Compensation Committee, based on a target value of \$3.5 million. Mr. Reynolds employment agreement provides that the vesting of any RSUs awarded as part of his annual grants of long-term compensation will be subject to the achievement of a performance goal. This performance goal is the same performance goal established each year for the Senior Executive STIP for the performance period in which such grant of RSUs is awarded. If the Compensation Committee certifies that the performance goal has been achieved, the award will vest and become payable in accordance with a four-year vesting schedule. If the performance goal is not achieved, the award will be forfeited.

Mr. Reynolds agreement contains restrictive covenants imposing non-competition obligations, restricting solicitation of employees, protecting confidential information and the Company s ownership of work product and requiring cooperation in litigation, as well as other covenants, during his employment and for specified periods after the termination of employment. In the event of the termination of Mr. Reynolds employment by the Company without Cause or his voluntary termination for Good Reason (as these terms are defined in his employment agreement) during the employment term, he is entitled to receive two times the sum of his annual salary, annual deferred compensation and target bonus compensation, but not in excess of \$6 million. Further, in such event, stock options that would have vested during the employment term will vest on the date of termination and, together with outstanding stock options that vested prior to the date of termination, will remain exercisable for six months after the date of termination (but not beyond the expiration of such stock options). If Mr. Reynolds retires at the end of the term or the Company does not continue his employment beyond the expiration of his term, any outstanding and unvested awards will vest subject to a non-competition restriction.

Louis I. Briskman

On September 6, 2005, the Company entered into an employment agreement with Mr. Briskman for a three-year term. Mr. Briskman serves as the Executive Vice President and General Counsel of CBS Corporation. His salary is subject to discretionary annual merit increases on September 6, 2006 and September 6, 2007. Effective September 6, 2006, Mr. Briskman s annual salary is \$1,300,000. Mr. Briskman s annual target bonus is 100% of his salary as in effect on November of such year. Mr. Briskman is eligible to receive annual grants of long-term compensation, as determined by the Company s Compensation Committee, based on a target value of \$2 million, commencing in 2006. To compensate Mr. Briskman for long-term cash and equity awards that he forfeited in order to commence employment with the Company, Mr. Briskman received a grant of 14,908 RSUs of Former Viacom Class B common stock (which at the time of the Separation converted into 18,984 RSUs for CBS Class B Common Stock) that vested on September 6, 2006. This award was subject to a performance goal that had been achieved. Mr. Briskman also received a cash payment of \$500,000 on December 31, 2005. Mr. Briskman s employment agreement contains restrictive covenants imposing non-competition obligations, restricting solicitation of employees, protecting the Company s confidential information and its ownership of work product and requiring cooperation in litigation, as well as other covenants, during his employment and for specified periods after the termination of employment. The employment agreement provides that Mr. Briskman continue to receive supplemental pension payments pursuant to an agreement dated March 2, 1999, as amended on May 3, 2000, with the former CBS Corporation. See the footnotes and narrative accompanying the Pension Benefits in 2006 tables for information on his supplemental pension payments. In the event of the termination of Mr. Briskman's employment by the Company without Cause or his voluntary termination for Good Reason (as these terms are defined in his employment agreement) during the employment term, he is entitled to receive salary and medical, dental and life insurance benefits for the balance of the employment term and target bonus compensation for the year in which such termination occurs, and if such termination occurs during calendar year 2005 or 2006, bonus compensation for the following calendar year. Salary and bonus compensation payments will be subject to mitigation after the first 12 months. Further, in such event, stock options that would have vested during the employment term will vest on the date of termination and, together with outstanding options that vested prior to the date of termination, will remain exercisable for one year after the date of termination (but not beyond the expiration of such stock options).

Susan C. Gordon

During 2006 through February 28, 2007, the Company and Ms. Gordon were parties to an employment agreement that provided that she serve as the Senior Vice President, Controller and Chief Accounting Officer of CBS Corporation. Pursuant to this employment agreement, Ms. Gordon s annual base salary was \$788,200, and her annual target bonus was 50% of her salary. Ms. Gordon was eligible to receive annual grants of long-term compensation, as determined by the Company s Compensation Committee, having a target value of \$1,100,000. Ms. Gordon s employment agreement contained restrictive covenants imposing non-competition obligations, restricting solicitation of employees, protecting confidential information and the Company s ownership of work product and requiring cooperation in litigation, as well as other covenants, during her employment and for specified periods after the termination of employment. In the event of the termination of Ms. Gordon s employment by the Company without Cause or her voluntary termination for Good Reason (as these terms are defined in her employment agreement) during the employment term, she was entitled to receive salary, target bonus compensation and certain benefits for the balance of the employment term, subject to mitigation after the first 12 months. Further, in such event, stock options that would have vested during the employment term would vest on the date of termination and, together with outstanding options that vested prior to the date of termination, would remain exercisable for six months after the date of termination (but not beyond the expiration of such stock options).

Effective as of March 1, 2007, Ms. Gordon entered into a new employment agreement with the Company which provides that she will continue to serve as the Senior Vice President, Controller and Chief Accounting Officer of CBS Corporation through February 28, 2010, on the same terms as her previous agreement with regard to annual base salary, annual target bonus and annual grants of long-term compensation.

Ms. Gordon s new agreement also contains substantially the same restrictive covenants imposing non-competition obligations, restricting solicitation of employees, protecting the Company s confidential information and its ownership of work product and requiring cooperation in litigation, as well as other covenants, during her employment and for specified periods after the termination of employment.

In the event of Ms. Gordon s termination of employment by the Company without Cause or for Good Reason (as these terms are defined in her new employment agreement) during the employment term, Ms. Gordon is entitled to receive salary, target bonus and certain benefits for 18 months, subject to mitigation after the first six months. Further, in such event, stock options granted to Ms. Gordon that would have vested on or before the end of an 18-month period after her termination will accelerate and vest immediately on the date of termination and will continue to be exercisable until the earlier of 18 months following the termination date or their expiration date. Stock options that had already vested by the date of such termination will be exercisable for an 18-month period after the termination date, or in the event that Ms. Gordon qualifies for Retirement as set forth in the Company's long-term management incentive plan, then for such longer period provided therein (but not beyond the expiration of such stock options). All restricted shares and all RSUs subject to a performance goal that would have vested on or before the end of an 18-month period following termination shall accelerate and vest immediately on the date of termination. Awards of RSUs that were not subject to a performance goal that would otherwise have vested on or before the 18-month period following termination shall accelerate and vest immediately on the date of such termination provided that in no event shall such RSUs vest in less than three years.

Grants of Plan-Based Awards During 2006

The following table sets forth information concerning grants of equity awards under the Company s long-term management incentive plan to the named executive officers in fiscal year 2006.

| | | | | | | Pa | • | Un | dei | sible r Equity Awards | | | | | All Other Stock Awards: Number of Shares | | All Other Option Awards: Number of Securities | | 0 | Exercise or Base Price of | | | Grant Date Fair Value of Stock and |
|------------------------|---|----------------------|---|------------------------------------|---|-----------------|-----|----|-----|-----------------------------|-----|----------------|-----|----|--|---|---|-----|----|----------------------------------|-----|---|---|
| Name (a) | | Grant Date (b) | | Other Action Date (c) (1) | | Tł (#) (d | • | ld | | Target (#) (e) | | M (# (f) | | ım | of Stock or Units (#) (g) (2) | | Underlying Options (#) (h) | | A | Option Awards \$/Sh) i) | | | Option Awards (\$) (j) (3) |
| Sumner M. Redstone | | 6/1/2006 | | 3/15/2006 | | | | | | | | | | | 298,964 | | | | | | | | \$ 0 |
| Leslie Moonves | Ī | 3/30/2006 | T | | Ī | | N/A | | | 146,445 | (4) | | N/A | П | | Ť | | | Ħ | | | Ī | 3,549,827 |
| | | 6/1/2006 | | 3/15/2006 | | | | | | | | | | | 788,766 | | | | | | | | 0 |
| Fredric G. Reynolds | | 5/25/2006 | | | | | N/A | | | 66,539 | (5) | | N/A | | | | | | | | | | 1,749,976 |
| | | 5/25/2006 | | | | | | | | | | | | | | | 262,368 | (6) | \$ | 26.30 | (7) | | 1,429,906 |
| | | 6/1/2006 | | 3/15/2006 | | | | | | | | | | | 112,194 | | | | | | | | 0 |
| Louis J. Briskman | | 5/25/2006 | | | | | N/A | | | 38,022 | (5) | | N/A | Ш | | | | | Ш | | | | 999,979 |
| | | 5/25/2006 | | | | | | | | | | | | | | | 149,925 | (6) | 2 | 26.30 | (7) | | 817,091 |
| | | 6/1/2006 | | 3/15/2006 | | | | | | | | | | Ш | 9,778 | | | | Ш | | | | 0 |
| Susan C. Gordon | | 5/25/2006 | | | | | N/A | | | 20,912 | (5) | | N/A | Ш | | 1 | | | Ш | | | | 549,986 |
| | | 5/25/2006 | | | | | | | | | | | | | | | 82,458(6) | | 2 | 26.30 | (7) | | 449,396 |
| | | 6/1/2006 | | 3/15/2006 | | | | | | 0 | | | | | 56,995 | | | | Ш | | | | 0 |

⁽¹⁾ Other Action Date refers to the date on which the Compensation Committee approved the terms and conditions for the VEO, including the date of grant, which was set at June 1, 2006. A description of the VEO is set forth below.

⁽²⁾ Column (g) shows the number of performance-based restricted shares awarded in connection with such named executive officers voluntary participation in the VEO.

- (3) Amounts reflect the fair value, calculated in accordance with SFAS 123R, of RSUs and stock option awards reported in the table based on the date of grant. The restricted shares granted on June 1, 2006 in connection with the VEO were granted at a 25% discount from the attributed value of tendered options, and thus, the incremental fair value of these stock-based awards is \$0.
- (4) In accordance with his employment agreement, Mr. Moonves was granted performance-based RSUs, subject to the achievement of a performance goal.
- (5) Messrs. Reynolds and Briskman and Ms. Gordon were granted performance-based RSUs, which vest ratably over four years beginning on the first anniversary of the grant date and are subject to the achievement of a performance goal.
- (6) These awards vest ratably over four years beginning on the first anniversary of the grant date.
- (7) The exercise price of the options is the closing price of the Company s Class B Common Stock on the NYSE on the date of grant.

Description of Plan-Based Awards

RSU and stock option awards reported in the Grants of Plan-Based Awards During 2006 table were granted to the named executive officers under the Company s long-term management incentive plan. For the material terms of these awards, see Compensation Discussion and Analysis Terms of LTMIP Awards.

Voluntary Exchange Offer

On March 15, 2006, the Company s Board of Directors and the Compensation Committee of the Board authorized the Company to proceed with the VEO, under which eligible employees of the Company and its subsidiaries, including the named executive officers, could exchange eligible options for restricted shares or, in the case of employees who were not subject to U.S. income tax, RSUs. Prior to the commencement of the VEO, the fair value of all options eligible to be tendered was determined by using a Black-Scholes methodology. Eligible employees who tendered their options received in exchange, restricted shares or RSUs of the Company s Class B Common Stock having a value equal to 75% of the fair value attributed to the tendered options. Each such restricted share or RSU was considered to have a value equal to the average of the closing prices of the Company s Class B Common Stock on the NYSE for the five consecutive trading days ending on the fifth trading day preceding the commencement of the VEO. Eligible employees made separate tendering decisions with respect to all of their stock options awarded prior to January 1, 2006 that were out-of-the-money (options with an exercise price equal to or greater than \$24.9340) and all of those that were in-the-money (options with an exercise price less than \$24.9340). Employees who tendered any of their out-of-money stock options were required to tender all such options; similarly, employees who tendered any of their in-the-money stock options were required to tender all such options.

The restricted shares and RSUs will generally vest in equal 50% installments on the second and third anniversaries of the date of grant (June 1, 2006—the first trading day after the VEO expired), assuming that the individual remains employed by the Company until the applicable vesting date. In addition, the vesting of restricted share awards to certain senior executives, including the named executive officers, was subject to a performance criterion for the 2006 fiscal year, which was satisfied. During the vesting period, restricted shares and RSUs will accrue dividends whenever the Company pays a cash dividend on the Company s Class B Common Stock; accrued dividends will be subject to the same vesting conditions and risk of forfeiture as the underlying restricted shares and RSUs and will be paid to participating employees in cash when the restricted shares or RSUs, as the case may be, vest.

Outstanding Equity Awards at Fiscal Year-End 2006

The following table sets forth for each named executive officer information concerning the outstanding equity awards at December 31, 2006, which included unexercised stock options, unexercised and unvested stock options, unvested RSUs, and unearned and unvested RSUs and restricted shares.

| | Option Aware | ds | | | | Stock Awar | ds | | | | | | |
|-----------------------|---|---------|--------------------|---|-----------------|---|--|--|--|-------|------|------|------|
| Grant Date (1) | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | | Unearne Options | es ing is Q ption dExercise | | Number of Shares or Units of Stock That Have Not Vested (#) (g) | Market Value of Shares or Units of Stock That Have Not Vested (\$) (h) | Equity Incentive Plan Awards: # of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (j) | | | | |
| | | | | | | | | | | | | | |
| 1/30/1997 | 244,304 | 0 | 0 | \$ 13.74 | 1/30/2007 | | | | | | | | |
| 8/1/1997 | 321,750 | 0 | 0 | 11.98 | 8/1/2007 | | | | | | | | |
| 8/20/1998 | 1,954,436 | 0 | 0 | 24.00 | 8/20/2008 | | | | | | | | |
| 6/1/2006 | • | | | | | 0 | \$0 | 298,964 | \$9,321,698 | | | | |
| | | | | | | | | | | | | | |
| 6/17/1997 | 159,180 | 0 | 0 | 15.74 | 6/16/2007 | | | | | | | | |
| 7/28/1997 | 200,343 | 0 | 0 | 17.59 | 7/27/2007 | | | | | | | | |
| 1/27/1999 | 172,710 | 0 | 0 | 24.74 | 1/26/2009 | | | | | | | | |
| 3/30/2006 | | | | | | 0 | 0 | 146,445 | 4,566,155 | | | | |
| 6/1/2006 | | | | | | 0 | 0 | 788,766 | 24,593,724 | | | | |
| 5/05/000¢ | | 262.260 | | 24.20 | 7 19 7 19 0 4 A | | | | | | | | |
| 5/25/2006 | 0 | 262,368 | 0 | 26.30 | 5/25/2014 | 15 220 | 477.000 | | | | | | |
| 9/1/2005 5/25/2006 | | | | | | 15,330 0 | 477,989 0 | 66,539 | 2,074,686 | | | | |
| 6/1/2006 | | | | | | 0 | 0 | 112,194 | 3,498,209 | | | | |
| 0/1/2000 | | | | | | U | U | 112,174 | 3,470,207 | | | | |
| 1/27/1998 | 124,351 | 0 | 0 | 21.57 | 1/26/2008 | | | | | | | | |
| 1/27/1999 | 138,168 | 0 | 0 | 24.74 | 1/26/2009 | | | | | | | | |
| 5/25/2006 | 0 | 149,925 | 0 | 26.30 | 5/25/2014 | | | | 14.0% | 11.5% | 8.1% | 6.1% | 8.3% |
| | .2% | 11.5% | 12.6% | 12.0% | 6.0% | | | 5.9% | 6.2% | | | | |
| | .0% | 11.4% | 12.7% | 12.9% | 6.1% | | | 6.2% | 5.8% | | | | |
| | .0% | 12.3% | 12.1% | 13.0% | 6.0% | | | 6.1% | 5.9% | | | | |
| | .8% | 12.3% | 17.6% | 15.2% | 6.8% | | | 6.7% | 6.2% | | | | |
| | .9% | 12.3% | 12.4% | 12.5% | 5.5% | | | 5.7% | 5.8% | | | | |
| 11. | .4% | 12.1% | 11.4% | 12.2% | 5.2% | 5.7 | % | 5.4% | 5.8% | | | | |

THE FUND WILL NOT TRADE WITH A VIEW TO TRACKING THE

DBIQ DIVERSIFIED AGRICULTURE INDEX TOTAL RETURN OVER TIME.

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

LEGEND:

| Symbol | Index Commodity | Symbol | Index Commodity |
|--------|------------------------|--------|------------------------|
| C | Corn | KC | Coffee |
| S | Soybeans | CT | Cotton |
| W | Wheat | LC | Live Cattle |
| KCW | Kansas City Wheat | FC | Feeder Cattle |
| SB | Sugar | LH | Lean Hogs |
| CC | Cocoa | | |

See accompanying Notes and Legends.

Table of Contents

INDEX COMMODITIES WEIGHTS TABLES

DBIQ DIVERSIFIED AGRICULTURE INDEX TOTAL RETURN

| | SB | SB ⁷ | | | KC | 77 | C | ۲7 |
|-------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | High ¹ | Low ² |
| 19895 | 14.8% | 17.4% | 12.2% | 10.0% | 10.2% | 7.7% | 2.6% | 3.5% |
| 1990 | 11.5% | 11.1% | 14.1% | 10.4% | 11.6% | 11.4% | 2.5% | 2.5% |
| 1991 | 11.7% | 12.3% | 10.3% | 8.7% | 11.1% | 9.8% | 3.1% | 3.3% |
| 1992 | 11.5% | 15.1% | 9.7% | 7.9% | 9.1% | 7.0% | 2.4% | 2.5% |
| 1993 | 12.4% | 11.7% | 12.0% | 9.7% | 11.0% | 10.1% | 2.9% | 3.1% |
| 1994 | 11.2% | 12.6% | 11.1% | 10.6% | 27.4% | 11.4% | 2.9% | 3.8% |
| 1995 | 13.3% | 11.7% | 10.4% | 10.5% | 9.5% | 9.8% | 2.8% | 4.2% |
| 1996 | 14.8% | 13.0% | 9.3% | 10.6% | 9.1% | 9.6% | 2.2% | 2.8% |
| 1997 | 10.5% | 12.9% | 9.1% | 11.0% | 27.9% | 11.5% | 2.1% | 2.8% |
| 1998 | 11.7% | 12.9% | 10.8% | 11.2% | 13.9% | 12.3% | 2.6% | 2.7% |
| 1999 | 13.5% | 10.9% | 10.7% | 8.8% | 12.1% | 11.7% | 2.5% | 2.7% |
| 2000 | 13.4% | 10.2% | 9.9% | 10.1% | 9.4% | 10.0% | 3.1% | 3.2% |
| 2001 | 12.8% | 12.3% | 15.7% | 16.8% | 8.4% | 5.7% | 2.2% | 1.3% |
| 2002 | 11.9% | 10.8% | 19.8% | 15.8% | 10.9% | 11.2% | 2.6% | 2.7% |
| 2003 | 12.4% | 13.5% | 13.1% | 10.1% | 11.4% | 9.2% | 2.4% | 3.1% |
| 2004 | 12.7% | 12.0% | 9.7% | 12.1% | 12.2% | 11.8% | 1.7% | 2.7% |
| 2005 | 12.0% | 15.6% | 9.8% | 8.0% | 15.8% | 10.7% | 2.9% | 2.9% |
| 2006 | 11.6% | 12.4% | 11.4% | 11.5% | 11.5% | 9.7% | 2.9% | 2.3% |
| 2007 | 12.8% | 11.7% | 10.9% | 11.5% | 10.9% | 11.2% | 2.5% | 2.9% |
| 2008 | 13.8% | 12.7% | 11.8% | 13.5% | 11.0% | 10.9% | 2.4% | 2.9% |
| 2009 | 13.6% | 13.8% | 11.6% | 13.9% | 11.1% | 10.7% | 2.8% | 3.0% |
| 2010 | 11.8% | 10.1% | 11.3% | 11.1% | 12.0% | 11.3% | 2.7% | 3.2% |
| 2011 | 11.5% | 12.6% | 12.6% | 9.6% | 12.4% | 11.4% | 3.5% | 2.7% |
| 2012 | 9.8% | 11.5% | 10.6% | 9.9% | 8.1% | 8.7% | 2.2% | 2.3% |
| 2013 | 13.4% | 12.0% | 11.0% | 11.5% | 10.9% | 11.8% | 3.1% | 3.1% |
| 20146 | 11.4% | 11.5% | 11.1% | 11.5% | 16.7% | 12.7% | 2.8% | 3.0% |

THE FUND WILL NOT TRADE WITH A VIEW TO TRACKING THE

DBIQ DIVERSIFIED AGRICULTURE INDEX TOTAL RETURN OVER TIME.

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

LEGEND:

| Symbol | Index Commodity | Symbol | Index Commodity |
|--------|------------------------|--------|------------------------|
| C | Corn | KC | Coffee |
| S | Soybeans | CT | Cotton |
| W | Wheat | LC | Live Cattle |
| KCW | Kansas City Wheat | FC | Feeder Cattle |
| SB | Sugar | LH | Lean Hogs |

CC Cocoa

See accompanying Notes and Legends.

47

Table of Contents

INDEX COMMODITIES WEIGHTS TABLES

DBIQ DIVERSIFIED AGRICULTURE INDEX TOTAL RETURN

| | LC | 7 | FO | C ⁷ | Ll | H ⁷ |
|-------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | High ¹ | Low ² | High ¹ | Low ² | High ¹ | Low ² |
| 19895 | 11.9% | 13.4% | 3.8% | 4.4% | 7.8% | 8.3% |
| 1990 | 12.1% | 13.1% | 3.8% | 4.3% | 9.7% | 8.6% |
| 1991 | 13.4% | 14.0% | 4.4% | 4.9% | 9.0% | 9.4% |
| 1992 | 12.7% | 14.6% | 4.1% | 5.1% | 8.3% | 9.7% |
| 1993 | 12.0% | 14.2% | 4.0% | 4.5% | 7.8% | 8.5% |
| 1994 | 9.3% | 12.2% | 3.3% | 4.2% | 5.4% | 7.9% |
| 1995 | 12.5% | 12.3% | 4.1% | 3.9% | 8.9% | 8.2% |
| 1996 | 10.7% | 12.5% | 3.4% | 4.0% | 9.0% | 8.3% |
| 1997 | 10.5% | 12.6% | 3.6% | 4.2% | 6.4% | 8.5% |
| 1998 | 12.3% | 12.1% | 4.2% | 4.1% | 8.3% | 6.0% |
| 1999 | 12.3% | 15.8% | 4.3% | 5.6% | 7.7% | 7.5% |
| 2000 | 12.1% | 13.1% | 4.0% | 4.4% | 9.3% | 9.5% |
| 2001 | 13.1% | 13.3% | 4.1% | 4.6% | 9.3% | 10.4% |
| 2002 | 10.5% | 12.2% | 3.4% | 3.9% | 4.9% | 6.7% |
| 2003 | 11.7% | 14.3% | 4.0% | 4.4% | 7.1% | 7.6% |
| 2004 | 11.0% | 10.0% | 4.0% | 3.6% | 8.0% | 7.7% |
| 2005 | 11.7% | 13.0% | 4.0% | 5.0% | 7.4% | 8.1% |
| 2006 | 12.7% | 12.3% | 4.3% | 4.1% | 7.4% | 7.5% |
| 2007 | 11.4% | 13.2% | 3.8% | 4.4% | 7.9% | 7.3% |
| 2008 | 9.1% | 12.0% | 3.1% | 4.0% | 6.1% | 9.5% |
| 2009 | 11.8% | 11.1% | 3.9% | 4.2% | 8.5% | 7.6% |
| 2010 | 12.5% | 14.1% | 4.3% | 5.1% | 8.5% | 9.6% |
| 2011 | 11.6% | 13.1% | 4.2% | 4.5% | 8.2% | 8.8% |
| 2012 | 11.7% | 13.6% | 3.8% | 5.0% | 7.0% | 9.0% |
| 2013 | 13.1% | 12.9% | 4.4% | 4.3% | 8.6% | 7.9% |
| 20146 | 12.3% | 13.1% | 4.0% | 4.4% | 8.3% | 8.0% |

THE FUND WILL NOT TRADE WITH A VIEW TO TRACKING THE

DBIQ DIVERSIFIED AGRICULTURE INDEX TOTAL RETURN OVER TIME.

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

LEGEND:

| Symbol | Index Commodity | Symbol | Index Commodity |
|--------|------------------------|--------|------------------------|
| C | Corn | KC | Coffee |
| S | Soybeans | CT | Cotton |
| W | Wheat | LC | Live Cattle |
| KCW | Kansas City Wheat | FC | Feeder Cattle |
| SB | Sugar | LH | Lean Hogs |

CC Cocoa

See accompanying Notes and Legends.

48

Table of Contents

All statistics based on data from January 18, 1989 to February 28, 2014.

| | DBIQ DiversifiedD | | _ |
|--|--|--|---|
| WARRANIA CITA PROPRICA LA MEA CUIDEC | Agriculture | Agriculture | Total |
| VARIOUS STATISTICAL MEASURES | ER ^{8*} | TR ⁹ | Return ¹⁰ |
| Annualized Changes to Index Level ¹¹ | -0.4% | 3.0% | -0.9% |
| Average rolling 3 month daily volatility ¹² | 9.8% | 9.7% | 13.9% |
| Sharpe Ratio ¹³ | -0.04 | -0.02 | -0.30 |
| % of months with positive change ¹⁴ | 47% | 51% | 47% |
| Average monthly positive change ¹⁵ | 2.9% | 2.9% | 4.2% |
| Average monthly negative change ¹⁶ | -2.5% | -2.4% | -3.7% |
| | | | |
| | | DBIQ Diversified | S&P Agriculture |
| | DRIO Diversified | Diversified | Agriculture |
| ANNUALIZED INDEX LEVELS ¹⁷ | DBIQ Diversified Agriculture ER ^{8*} | • | |
| ANNUALIZED INDEX LEVELS ¹⁷ 1 year | • | Diversified Agriculture | Agriculture Total |
| | Agriculture ER ^{8*} | Diversified Agriculture TR ⁹ | Agriculture Total Return ¹⁰ |
| 1 year | Agriculture ER ^{8*} 4.4% | Diversified Agriculture TR ⁹ 4.5% | Agriculture Total Return ¹⁰ -10.0% |
| 1 year 3 year | Agriculture ER ^{8*} 4.4% -7.1% | Diversified Agriculture TR ⁹ 4.5% -7.0% | Agriculture Total Return ¹⁰ -10.0% -9.7% |
| 1 year 3 year 5 year | Agriculture ER ^{8*} 4.4% -7.1% 3.6% | Diversified Agriculture TR ⁹ 4.5% -7.0% 3.2% | Agriculture Total Return ¹⁰ -10.0% -9.7% 4.3% |

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

WHILE THE FUND S OBJECTIVE IS NOT TO GENERATE PROFIT THROUGH ACTIVE PORTFOLIO MANAGEMENT, BUT IS TO TRACK THE INDEX, BECAUSE THE INDEX WAS ESTABLISHED IN SEPTEMBER 2009, CERTAIN INFORMATION RELATING TO INDEX CLOSING LEVELS MAY BE CONSIDERED TO BE HYPOTHETICAL. HYPOTHETICAL INFORMATION MAY HAVE CERTAIN INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW.

NO REPRESENTATION IS BEING MADE THAT THE INDEX WILL OR IS LIKELY TO ACHIEVE ANNUAL OR CUMULATIVE CLOSING LEVELS CONSISTENT WITH OR SIMILAR TO THOSE SET FORTH HEREIN. SIMILARLY, NO REPRESENTATION IS BEING MADE THAT THE FUND WILL GENERATE PROFITS OR LOSSES SIMILAR TO THE FUND S PAST PERFORMANCE OR THE HISTORICAL ANNUAL OR CUMULATIVE CHANGES IN THE INDEX CLOSING LEVELS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY INVESTMENT METHODOLOGIES, WHETHER ACTIVE OR PASSIVE.

ONE OF THE LIMITATIONS OF HYPOTHETICAL INFORMATION IS THAT IT IS GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. TO THE EXTENT THAT INFORMATION PRESENTED HEREIN RELATES TO THE PERIOD JANUARY 1989 THROUGH AUGUST 2009, THE INDEX CLOSING LEVELS REFLECT THE APPLICATION OF THE INDEX S METHODOLOGY, AND SELECTION OF INDEX COMMODITIES, IN HINDSIGHT.

NO HYPOTHETICAL RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THERE ARE NUMEROUS FACTORS, INCLUDING THOSE DESCRIBED UNDER THE RISKS YOU FACE HEREIN, RELATED TO THE COMMODITIES MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF THE FUND SEFFORTS TO

TRACK ITS INDEX OVER TIME WHICH CANNOT BE, AND HAVE NOT BEEN, ACCOUNTED FOR IN THE PREPARATION OF SUCH INDEX INFORMATION SET FORTH ON THE FOLLOWING PAGES, ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL PERFORMANCE RESULTS FOR THE FUND. FURTHERMORE, THE INDEX INFORMATION DOES NOT INVOLVE FINANCIAL RISK OR ACCOUNT FOR THE IMPACT OF FEES AND COSTS ASSOCIATED WITH THE FUND.

THE MANAGING OWNER COMMENCED OPERATIONS IN JANUARY 2006. AS MANAGING OWNER, THE MANAGING OWNER AND ITS TRADING PRINCIPALS HAVE BEEN MANAGING THE DAY-TO-DAY OPERATIONS FOR THE FUND AND RELATED PRODUCTS AND MANAGING FUTURES TRADING ACCOUNTS. BECAUSE THERE ARE LIMITED ACTUAL TRADING RESULTS TO COMPARE TO THE INDEX CLOSING LEVELS SET FORTH HEREIN, PROSPECTIVE INVESTORS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THE ANNUAL OR CUMULATIVE INDEX RESULTS.

See accompanying Notes and Legends.

49

Table of Contents

DBIQ DIVERSIFIED AGRICULTURE ER, DBIQ DIVERSIFIED AGRICULTURE TR AND GOLDMAN SACHS US AGRICULTURE TOTAL RETURN INDEX

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

Each of DBIQ Diversified Agriculture ER, DBIQ Diversified Agriculture TR and Goldman Sachs US Agriculture Total Return Index are indices and do not reflect actual trading. DBIQ Diversified Agriculture TR and Goldman Sachs US Agriculture Total Return Index are calculated on a total return basis and do not reflect any fees or expenses.

WHILE THE FUND S OBJECTIVE IS NOT TO GENERATE PROFIT THROUGH ACTIVE PORTFOLIO MANAGEMENT, BUT IS TO TRACK THE INDEX, BECAUSE THE INDEX WAS ESTABLISHED IN SEPTEMBER 2009, CERTAIN INFORMATION RELATING TO INDEX CLOSING LEVELS MAY BE CONSIDERED TO BE HYPOTHETICAL. HYPOTHETICAL INFORMATION MAY HAVE CERTAIN INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW.

NO REPRESENTATION IS BEING MADE THAT THE INDEX WILL OR IS LIKELY TO ACHIEVE ANNUAL OR CUMULATIVE CLOSING LEVELS CONSISTENT WITH OR SIMILAR TO THOSE SET FORTH HEREIN. SIMILARLY, NO REPRESENTATION IS BEING MADE THAT THE FUND WILL GENERATE PROFITS OR LOSSES SIMILAR TO THE FUND S PAST PERFORMANCE OR THE HISTORICAL ANNUAL OR CUMULATIVE CHANGES IN THE INDEX CLOSING LEVELS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY INVESTMENT METHODOLOGIES, WHETHER ACTIVE OR PASSIVE.

ONE OF THE LIMITATIONS OF HYPOTHETICAL INFORMATION IS THAT IT IS GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. TO THE EXTENT THAT INFORMATION PRESENTED HEREIN RELATES TO THE PERIOD JANUARY 1989 THROUGH AUGUST 2009, THE INDEX CLOSING LEVELS REFLECT THE APPLICATION OF THE INDEX S METHODOLOGY, AND SELECTION OF INDEX COMMODITIES, IN HINDSIGHT.

NO HYPOTHETICAL RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THERE ARE NUMEROUS FACTORS, INCLUDING THOSE DESCRIBED UNDER THE RISKS YOU FACE HEREIN, RELATED TO THE COMMODITIES MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF THE FUND SEFFORTS TO TRACK ITS INDEX OVER TIME WHICH CANNOT BE, AND HAVE NOT BEEN, ACCOUNTED FOR IN THE PREPARATION OF SUCH INDEX INFORMATION SET FORTH ON THE FOLLOWING PAGES, ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL PERFORMANCE RESULTS FOR THE FUND. FURTHERMORE, THE INDEX INFORMATION DOES NOT INVOLVE FINANCIAL RISK OR ACCOUNT FOR THE IMPACT OF FEES AND COSTS ASSOCIATED WITH THE FUND.

THE MANAGING OWNER COMMENCED OPERATIONS IN JANUARY 2006. AS MANAGING OWNER, THE MANAGING OWNER AND ITS TRADING PRINCIPALS HAVE BEEN MANAGING THE DAY-TO-DAY OPERATIONS FOR THE FUND AND RELATED PRODUCTS AND MANAGING FUTURES TRADING ACCOUNTS. BECAUSE THERE ARE LIMITED ACTUAL TRADING RESULTS TO COMPARE TO THE INDEX CLOSING LEVELS SET FORTH HEREIN, PROSPECTIVE INVESTORS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THE ANNUAL OR CUMULATIVE INDEX RESULTS.

See accompanying Notes and Legends.

50

Table of Contents

COMPARISON OF DBIQ DIVERSIFIED AGRICULTURE TR AND GOLDMAN SACHS US AGRICULTURE TOTAL RETURN INDEX

NEITHER THE PAST PERFORMANCE OF THE FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE AND NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE. DBIQ Diversified Agriculture TR and Goldman Sachs US Agriculture Total Return Index are indices and do not reflect actual trading. DBIQ Diversified Agriculture TR and Goldman Sachs US Agriculture Total Return Index are calculated on a total return basis and do not reflect any fees or expenses.

WHILE THE FUND S OBJECTIVE IS NOT TO GENERATE PROFIT THROUGH ACTIVE PORTFOLIO MANAGEMENT, BUT IS TO TRACK THE INDEX, BECAUSE THE INDEX WAS ESTABLISHED IN SEPTEMBER 2009, CERTAIN INFORMATION RELATING TO INDEX CLOSING LEVELS MAY BE CONSIDERED TO BE HYPOTHETICAL. HYPOTHETICAL INFORMATION MAY HAVE CERTAIN INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW.

NO REPRESENTATION IS BEING MADE THAT THE INDEX WILL OR IS LIKELY TO ACHIEVE ANNUAL OR CUMULATIVE CLOSING LEVELS CONSISTENT WITH OR SIMILAR TO THOSE SET FORTH HEREIN. SIMILARLY, NO REPRESENTATION IS BEING MADE THAT THE FUND WILL GENERATE PROFITS OR LOSSES SIMILAR TO THE FUND S PAST PERFORMANCE OR THE HISTORICAL ANNUAL OR CUMULATIVE CHANGES IN THE INDEX CLOSING LEVELS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY INVESTMENT METHODOLOGIES, WHETHER ACTIVE OR PASSIVE.

ONE OF THE LIMITATIONS OF HYPOTHETICAL INFORMATION IS THAT IT IS GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. TO THE EXTENT THAT INFORMATION PRESENTED HEREIN RELATES TO THE PERIOD JANUARY 1989 THROUGH AUGUST 2009, THE INDEX CLOSING LEVELS REFLECT THE APPLICATION OF THE INDEX S METHODOLOGY, AND SELECTION OF INDEX COMMODITIES, IN HINDSIGHT

NO HYPOTHETICAL RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THERE ARE NUMEROUS FACTORS, INCLUDING THOSE DESCRIBED UNDER THE RISKS YOU FACE HEREIN, RELATED TO THE COMMODITIES MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF THE FUND SEFFORTS TO TRACK ITS INDEX OVER TIME WHICH CANNOT BE, AND HAVE NOT BEEN, ACCOUNTED FOR IN THE PREPARATION OF SUCH INDEX INFORMATION SET FORTH ON THE FOLLOWING PAGES, ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL PERFORMANCE RESULTS FOR THE FUND. FURTHERMORE, THE INDEX INFORMATION DOES NOT INVOLVE FINANCIAL RISK OR ACCOUNT FOR THE IMPACT OF FEES AND COSTS ASSOCIATED WITH THE FUND.

THE MANAGING OWNER COMMENCED OPERATIONS IN JANUARY 2006. AS MANAGING OWNER, THE MANAGING OWNER AND ITS TRADING PRINCIPALS HAVE BEEN MANAGING THE DAY-TO-DAY OPERATIONS FOR THE FUND AND RELATED PRODUCTS AND MANAGING FUTURES TRADING ACCOUNTS. BECAUSE THERE ARE LIMITED ACTUAL TRADING RESULTS TO COMPARE TO THE INDEX CLOSING LEVELS SET FORTH HEREIN, PROSPECTIVE INVESTORS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THE ANNUAL OR CUMULATIVE INDEX RESULTS.

See accompanying Notes and Legends.

51

Table of Contents

NOTES AND LEGENDS:

- 1. High reflects the highest closing level of the Index during the applicable year.
- 2. Low reflects the lowest closing level of the Index during the applicable year.
- 3. Annual Index Changes reflect the change to the Index level on an annual basis as of December 31 of each applicable year.
- 4. Index Changes Since Inception reflects the change of the Index level since inception on a compounded annual basis as of December 31 of each applicable year.
- 5. Closing levels as of inception on January 18, 1989.
- 6. Closing levels as of February 28, 2014.
- 7. The DBIQ Diversified Agriculture Index Excess Return and DBIQ Diversified Agriculture Index Total Return reflect the change in market value of C (Corn), S (Soybeans), W (Wheat), KW (Kansas City Wheat), and SB (Sugar), on an optimum yield basis, and CC (Cocoa), KC (Coffee), LC (Live Cattle), FC (Feeder Cattle), LH (Lean Hogs), and CT (Cotton), on a non-optimum yield basis.
- 8. DBIQ Diversified Agriculture ER is DBIQ Diversified Agriculture Index Excess Return.
- 9. DBIQ Diversified Agriculture TR is DBIQ Diversified Agriculture Index Total Return.
- 10. S&P Agriculture Total Return is S&P GSCI Agriculture Index Total Return.
- 11. Annualized Changes to Index Level reflect the change to the applicable index level on an annual basis as of December 31 of each applicable year.
- 12. Average rolling 3 month daily volatility. The daily volatility reflects the relative rate at which the price of the applicable index moves up and down, which is found by calculating the annualized standard deviation of the daily change in price. In turn, an average of this value is calculated on a 3 month rolling basis.
- 13. Sharpe Ratio compares the annualized rate of return minus the annualized risk-free rate of return to the annualized variability often referred to as the standard deviation of the monthly rates of return. A Sharpe Ratio of 1:1 or higher indicates that, according to the measures used in calculating the ratio, the rate of return achieved by a particular strategy has equaled or exceeded the risks assumed by such strategy. The risk-free rate of return that was used in these calculations was assumed to be 3.29%.
- 14. % of months with positive change during the period from inception to February 28, 2014.
- 15. Average monthly positive change during the period from inception to February 28, 2014.
- 16. Average monthly negative change during the period from inception to February 28, 2014.
- 17. Annualized Index Levels reflect the change to the level of the applicable index on an annual basis as of December 31 of each the applicable time period (e.g., 1 year, 3, 5 or 7, 10 or 15 years, as applicable).
- * As of October 19, 2009, the Fund commenced tracking the DBIQ Diversified Agriculture Index Excess Return . Prior to October 19, 2009, the Fund tracked the Deutsche Bank Liquid Commodity Index-Optimum Yield Agriculture Excess Return.

WHILE THE FUND S OBJECTIVE IS NOT TO GENERATE PROFIT THROUGH ACTIVE PORTFOLIO MANAGEMENT, BUT IS TO TRACK THE INDEX, BECAUSE THE INDEX WAS ESTABLISHED IN SEPTEMBER 2009, CERTAIN INFORMATION RELATING TO INDEX CLOSING LEVELS MAY BE CONSIDERED TO BE HYPOTHETICAL. HYPOTHETICAL INFORMATION MAY HAVE CERTAIN INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW.

NO REPRESENTATION IS BEING MADE THAT THE INDEX WILL OR IS LIKELY TO ACHIEVE ANNUAL OR CUMULATIVE CLOSING LEVELS CONSISTENT WITH OR SIMILAR TO THOSE SET FORTH HEREIN. SIMILARLY, NO REPRESENTATION IS BEING MADE THAT THE FUND WILL GENERATE PROFITS OR LOSSES SIMILAR TO THE FUND S PAST PERFORMANCE OR THE HISTORICAL ANNUAL OR CUMULATIVE CHANGES IN THE INDEX CLOSING LEVELS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY INVESTMENT METHODOLOGIES, WHETHER ACTIVE OR PASSIVE.

ONE OF THE LIMITATIONS OF HYPOTHETICAL INFORMATION IS THAT IT IS GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. TO THE EXTENT THAT INFORMATION PRESENTED HEREIN RELATES TO THE PERIOD JANUARY 1989 THROUGH AUGUST 2009, THE INDEX CLOSING LEVELS REFLECT THE APPLICATION OF THE INDEX S METHODOLOGY, AND SELECTION OF INDEX COMMODITIES, IN HINDSIGHT.

52

NO HYPOTHETICAL RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THERE ARE NUMEROUS FACTORS, INCLUDING THOSE DESCRIBED UNDER THE RISKS YOU FACE HEREIN, RELATED TO THE COMMODITIES MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF THE FUND SEFFORTS TO TRACK ITS INDEX OVER TIME WHICH CANNOT BE, AND HAVE NOT BEEN, ACCOUNTED FOR IN THE PREPARATION OF SUCH INDEX INFORMATION SET FORTH ON THE FOLLOWING PAGES, ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL PERFORMANCE RESULTS FOR THE FUND. FURTHERMORE, THE INDEX INFORMATION DOES NOT INVOLVE FINANCIAL RISK OR ACCOUNT FOR THE IMPACT OF FEES AND COSTS ASSOCIATED WITH THE FUND.

THE MANAGING OWNER COMMENCED OPERATIONS IN JANUARY 2006. AS MANAGING OWNER, THE MANAGING OWNER AND ITS TRADING PRINCIPALS HAVE BEEN MANAGING THE DAY-TO-DAY OPERATIONS FOR THE FUND AND RELATED PRODUCTS AND MANAGING FUTURES TRADING ACCOUNTS. BECAUSE THERE ARE LIMITED ACTUAL TRADING RESULTS TO COMPARE TO THE INDEX CLOSING LEVELS SET FORTH HEREIN, PROSPECTIVE INVESTORS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THE ANNUAL OR CUMULATIVE INDEX RESULTS.

ALTHOUGH THE INDEX SPONSOR WILL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE INDEX FROM SOURCE(S) WHICH THE INDEX SPONSOR CONSIDERS RELIABLE, THE INDEX SPONSOR WILL NOT INDEPENDENTLY VERIFY SUCH INFORMATION AND DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA INCLUDED THEREIN. THE INDEX SPONSOR SHALL NOT BE LIABLE (WHETHER IN NEGLIGENCE OR OTHERWISE) TO ANY PERSON FOR ANY ERROR IN THE INDEX AND THE INDEX SPONSOR IS UNDER NO OBLIGATION TO ADVISE ANY PERSON OF ANY ERROR THEREIN.

UNLESS OTHERWISE SPECIFIED, NO TRANSACTION RELATING TO THE INDEX IS SPONSORED, ENDORSED, SOLD OR PROMOTED BY THE INDEX SPONSOR AND THE INDEX SPONSOR MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES AS TO (A) THE ADVISABILITY OF PURCHASING OR ASSUMING ANY RISK IN CONNECTION WITH ANY SUCH TRANSACTION (B) THE LEVELS AT WHICH THE INDEX STANDS AT ANY PARTICULAR TIME ON ANY PARTICULAR DATE (C) THE RESULTS TO BE OBTAINED BY THE ISSUER OF ANY SECURITY OR ANY COUNTERPARTY OR ANY SUCH ISSUER S SECURITY HOLDERS OR CUSTOMERS OR ANY SUCH COUNTERPARTY S CUSTOMERS OR COUNTERPARTIES OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH ANY LICENSED RIGHTS OR FOR ANY OTHER USE OR (D) ANY OTHER MATTER. THE INDEX SPONSOR MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN.

WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE INDEX SPONSOR HAVE ANY LIABILITY (WHETHER IN NEGLIGENCE OR OTHERWISE) TO ANY PERSON FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

53

INFORMATION BARRIERS BETWEEN THE INDEX SPONSOR AND THE MANAGING OWNER

It is Deutsche Bank s policy that procedures are implemented to prevent the improper sharing of information between different departments of the bank. Specifically, the procedures discussed below create an information barrier between the personnel within Deutsche Bank AG London that calculate and reconstitute the Index, or the Calculation Group, and other Deutsche Bank personnel, including but not limited to the Managing Owner, those in sales and trading, external or internal fund managers and bank personnel who are involved in hedging the bank s exposure to instruments linked to the Index, or Public Personnel, in order to prevent the improper sharing of information relating to the recomposition of the Index. Effective information barriers between the Calculation Group and Public Personnel will help ensure that Public Personnel may continue to trade in the futures contracts underlying the Index and securities linked to the Index (otherwise, restrictions might apply regarding trading on nonpublic information under the securities laws of the United States).

As such, the information barriers erected under these procedures require the Calculation Group to adhere to the following procedures:

The Calculation Group may not share any non-public, proprietary or confidential information concerning the Index. In particular, the Calculation Group may not release any information concerning a change in the methodology of calculating the Index or a new composition of the Index to Public Personnel or others unless and until such information has been previously published by NYSE Arca, on Reuters, or Bloomberg under the symbols DBA, DBAGIX, DBA.IV, DBA.NV, DBA.SO, DBA.EU and DBA.TC and on the websites at https://www.dbxus.com and https://index.db.com, or any successor thereto.

The Calculation Group and Public Personnel may not coordinate or seek to coordinate decision-making on the selection of any Index constituent instruments.

The Calculation Group also may not enter into any trades based on any non-public, proprietary or confidential information with respect to the Index.

These procedures supplement and do not override policies and procedures concerning information barriers otherwise adopted by Deutsche Bank AG or any of Deutsche Bank s affiliates.

USE OF PROCEEDS

A substantial amount of proceeds of the offering of the Shares are used by the Fund to engage in the trading of exchange-traded futures on its Index Commodities with a view to tracking the changes, positive or negative, in the level of the Index over time, less the expenses of the operations of the Fund. The Fund s portfolio also includes United States Treasury securities and other high credit quality short-term fixed income securities for deposit with the Fund s Commodity Broker as margin.

To the extent that the Fund trades in futures contracts on United States exchanges, the assets deposited by the Fund with its Commodity Broker as margin must be segregated pursuant to the regulations of the CFTC. Such segregated funds may be invested only in a limited range of instruments principally U.S. government obligations.

To the extent, if any, that the Fund trades in futures on markets other than regulated United States futures exchanges, funds deposited to margin positions held on such exchanges are invested in bank deposits or in instruments of a credit standing generally comparable to those authorized by

the CFTC for investment of customer segregated funds, although applicable CFTC rules prohibit funds employed in trading on foreign exchanges from being deposited in customer segregated fund accounts.

Although the following percentages may vary substantially over time, as of the date of this Prospectus, the Fund estimates that approximately 100% of the net asset value of the Fund is maintained in segregated accounts in the name of the Fund with the Commodity Broker in the form of cash or United States Treasury bills. Approximately 10% of the net asset value of the Fund may be held in cash at any one time. Such funds are segregated pursuant to CFTC rules.

The Managing Owner, a registered commodity pool operator and commodity trading advisor, is responsible for the cash management activities of the Fund, including investing in United States Treasury and United States Government Agencies issues.

In addition, assets of the Fund not required to margin positions may be maintained in United States bank accounts opened in the name of the Fund and may be held in United States Treasury bills (or other securities approved by the CFTC for investment of customer funds).

The Fund receives 100% of the interest income earned on its fixed income assets.

CHARGES

See Summary Breakeven Amounts and Summary Breakeven Table for additional breakeven related information.

Management Fee

The Fund pays the Managing Owner a Management Fee, monthly in arrears, in an amount equal to 0.85% per annum of its daily net asset value.

The Management Fee is paid in consideration of the Managing Owner s commodity futures trading advisory services.

Organization and Offering Expenses

Expenses incurred in connection with organizing the Fund and the initial offering of its Shares were paid by the Managing Owner. Expenses incurred in connection with the continuous offering of Shares after the commencement of its trading operations are also paid by the Managing Owner.

Organization and offering expenses relating to the Fund means those expenses incurred in connection with its formation, the qualification and registration of the Shares and in offering, distributing and processing the Shares under applicable federal law, and any other expenses actually incurred and, directly or indirectly, related to the organization of the Fund or the offering of the Shares, including, but not limited to, expenses such as:

initial and ongoing registration fees, filing fees and taxes;

costs of preparing, printing (including typesetting), amending, supplementing, mailing and distributing the Registration Statement, the exhibits thereto and the Prospectus;

the costs of qualifying, printing (including typesetting), amending, supplementing, mailing and distributing sales materials used in connection with the offering and issuance of the Shares;

travel, telegraph, telephone and other expenses in connection with the offering and issuance of the Shares; and

accounting, auditing and legal fees (including disbursements related thereto) incurred in connection therewith.

The Managing Owner will not allocate to the Fund the indirect expenses of the Managing Owner.

The pro-rated amount of the original organization and offering expenses for the Fund offered pursuant to this Prospectus was approximately \$520.833.

Brokerage Commissions and Fees

The Fund pays to the Commodity Broker all brokerage commissions, including applicable exchange fees, NFA fees, give-up fees, pit brokerage fees and other transaction related fees and expenses charged in connection with its trading activities. On average, total charges paid to the Commodity Broker are expected to be less than \$10.00 per round-turn trade, although the Commodity Broker s brokerage commissions and trading fees are determined on a contract-by-contract basis. A round-turn trade is a completed transaction involving both a purchase and a liquidating sale, or a sale followed by a covering purchase. The Managing Owner does not expect brokerage commissions and fees to exceed 0.16% of the net asset value of the Fund in any year, although the actual amount of brokerage commissions and fees in any year or any part of any year may be greater.

Routine Operational, Administrative and Other Ordinary Expenses

The Managing Owner pays all of the routine operational, administrative and other ordinary expenses of the Fund, generally, as determined by the Managing Owner, including, but not limited to, computer services, the fees and expenses of the Trustee, legal and accounting fees and expenses, tax preparation expenses, filing fees, and printing, mailing and duplication costs. The Managing Owner expects that all of the routine operational, administrative and other ordinary expenses of the Fund will be approximately 0.40%.

Non-recurring and Unusual Fees and Expenses

The Fund pays all non-recurring and unusual fees and expenses (referred to as extraordinary fees

55

and expenses in the Trust Declaration), if any, of itself, as determined by the Managing Owner. Non-recurring and unusual fees and expenses are fees and expenses which are non-recurring and unusual in nature, such as legal claims and liabilities and litigation costs or indemnification or other unanticipated expenses. Non-recurring and unusual fees and expenses will also include material expenses which are not currently anticipated obligations of the Fund or of managed futures funds in general. Routine operational, administrative and other ordinary expenses will not be deemed non-recurring and unusual expenses.

Management Fee and Expenses to be Paid First out of Interest Income

The Management Fee and the brokerage commissions and fees of the Fund are paid first out of interest income from the Fund s holdings of U.S. Treasury bills and other high credit quality short-term fixed income securities on deposit with the Commodity Broker as margin or otherwise. Such interest income has historically been sufficient to cover the fees and expenses of the Fund. If, however, the interest income is not sufficient to cover the fees and expenses of the Fund during any period, the excess of such fees and expenses over such interest income will be paid out of income from futures trading, if any, or from sales of the Fund s fixed income securities.

Selling Commission

Retail investors may purchase and sell Shares through traditional brokerage accounts. Investors are expected to be charged a customary commission by their brokers in connection with purchases of Shares that will vary from investor to investor. Investors are encouraged to review the terms of their brokerage accounts for applicable charges. Also, the excess, if any, of the price at which an Authorized Participant sells a Share over the price paid by such Authorized Participant in connection with the creation of such Share in a Basket will be deemed to be underwriting compensation by the Financial Industry Regulatory Authority, or FINRA, Corporate Financing Department.

WHO MAY SUBSCRIBE

Baskets may be created or redeemed only by Authorized Participants. Each Authorized Participant must (1) be a registered broker-dealer or other securities market participant such as a bank or other

financial institution which is not required to register as a broker-dealer to engage in securities transactions, (2) be a participant in DTC, and (3) have entered into an agreement with the Fund and the Managing Owner, or a Participant Agreement. The Participant Agreement sets forth the procedures for the creation and redemption of Baskets and for the delivery of cash required for such creations or redemptions. A list of the current Authorized Participants can be obtained from the Administrator. See Creation and Redemption of Shares for more details.

CREATION AND REDEMPTION OF SHARES

The Fund creates and redeems Shares from time-to-time, but only in one or more Baskets. A Basket is a block of 200,000 Shares. Baskets may be created or redeemed only by Authorized Participants. Except when aggregated in Baskets, the Shares are not redeemable securities. Authorized Participants pay a transaction fee of \$500 in connection with each order to create or redeem a Basket. Authorized Participants may sell the Shares included in the Baskets they purchase from the Fund to other investors.

Authorized Participants are the only persons that may place orders to create and redeem Baskets. Authorized Participants must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, which are not required to register as broker-dealers to engage in securities transactions, and (2) participants in DTC. To become an Authorized Participant, a person must enter into a Participant Agreement with the Fund and the Managing Owner. The Participant Agreement sets forth the procedures for the creation and redemption of Baskets and for the payment of cash required for such creations and redemptions. The Managing Owner may delegate its duties and obligations under the Participant Agreement to ALPS Distributors, Invesco Distributors, the Administrator or the Transfer Agent without consent from any Shareholder or Authorized Participant. The Participant Agreement and the related procedures attached thereto may be amended by the Managing Owner without the consent of any Shareholder or Authorized Participant. To compensate the Transfer Agent for services in processing the creation and redemption of Baskets, an Authorized Participant is required to pay a transaction fee of \$500 per order to create or redeem Baskets. Authorized Participants who purchase Baskets from the Fund receive no fees, commissions or other form of compensation or inducement of any kind from either the Managing

Owner or the Fund, and no such person has any obligation or responsibility to the Managing Owner or the Fund to effect any sale or resale of Shares.

Authorized Participants are cautioned that some of their activities will result in their being deemed participants in a distribution in a manner which would render them statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act of 1933, or the Securities Act, as described in Plan of Distribution.

Each Authorized Participant must be registered as a broker-dealer under the Exchange Act and regulated by FINRA, or exempt from being, or otherwise not be required to be, so regulated or registered, and qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Participants may be regulated under federal and state banking laws and regulations. Each Authorized Participant will have its own set of rules and procedures, internal controls and information barriers as it determines is appropriate in light of its own regulatory regime.

Authorized Participants may act for their own accounts or as agents for broker-dealers, custodians and other securities market participants that wish to create or redeem Baskets.

Persons interested in purchasing Baskets should contact the Managing Owner or the Administrator to obtain the contact information for the Authorized Participants. Shareholders who are not Authorized Participants will only be able to redeem their Shares through an Authorized Participant.

Under the Participant Agreements, the Managing Owner has agreed to indemnify the Authorized Participants and certain parties related to the Authorized Participants against certain liabilities as a result of:

any breach by the Managing Owner, the Trust, or any of their respective agents or employees, of any provision of the Participant Agreement, including any representations, warranties and covenants by any of them or the Trust therein or in the Officers Certificate (as defined in the Participant Agreement);

any failure on the part of the Managing Owner to perform any obligation of the Managing Owner set forth in the Participant Agreement;

any failure by the Managing Owner to comply with applicable laws and regulations in connection with the Participant Agreement, except that the Managing Owner will not be required to indemnify a Managing Owner Indemnified Party (as defined in the Participant Agreement) to the extent that such failure was caused by the reasonable reliance on instructions given or representations made by one or more Managing Owner Indemnified Parties or the negligence or willful malfeasance of any Managing Owner Indemnified Party;

any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, of which this Prospectus is a part of, or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except those statements in the Registration Statement based on information furnished in writing by or on behalf of the Authorized Participant expressly for use in the Registration Statement;

any untrue statement or alleged untrue statement of a material fact contained in a Prospectus or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except those statements in this Prospectus based on information furnished in writing by or on behalf of the Authorized Participant expressly for use in such Prospectus.

The following description of the procedures for the creation and redemption of Baskets is only a summary and an investor should refer to the relevant provisions of the Trust Declaration and the form of Participant Agreement for more detail. The Trust Declaration and the form of Participant Agreement are filed as exhibits to the registration statement of which this Prospectus is a part.

Creation Procedures

On any business day, an Authorized Participant may place an order with the Transfer Agent to create one or more Baskets. For purposes of processing both

57

creation and redemption orders, a business day means any day other than a day when banks in New York City are required or permitted to be closed. Creation orders must be placed by 10:00 a.m., Eastern time. The day on which the Transfer Agent receives a valid creation order is the creation order date. The day on which a creation order is settled is the creation order settlement date. As provided below, the creation order settlement date may occur up to 3 business days after the creation order date. By placing a creation order, and prior to delivery of such Baskets, an Authorized Participant s DTC account is charged the non-refundable transaction fee due for the creation order.

Unless otherwise agreed to by the Managing Owner and the Authorized Participant as provided in the next sentence, Baskets are issued on the creation order settlement date as of 2:45 p.m., Eastern time, on the business day immediately following the creation order date at the applicable net asset value per Share as of the closing time of the NYSE Arca or the last to close of the exchanges on which its futures contracts are traded, whichever is later, on the creation order date, but only if the required payment has been timely received. Upon submission of a creation order, the Authorized Participant may request the Managing Owner to agree to a creation order settlement date up to 3 business days after the creation order date. By placing a creation order, and prior to receipt of the Baskets, an Authorized Participant s DTC account is charged the non-refundable transaction fee due for the creation order.

Determination of Required Payment

The total payment required to create each Basket is the net asset value of 200,000 Shares of the applicable Fund as of the closing time of the NYSE Arca or the last to close of the exchanges on which its futures contracts are traded, whichever is later, on the creation order date.

Because orders to purchase Baskets must be placed by 10:00 a.m., Eastern time, but the total payment required to create a Basket will not be determined until 4:00 p.m., Eastern time, on the date the creation order is received, Authorized Participants will not know the total amount of the payment required to create a Basket at the time they submit the purchase order for the Basket. The net asset value of the Fund and the total amount of the payment required to create a Basket could rise or fall substantially between the time a creation order is submitted and the time the amount of the purchase price in respect thereof is determined.

Rejection of creation orders

The Managing Owner or the Transfer Agent may reject a creation order if:

The Managing Owner of the Transfer Agent determines that the creation order is not in proper form;

The Managing Owner believes that the acceptance or receipt of the creation order would have adverse tax consequences to the Fund or its Shareholders; or

Circumstances outside the control of the Managing Owner or the Transfer Agent make it, for all practical purposes, not feasible to process creations of Baskets.

The Managing Owner will not be liable for the rejection of any creation order.

Redemption Procedures

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place an order with the Transfer Agent to redeem one or more Baskets. Redemption orders must be placed by 10:00 a.m., Eastern time. The day on which the Managing Owner receives a valid redemption order is the redemption order date. The day on which a redemption order is settled is the redemption order settlement date. As provided below, the redemption order settlement date may occur up to 3 business days after the redemption order date. The redemption procedures allow Authorized Participants to redeem Baskets. Individual Shareholders may not redeem directly from the Fund. Instead, individual Shareholders may only redeem Shares in integral multiples of 200,000 and only through an Authorized Participant.

Unless otherwise agreed to by the Managing Owner and the Authorized Participant as provided in the next sentence, by placing a redemption order, an Authorized Participant agrees to deliver the Baskets to be redeemed through DTC s book-entry system to the applicable Fund not later than the redemption order settlement date as of 2:45 p.m., Eastern time, on the business day immediately following the redemption order date.

Upon submission of a redemption order, the Authorized Participant may request the Managing Owner to agree to a

58

redemption order settlement date up to 3 business days after the redemption order date. By placing a redemption order, and prior to receipt of the redemption proceeds, an Authorized Participant s DTC account is charged the non-refundable transaction fee due for the redemption order.

Determination of redemption proceeds

The redemption proceeds from the Fund consist of the cash redemption amount. The cash redemption amount is equal to the net asset value of the number of Basket(s) of the Fund requested in the Authorized Participant s redemption order as of the closing time of the NYSE Arca or the last to close of the exchanges on which its futures contracts are traded, whichever is later, on the redemption order date. The Managing Owner will distribute the cash redemption amount at 2:45 p.m., Eastern time, on the redemption order settlement date through DTC to the account of the Authorized Participant as recorded on DTC s book-entry system.

Delivery of redemption proceeds

The redemption proceeds due from the Fund are delivered to the Authorized Participant at 2:45 p.m., Eastern time, on the redemption order settlement date if, by such time, the Fund s DTC account has been credited with the Baskets to be redeemed. If the Fund s DTC account has not been credited with all of the Baskets to be redeemed by such time, the redemption distribution is delivered to the extent of whole Baskets received. Any remainder of the redemption distribution is delivered on the next business day to the extent of remaining whole Baskets received if the Transfer Agent receives the fee applicable to the extension of the redemption distribution date which the Managing Owner may, from time-to-time, determine and the remaining Baskets to be redeemed are credited to the Fund s DTC account by 2:45 p.m., Eastern time, on such next business day. Any further outstanding amount of the redemption order will be cancelled. The Managing Owner is also authorized to deliver the redemption distribution notwithstanding that the Baskets to be redeemed are not credited to the Fund s DTC account by 2:45 p.m., Eastern time, on the redemption order settlement date if the Authorized Participant has collateralized its obligation to deliver the Baskets through DTC s book-entry system on such terms as the Managing Owner may determine from time-to-time.

Suspension, Postponement or Rejection of Redemption Orders

In respect of the Fund, the Managing Owner may, in its discretion, suspend the right of redemption, or postpone the redemption settlement date, for (1) any period during which an emergency exists as a result of which the redemption distribution is not reasonably practicable, or (2) such other period as the Managing Owner determines to be necessary for the protection of the Shareholders. The Managing Owner will not be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

The Managing Owner or the Transfer Agent may reject a redemption order if the order is not in proper form as described in the Participant Agreement. The Managing Owner or the Transfer Agent will reject a redemption order if the acceptance or receipt of the order, in the opinion of its counsel, might be unlawful.

Creation and Redemption Transaction Fee

To compensate the Transfer Agent for services in processing the creation and redemption of Baskets, an Authorized Participant is required to pay a transaction fee of \$500 per order to create or redeem Baskets. An order may include multiple Baskets. The transaction fee may be reduced, increased or otherwise changed by the Managing Owner. The Managing Owner will notify DTC of any agreement to change the transaction fee

and will not implement any increase in the fee for the redemption of Baskets until 30 days after the date of the notice.

Monthly account statements conforming to CFTC and NFA requirements are posted on the Managing Owner s website at http://www.dbxus.com.

Additional reports may be posted on the Managing Owner s website in the discretion of the Managing Owner or as required by regulatory authorities.

THE COMMODITY BROKER

A variety of executing brokers execute futures transactions on behalf of the Fund. Such executing brokers give-up all such transactions to Deutsche Bank Securities Inc., a Delaware corporation, which serves as the clearing broker, or Commodity Broker, for the Fund. The Commodity Broker is an affiliate of Deutsche Bank AG. In its capacity as clearing

59

broker, the Commodity Broker executes and clears each of the futures transactions of the Fund and performs certain administrative services for the Fund. Deutsche Bank Securities Inc. is also registered with the CFTC as a futures commission merchant and is a member of the NFA in such capacity.

At any given time and in the ordinary course of their business, Deutsche Bank Securities Inc. (DBSI) is involved in and subject to a number of legal actions, administrative proceedings and regulatory examinations, inquiries and investigations, which, in the aggregate, are not, as of the date of this disclosure document, expected to have a material effect upon their condition, financial or otherwise, or to materially impair their ability to perform their obligation as a clearing member or in rendering services to the Fund. Except as disclosed below, there have been no administrative, civil or criminal proceedings pending, on appeal or concluded against DBSI or its principals within the five years preceding the date of this disclosure document that DBSI would deem material for purposes of Part 4 of CFTC regulations.

On November 27, 2012, a Business Conduct Committee of the CME Group approved settlements/fines in the amounts of \$550K and \$250K to resolve three separate actions concerning DB s allegedly inaccurate reporting of block trades on the Chicago Mercantile Exchange and Chicago Board of Trade. The settlement resolves approximately 50 alleged violations relating to approximately 30 trades from 2009-2012, including two incidents of alleged intentional misreporting and a failure to maintain accurate written or electronic records of the block trade transactions. DB neither admitted nor denied the rule violations upon which the fines are based.

Tax-Related Litigation

The Bank, along with certain affiliates, including the Commodity Broker (referred to as the Company for purposes of this section), and current and/or former employees (collectively referred to as Deutsche Bank), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service (IRS) has rejected those claims. In these legal proceedings, the customers

allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the IRS. The legal proceedings are pending in state and federal courts, and claims against Deutsche Bank are alleged under both U.S. state and federal law. 107 legal proceedings have been resolved and dismissed with prejudice with respect to Deutsche Bank. A number of other legal proceedings remain pending against Deutsche Bank and are currently at various pre-trial stages, including discovery. Deutsche Bank has received a number of unfiled claims as well, and has resolved certain of those unfiled claims, though others remain pending against Deutsche Bank. The Bank does not expect these pending legal proceedings and unfiled claims to have a significant effect on its financial position or profitability.

Mortgage-Related and Asset Backed Securities Matters

The Bank and its affiliates, including the Company (collectively referred to as Deutsche Bank), have received subpoenas and requests for information from certain regulators and government entities concerning its activities regarding the origination, purchase, securitization, sale and/or trading of mortgage loans, residential mortgage backed securities (RMBS), collateralized debt obligations, asset backed commercial paper and credit derivatives. Deutsche Bank is cooperating fully in response to those subpoenas and requests for information.

Deutsche Bank has been named as defendant in numerous civil litigations in various roles as issuer or underwriter in RMBS offerings and other asset-backed securities. These cases include purported class action suits, actions by individual purchasers of securities, and actions by insurance

companies that guaranteed payments of principal and interest for particular tranches of securities offerings. Although the allegations vary by lawsuit, these cases generally allege that the RMBS offering documents contained material misrepresentations and omissions, including with regard to the underwriting standards pursuant to which the underlying mortgage loans were issued.

Deutsche Bank is a defendant in putative class actions relating to its role, along with other financial institutions, as underwriter of RMBS issued by various third-parties and their affiliates including Countrywide Financial Corporation, IndyMac MBS, Inc., Novastar Mortgage Corporation, and Residential

60

Accredit Loans, Inc. These cases are in various stages up through discovery. On March 29, 2012, the court dismissed with prejudice and without leave to replead the putative Novastar Mortgage Corporation class action, which the plaintiffs have appealed.

Deutsche Bank is a defendant in various non-class action lawsuits by alleged purchasers of, and counterparties involved in transactions relating to, RMBS, and their affiliates, including Allstate Insurance Company, Asset Management Fund, Bayerische Landesbank, Cambridge Place Investments Management Inc., the Federal Deposit Insurance Corporation (as conservator for Colonial Bank, Guaranty Bank, Franklin Bank S.S.B., Citizens National Bank and Strategic Capital Bank), the Federal Home Loan Bank of Boston, the Federal Home Loan Bank of San Francisco, the Federal Home Loan Bank of Seattle, the Federal Housing Finance Agency (as conservator for Fannie Mae and Freddie Mac), John Hancock Insurance Company, Landesbank Baden-Württemberg, Mass Mutual Life Insurance Company, Moneygram Payment Systems, Inc., Phoenix Light SF Limited (as purported assignee of claims of special purpose vehicles created and/or managed by WestLB AG), Royal Park Investments (as purported assignee of claims of special-purpose vehicle created to acquire certain assets of Fortis Bank), Sealink Funding Ltd. (as purported assignee of claims of special purpose vehicles created and/or managed by Sachsen Landesbank and its subsidiaries), Spencerview Asset Management Ltd., The Charles Schwab Corporation, The Union Central Life Insurance Company, The Western and Southern Life Insurance Co. and the West Virginia Investment Management Board. These civil litigations are in various stages up through discovery.

Deutsche Bank and several current or former employees were also named as defendants in a putative class action commenced on June 27, 2008, relating to two Deutsche Bank-issued RMBS offerings. Following a mediation, the parties agreed to settle the matter for \$13.0 million. On July 11, 2012, the settlement received final court approval.

On May 8, 2012, Deutsche Bank reached a settlement with Assured Guaranty Municipal Corporation (Assured) regarding pending and threatened litigations on certain RMBS issued and underwritten by Deutsche Bank that are covered by financial guaranty insurance provided by Assured. Pursuant to this settlement, the Company made a payment of \$20 million to settle one litigation.

On February 6, 2012, the United States District Court for the Southern District of New York issued an order dismissing claims brought by Dexia SA/NV and Teachers Insurance and Annuity Association of America, and their affiliates and on January 4, 2013, the court issued an opinion explaining the basis for the order. The court dismissed some of the claims with prejudice and granted the plaintiffs leave to replead other claims.

The plaintiffs repled the claims dismissed without prejudice by filing a new complaint on February 4, 2013.

On July 16, 2012, the Fourth Judicial District for the State of Minnesota dismissed Deutsche Bank from a litigation brought by Moneygram Payment Systems, Inc. (Moneygram) relating to investments in RMBS, collateralized debt obligations and credit-linked notes. The court further denied Moneygram s motion for reconsideration, and Moneygram has filed an appeal. On January 11, 2013, Moneygram filed a summons with notice in New York State Supreme Court seeking to assert claims similar to those dismissed in Minnesota.

On February 4, 2013, pursuant to the terms of a settlement agreement, Stichting Pensioenfonds ABP dismissed two lawsuits that had been filed against Deutsche Bank. The terms of the settlement are confidential.

On May 3, 2011, the United States Department of Justice (USDOJ) filed a civil action against Deutsche Bank and MortgageIT, Inc. in the United States District Court for the Southern District of New York. The USDOJ filed an amended complaint on August 22, 2011. The amended complaint, which asserts claims under the U.S. False Claims Act and common law, alleged that Deutsche Bank, DB Structured Products, Inc., MortgageIT, Inc. and the Company submitted false certifications to the Department of Housing and Urban Development s Federal Housing Administration (FHA) concerning MortgageIT, Inc. s compliance with FHA requirements for quality controls and concerning whether individual loans qualified for FHA insurance. As set forth in the amended complaint, the FHA has paid \$368 million in insurance claims on mortgages that are allegedly subject to false certifications. The amended complaint sought recovery of treble damages and indemnification of future losses on

loans insured by FHA, and as set forth in the filings, the USDOJ sought over \$1 billion in damages. On September 23, 2011, the defendants filed a motion to dismiss the amended complaint. Following a hearing on December 21, 2011, the court

granted the USDOJ leave to file a second amended complaint. On May 10, 2012, Deutsche Bank settled this litigation with the USDOJ for \$202.3 million.

A number of other entities have threatened to assert claims against Deutsche Bank in connection with various RMBS offerings and other related products, and Deutsche Bank has entered into agreements with a number of these entities to toll the relevant statute of limitations. It is possible that these potential claims may have a material impact on Deutsche Bank. In addition, Deutsche Bank has entered into settlement agreements with some of these entities, the financial terms of which are confidential.

Auction Rate Securities

The Bank and the Company, including a division of the Company, have been named as defendants in 21 individual actions asserting various claims under the federal securities laws and state common law arising out of the sale of auction rate securities (ARS). Of those 21 actions, three are pending and 18 have been resolved and dismissed with prejudice. The Bank and the Company were the subjects of a putative class action, filed in the United States District Court for the Southern District of New York, asserting various claims under the federal securities laws on behalf of all persons or entities who purchased and continue to hold ARS offered for sale by the Bank and the Company between March 17, 2003 and February 13, 2008. In December 2010, the court dismissed the putative class action with prejudice. After initially filing a notice of appeal, the plaintiff voluntarily withdrew and dismissed the appeal in December 2011. The Bank was also named as a defendant, along with ten other financial institutions, in two putative class actions, filed in the United States District Court for the Southern District of New York, asserting violations of the antitrust laws. The putative class actions allege that the defendants conspired to artificially support and then, in February 2008, restrain the ARS market. On or about January 26, 2010, the court dismissed the two putative class actions. The plaintiffs have filed appeals of the dismissals.

Trust Preferred Securities

The Bank and certain of its affiliates and officers, including the Company, are the subject of a consolidated putative class action, filed in the United States District Court for the Southern District of New York, asserting claims under the federal securities

laws on behalf of persons who purchased certain trust preferred securities issued by Deutsche Bank and its affiliates between October 2006 and May 2008. Claims are asserted under sections 11, 12(a)(2), and 15 of the Securities Act of 1933. An amended and consolidated class action complaint was filed on January 25, 2010. On August 19, 2011, the court granted in part and denied in part the defendants motion to dismiss following which plaintiffs filed a second amended complaint, which did not include claims based on the October 2006 issuance of securities. On defendants motion for reconsideration, the court on August 10, 2012 dismissed the second amended complaint with prejudice. Plaintiffs have sought reconsideration of that dismissal.

Aravali

The Company has been named as a respondent in 27 arbitrations seeking damages allegedly sustained from investments in the Aravali Fund (Aravali), a third-party hedge fund sold by the Company to retail clients. Aravali used a high degree of leverage in investing in municipal bonds to generate return and income, leverage that led to the collapse of the fund when the municipal bond market suffered a decline in the fall of 2008. All 27 of the arbitrations have concluded or have been resolved and have been dismissed with prejudice. One additional Aravali claim has been made although no arbitration has been filed to date in connection with this claim.

Themis

The Company has been named as a respondent in 16 arbitrations seeking damages for losses sustained through a put spread options investment strategy directed by an independent registered investment advisor, Themis Asset Strategies LLC (Themis), whose principal Derek Clark was a client advisor at the Company from 2002-2005. Claimants include direct clients of Themis, for whom the Company performed execution and custody services; customers of the Company, who participated in the trading program through the Company s referral program; and a non-customer whose trades were executed through the Company s options desk and delivered to another firm. The put spread options strategy experienced a severe decline during the market turmoil of October 2008, and the Company discontinued its referral arrangement with Themis in November 2008. Two of the arbitrations are pending and 14 have been resolved and dismissed with prejudice.

62

MF Global Litigations

The Company, along with numerous other securities firms and individuals, has been named as a defendant in a consolidated class action lawsuit pending in the United States District Court for the Southern District of New York. The lawsuit is purportedly brought on behalf of investors in certain debt securities issued by MF Global Holdings Ltd. The Company is being sued as an underwriter for two of the three debt offerings that are the subject of the lawsuit. The lawsuit alleges material misstatements and omissions in a registration statement and prospectuses. A consolidated amended complaint has been filed, and a motion to dismiss by the underwriter defendants is pending.

SPhinX

The Bank, along with certain affiliates, including the Company (collectively Deutsche Bank), are the subjects of a litigation filed in the United States District Court for the Southern District of New York by the Joint Official Liquidators (JOLs) of the SPhinX family of hedge funds (SPhinX) arising from losses allegedly suffered by SPhinX when SPhinX assets were transferred from segregated accounts at Refco LLC to unprotected accounts at Refco Capital Markets, Ltd. According to the complaint, the JOLs filed the action to recover (i) \$263 million plus interest in damages suffered by SPhinX, (ii) the lost business enterprise value and deepening insolvency damages suffered by SPhinX s investment manager, PlusFunds Group, Inc., and (iii) damages suffered by a group of SPhinX investors that assigned claims to the JOLs. The complaint included claims for breach of fiduciary duty, fraud/misrepresentation, aiding and abetting fraud, aiding and abetting breach of fiduciary duty, aiding and abetting conversion, breach of contract/breach of implied covenant of good faith and fair dealing, and declaratory relief on Deutsche Bank s indemnity claims against SPhinX. On November 1, 2011, the court dismissed all claims, except for the claim for aiding and abetting fraud and further limited that claim to losses suffered by SPhinX with respect to assets placed at Refco LLC. On December 26, 2012, the court issued an order granting Deutsche Bank s motion for summary judgment and dismissed the aiding and abetting fraud claim. As a result, all claims against Deutsche Bank have been dismissed. The dismissal becomes final when the court issues a written opinion explaining the rulings in the December 26, 2012 order.

Insurative v. DBSI

The Company and one of its former employees are named as defendants in a lawsuit brought by Insurative Premium Finance (Jersey) Limited (Insurative) in the United States District Court for the District of Massachusetts. The lawsuit asserts claims for fraudulent misrepresentation, tortuous interference with advantageous business relations, unfair and deceptive acts or practices, promissory estoppel, breach of contract, breach of duty of good faith and negligent supervision, all arising from the former employee s alleged involvement in a fraudulent scheme involving the purchase of premium life insurance policies by clients of the Company. Insurative alleges that it was contracted to provide the financing for the life insurance policies and that it suffered lost profits when the clients terminated the financing arrangement. Insurative seeks \$38 million in alleged lost profits and treble damages. On December 18, 2012, the Magistrate Judge assigned to the case issued a report recommending that the District Court Judge grant the Company s motion to dismiss as to all claims except for unfair and deceptive acts or practices and negligent supervision. Insurative has filed objections to the Magistrate Judge s report.

Additional or replacement Commodity Brokers may be appointed in respect of the Fund in the future.

CONFLICTS OF INTEREST

General

The Managing Owner has not established formal procedures to resolve all potential conflicts of interest. Consequently, investors may be dependent on the good faith of the respective parties subject to such conflicts to resolve them equitably. Although the Managing Owner attempts to monitor these conflicts, it is extremely difficult, if not impossible, for the Managing Owner to ensure that these conflicts do not, in fact, result in adverse consequences to the Fund.

Prospective investors should be aware that the Managing Owner presently intends to assert that Shareholders have, by subscribing for Shares, consented to the following conflicts of interest in the event of any proceeding alleging that such conflicts violated any duty owed by the Managing Owner to investors.

63

The Managing Owner

The Managing Owner has a conflict of interest in allocating its own limited resources among different clients and potential future business ventures, to each of which it owes fiduciary duties. Additionally, the professional staff of the Managing Owner also service other affiliates of the Managing Owner and their respective clients. Although the Managing Owner and its professional staff cannot and will not devote all of its or their respective time or resources to the management of the business and affairs of the Fund, the Managing Owner intends to devote, and to cause its professional staff to devote, sufficient time and resources to manage properly the business and affairs of the Fund consistent with its or their respective fiduciary duties to the Fund and others.

Relationship of the Managing Owner to the Commodity Broker

The Managing Owner and the Commodity Broker are indirect wholly-owned subsidiaries of Deutsche Bank AG. The Commodity Broker receives a brokerage commission for futures interests transactions effected for the Fund. Customers of the Commodity Broker who maintain commodity and foreign exchange trading accounts may pay commissions at negotiated rates which are greater or less than the rate paid by the Fund.

The Managing Owner has a disincentive to replace the Commodity Broker as the Fund s broker because it is an affiliate of the Managing Owner. In connection with this conflict of interest, Shareholders should understand that the Commodity Broker receives a round-turn brokerage fee from the Fund for serving as the Fund s commodity broker. A round-turn trade is a completed transaction involving both a purchase and a liquidating sale, or a sale followed by a covering purchase.

The Managing Owner and the Commodity Broker may, from time-to-time, have conflicting demands in respect of their obligations to the Fund and, in the future, to other commodity pools and accounts. It is possible that future pools that the Managing Owner may become involved with may generate larger brokerage commissions, resulting in increased payments to employees.

There is an absence of arm s length negotiation with respect to some of the terms of this offering, and there has been no independent due diligence conducted with respect to this offering.

The Commodity Broker

The Commodity Broker may act from time-to-time as a commodity broker for other accounts with which it is affiliated or in which it or one of its affiliates has a financial interest. The compensation received by the Commodity Broker from such accounts may be more or less than the compensation received for brokerage services provided to the Fund. In addition, various accounts traded through the Commodity Broker (and over which their personnel may have discretionary trading authority) may take positions in the futures markets opposite to those of the Fund or may compete with the Fund for the same positions. The Commodity Broker may have a conflict of interest in its execution of trades for the Fund and for other customers. The Managing Owner will, however, not retain any commodity broker for the Fund which the Managing Owner has reason to believe would knowingly or deliberately favor any other customer over the Fund with respect to the execution of commodity trades.

The Commodity Broker will benefit from executing orders for other clients, whereas the Fund may be harmed to the extent that the Commodity Broker has fewer resources to allocate to the Fund s accounts due to the existence of such other clients.

Certain officers or employees of the Commodity Broker may be members of United States commodities exchanges and/or serve on the governing bodies and standing committees of such exchanges, their clearing houses and/or various other industry organizations. In such capacities, these officers or employees may have a fiduciary duty to the exchanges, their clearing houses and/or such various other industry organizations which could compel such employees to act in the best interests of these entities, perhaps to the detriment of the Fund.

Proprietary Trading/Other Clients

The Managing Owner does not trade for its own account.

Because the principals of the Managing Owner may trade for their own personal trading accounts (subject to certain internal Deutsche Bank employee trading policies and procedures) at the same time that they are managing the account of the Fund, prospective investors should be aware that the activities of the principals of the Managing Owner, subject to their fiduciary duties, may, from time-to-time, result in taking positions in their

64

personal trading accounts which are opposite of the positions taken for the Fund. Records of the Managing Owner principals personal trading accounts will not be available for inspection by Shareholders.

The Commodity Broker and its affiliates may trade in the commodity and foreign exchange markets for their own accounts and for the accounts of their clients, and in doing so may take positions opposite to those held by the Fund or may compete with the Fund for positions in the marketplace. Such trading may create conflicts of interest in respect of their obligations to the Fund. Records of proprietary trading and trading on behalf of other clients will not be available for inspection by Shareholders.

Because the Commodity Broker principals may trade for their own personal trading accounts (subject to certain internal Deutsche Bank trading policies and procedures with respect to both the Commodity Broker and its principals) at the same time that the Managing Owner is managing the account of the Fund, prospective investors should be aware that such persons may from time-to-time take positions in their proprietary accounts which are opposite of the positions taken for the Fund. Records of the Commodity Broker principals personal trading accounts will not be available for inspection by Shareholders.

DESCRIPTION OF THE SHARES; THE FUND; CERTAIN MATERIAL TERMS OF THE TRUST DECLARATION

The following summary describes in brief the Shares and certain aspects of the operation of the Trust, the Fund and the respective responsibilities of the Trustee and the Managing Owner concerning the Trust and the material terms of the Trust Declaration. Prospective investors should carefully review the Form of Trust Declaration filed as an exhibit to the registration statement of which this Prospectus is a part and consult with their own advisers concerning the implications to such prospective subscribers of investing in a series of a Delaware statutory trust. Capitalized terms used in this section and not otherwise defined shall have such meanings assigned to them under the Trust Declaration.

Description of the Shares

The Fund issues common units of beneficial interest, or Shares, which represent units of fractional

undivided beneficial interest in and ownership of the Fund. The Shares are listed on the NYSE Arca under the symbol DBA.

The Shares may be purchased from the Fund or redeemed on a continuous basis, but only by Authorized Participants and only in blocks of 200,000 Shares, or Baskets. Individual Shares may not be purchased from the Fund or redeemed. Shareholders that are not Authorized Participants may not purchase from the Fund or redeem Shares or Baskets.

Principal Office; Location of Records

The Trust was organized under the Delaware Statutory Trust Act in seven separate series as a Delaware statutory trust rather than as separate statutory trusts in order to achieve certain administrative efficiencies. The interests of investors are not adversely affected by the choice of form

of organization. As of the date of this Prospectus, the Trust consists of the following seven series PowerShares DB Energy Fund, PowerShares DB Oil Fund, PowerShares DB Precious Metals Fund, PowerShares DB Gold Fund, PowerShares DB Silver Fund, PowerShares DB Base Metals Fund and PowerShares DB Agriculture Fund. This Prospectus is for the Fund only and not for the first 6 funds listed in the prior sentence, or the Sectors Funds. The Sectors Funds, which are series of the Trust, are not being offered by this Prospectus. Information regarding both the Fund and the Sectors Funds (and any other additional series of the Trust, as applicable) is available at www.dbxus.com. The Trust is managed by the Managing Owner, whose office is located at 60 Wall Street, New York, New York 10005, telephone: (212) 250-5883.

The books and records of the Fund are maintained as follows: all marketing materials are maintained at the offices of ALPS Distributors, Inc., 1290 Broadway, Suite 1100, Denver, Colorado 80203; telephone number (303) 623-2577; Basket creation and redemption books and records, certain financial books and records (including Fund accounting records, ledgers with respect to assets, liabilities, capital, income and expenses, the registrar, transfer journals and related details) and trading and related documents received from futures commission merchants are maintained by The Bank of New York Mellon, 2 Hanson Place, Brooklyn, New York 11217, telephone number (718) 315-7500. All other books and records of the Fund (including minute books and other general corporate records, trading records and

65

related reports and other items received from the Fund s Commodity Brokers) are maintained at the Fund s principal office, c/o DB Commodity Services LLC, 60 Wall Street, New York, New York 10005; telephone number (212) 250-5883.

The books and records of the Fund are located at the foregoing addresses, and available for inspection and copying (upon payment of reasonable reproduction costs) by Shareholders of the Fund or their representatives for any purposes reasonably related to a Shareholder s interest as a beneficial owner of the Fund during regular business hours as provided in the Trust Declaration. The Managing Owner will maintain and preserve the books and records of the Fund for a period of not less than six years.

The Fund

Solely for the purposes of this sub-section, the term Fund or Funds refers to all the series of the Trust (including the DBA Fund). The term DBA Fund refers to the series that is offered pursuant to this Prospectus. The term Non-DBA Funds refers to all the remaining series of the Trust, excluding the DBA Fund.

The Trust was formed and is operated in a manner such that the Funds are liable only for obligations attributable to the applicable Funds and the Shareholders of the Funds are not subject to the losses or liabilities of any of the other Funds. For example, if any creditor or Shareholder in a Non-DBA Fund asserted against the DBA Fund a valid claim with respect to its indebtedness or Shares, the creditor or Shareholder of the Non-DBA Fund would only be able to recover money from that particular Non-DBA Fund and its assets and from the Managing Owner and its assets. Accordingly, the debts, liabilities, obligations and expenses, or collectively, Claims, incurred, contracted for or otherwise existing solely with respect to a particular Non-DBA Fund are enforceable only against the assets of that Non-DBA Fund and against the Managing Owner and its assets, and not against the DBA Fund or any other Non-DBA Fund or the Trust generally or any of their respective assets. The assets of any particular Fund include only those funds and other assets that are paid to, held by or distributed to such Fund, including, without limitation, funds delivered to the Trust for the purchase of Shares in such Fund. This limitation on liability is referred to as the Inter-Series Limitation on Liability. The Inter-Series Limitation on Liability is expressly

provided for under the Delaware Statutory Trust Act, which provides that if certain conditions (as set forth in Section 3804(a)) are met, then the debts of any particular series will be enforceable only against the assets of such series and not against the assets of any other Fund or the Trust generally. For the avoidance of doubt, the Inter-Series Limitation on Liability applies to all series of the Trust, including those that are not being offered through this Prospectus.

In furtherance of the Inter-Series Limitation on Liability, every party providing services to the Trust, any Fund or the Managing Owner on behalf of the Trust or any Fund has acknowledged and consented in writing to:

the Inter-Series Limitation on Liability with respect to such party s Claims;

voluntarily reduce the priority of its Claims against the Funds or their respective assets, such that its Claims are junior in right of repayment to all other parties Claims against the Funds or their respective assets, except that Claims against the Trust where recourse for the payment of such Claims was, by agreement, limited to the assets of a particular Fund, will not be junior in right of repayment, but will receive repayment from the assets of such particular Fund (but not from the assets of any other Fund or the Trust generally) equal to the treatment received by all other creditors and Shareholders that dealt with such Fund; and

a waiver of certain rights that such party may have under the United States Bankruptcy Code, if such party held collateral for its Claims, in the event that the Trust is a debtor in a chapter 11 case under the United States Bankruptcy Code, to have any deficiency Claim (*i.e.*, the difference, if any, between the amount of the Claim and the value of the collateral) treated as an unsecured Claim against the Trust generally or any Fund.

No special custody arrangements are applicable to any Fund, and the existence of a trustee should not be taken as an indication of any additional level of management or supervision over any Fund. To the greatest extent permissible under Delaware law, the Trustee acts in an entirely passive role, delegating all authority over the operation of the Trust, and each Fund to the Managing Owner.

66

Although Shares in the DBA Fund need not carry any voting rights, the Trust Declaration gives Shareholders of the DBA Fund voting rights in respect of the business and affairs of the DBA Fund comparable to those typically extended to limited partners in publicly-offered futures funds.

The Trustee

Wilmington Trust Company, a Delaware trust company, is the sole Trustee of the Trust and the Fund. The Trustee s principal offices are located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001. The Trustee is unaffiliated with the Managing Owner. The Trustee s duties and liabilities with respect to the offering of the Shares and the management of the Trust and the Fund are limited to its express obligations under the Trust Declaration.

The rights and duties of the Trustee, the Managing Owner and the Shareholders are governed by the provisions of the Delaware Statutory Trust Act and by the Trust Declaration.

The Trustee serves as the sole trustee of the Trust in the State of Delaware. The Trustee accepts service of legal process on the Trust and the Fund in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. The Trustee does not owe any other duties to the Trust, the Managing Owner or the Shareholders. The Trustee is permitted to resign upon at least sixty (60) days notice to the Trust, provided, that any such resignation will not be effective until a successor Trustee is appointed by the Managing Owner. The Trust Declaration provides that the Trustee is compensated by the Fund, as appropriate, and is indemnified by the Fund, as appropriate, against any expenses it incurs relating to or arising out of the formation, operation or termination of the Fund, as appropriate, or the performance of its duties pursuant to the Trust Declaration, except to the extent that such expenses result from the gross negligence or willful misconduct of the Trustee. The Managing Owner has the discretion to replace the Trustee.

Only the Managing Owner has signed the registration statement of which this Prospectus is a part, and only the assets of the Trust and the Managing Owner are subject to issuer liability under the federal securities laws for the information contained in this Prospectus and under federal securities laws with respect to the issuance and sale of the Shares. Under such laws, neither the Trustee,

either in its capacity as Trustee or in its individual capacity, nor any director, officer or controlling person of the Trustee is, or has any liability as, the issuer or a director, officer or controlling person of the issuer of the Shares. The Trustee s liability in connection with the issuance and sale of the Shares is limited solely to the express obligations of the Trustee set forth in the Trust Declaration.

Under the Trust Declaration, the Trustee has delegated to the Managing Owner the exclusive management and control of all aspects of the business of the Fund and the Trust. The Trustee has no duty or liability to supervise or monitor the performance of the Managing Owner, nor does the Trustee have any liability for the acts or omissions of the Managing Owner. The Shareholders have no voice in the day-to-day management of the business and operations of the Fund and the Trust, other than certain limited voting rights as set forth in the Trust Declaration. In the course of its management of the business and affairs of the Fund and the Trust, the Managing Owner may, in its sole and absolute discretion, appoint an affiliate or affiliates of the Managing Owner as additional managing owners (except where the Managing Owner has been notified by the Shareholders that it is to be replaced as the managing owner) and retain such persons, including affiliates of the Managing Owner, as it deems necessary for the efficient operation of the Fund or the Trust, as appropriate.

Because the Trustee has delegated substantially all of its authority over the operation of the Fund and the Trust to the Managing Owner, the Trustee itself is not registered in any capacity with the CFTC.

Performance information with respect to the offered pool starts on page 30.

The Managing Owner

Background and Principals

DB Commodity Services LLC, a Delaware limited liability company, is the Managing Owner of the Trust and the Fund. The Managing Owner serves as both commodity pool operator and commodity trading advisor of the Trust and the Fund. The Managing Owner has been registered with the CFTC as a commodity pool operator and commodity trading advisor since June 7, 2005 and has been a member of the NFA since June 16, 2005. Its principal place of business is 60 Wall Street, New York, New York 10005, telephone number (212) 250-5883. The

67

Managing Owner is a wholly-owned subsidiary of DB U.S. Financial Markets Holding Corporation, which is a wholly-owned, indirect subsidiary of Deutsche Bank AG. DB U.S. Financial Markets Holding Corporation has been a principal of the Managing Owner since May 31, 2005. The registration of the Managing Owner with the CFTC and its membership in the NFA must not be taken as an indication that either the CFTC or the NFA has recommended or approved the Managing Owner, the Trust and the Fund.

In its capacity as a commodity pool operator, the Managing Owner is an organization which operates or solicits funds for commodity pools; that is, an enterprise in which funds contributed by a number of persons are combined for the purpose of trading futures contracts. In its capacity as a commodity trading advisor, the Managing Owner is an organization which, for compensation or profit, advises others as to the value of or the advisability of buying or selling futures contracts.

Principals

The following principals serve in the below capacities on behalf of the Managing Owner:

| Name | Capacity |
|--------------------|---|
| Martin Kremenstein | Chief Executive Officer, Chief Investment Officer and Managing Director |
| Alex Depetris | Chief Operating Officer and Director |
| Michael Gilligan | Chief Financial Officer and Director |

DB U.S. Financial Markets Holding Corporation is also a principal of the Managing Owner.

The Managing Owner is managed by a Board of Managers. The Board of Managers is comprised of Messrs. Kremenstein, Depetris and Gilligan.

The Managing Owner has designated Messrs. Kremenstein and Depetris as the trading principals of the Fund.

Martin Kremenstein joined Deutsche Bank AG, a large international financial institution, in August 2006, and serves as Americas Head of Passive Investments (also known as DBX Group). Mr. Kremenstein also serves as Managing Director of the DBX Group. The Passive Investments Group is

the team that structures and manages exchange-traded products. Mr. Kremenstein serves as the Chief Executive Officer, Chief Investment Officer and Managing Director of the Managing Owner. Mr. Kremenstein has been a principal and associated person of the Managing Owner since November 1, 2006 and November 3, 2006, respectively, and an associate member of the NFA since November 3, 2006. Mr. Kremenstein received his B.A. from the University of Leeds in 1998.

Alex Depetris joined Deutsche Bank AG, a large international financial institution, in June 2008 and serves as a Director in the DBX Group with responsibility for providing cross-asset investment solutions in the Americas. The DBX Group is the team that structures and manages exchange-traded products. Mr. Depetris serves as Chief Operating Officer and Director of the Managing Owner and is responsible for its general

oversight and strategy. From June 9, 2008 to January 31, 2012, Mr. Depetris served as a Vice President of the Managing Owner and was responsible for the daily oversight of the Managing Owner. Mr. Depetris has been a principal and associated person of the Managing Owner since April 13, 2009 and June 17, 2009, respectively, and an associate member of the NFA since June 17, 2009. From December 2006 to May 2008, Mr. Depetris was an associate with the law firm of Arnold & Porter LLP in New York, and prior to that he was an associate with the law firm Sullivan & Worcester LLP in Boston, Massachusetts from September 2005 through November 2006. Mr. Depetris received his J.D. from Boston University School of Law in 2005 and his Bachelors of Science in Finance from University of Maryland, College Park in 2002.

Michael Gilligan joined Deutsche Bank AG, a large international financial institution, in March 2008 and is a Director in the Finance Group. Mr. Gilligan serves as a principal and Chief Financial Officer of the Managing Owner. Mr. Gilligan also serves as a Director of the Managing Owner. Mr. Gilligan has been a principal of the Managing Owner since April 29, 2008. Prior to joining Deutsche Bank, Mr. Gilligan worked for Credit Suisse, a large international financial institution, from September 1998 to March 2008 and held a number of positions in finance, including Controller of their residential and commercial real estate business; immediately prior to joining Deutsche Bank, Mr. Gilligan was the Chief Operating Officer of the Americas Credit Trading Group, a business group within Credit Suisse, from May 2007 to March 2008 with responsibility for the U.S. High Grade

68

bond trading and Emerging Markets credit trading desks and his duties included business planning and management. Mr. Gilligan is a Chartered Accountant and received his Bachelors of Science in Management from Trinity College in 1989 and his Post Graduate Diploma in Professional Accounting from University College Dublin in 1990.

DB U.S. Financial Markets Holding Corporation, which is a wholly owned, indirect subsidiary of Deutsche Bank AG, has been a principal of the Managing Owner since May 31, 2005.

Fiduciary and Regulatory Duties of the Managing Owner

An investor should be aware that the Managing Owner has a fiduciary responsibility to the Shareholders to exercise good faith and fairness in all dealings affecting the Trust and the Fund.

As managing owner of the Trust and the Fund, the Managing Owner effectively is subject to the duties and restrictions imposed on fiduciaries under both statutory and common law. The Managing Owner has a fiduciary responsibility to the Shareholders to exercise good faith, fairness and loyalty in all dealings affecting the Trust and the Fund, consistent with the terms of the Trust Declaration. A form of the Trust Declaration is filed as an exhibit to the registration statement of which this Prospectus is a part. The general fiduciary duties which would otherwise be imposed on the Managing Owner (which would make the operation of the Trust and the Fund as described herein impracticable due to the strict prohibition imposed by such duties on, for example, conflicts of interest on behalf of a fiduciary in its dealings with its beneficiaries), are defined and limited in scope by the disclosure of the business terms of the Trust and the Fund, as set forth herein and in the Trust Declaration (to which terms all Shareholders, by subscribing to the Shares, are deemed to consent).

The Trust Declaration provides that the Managing Owner and its affiliates will have no liability to the Trust and the Fund or to any Shareholder for any loss suffered by the Trust and the Fund arising out of any action or inaction of the Managing Owner or its affiliates or their respective directors, officers, shareholders, partners, members, managers or employees, or the Managing Owner Related Parties, if the Managing Owner Related Parties, in good faith, determined that such course of

conduct was in the best interests of the Fund, and such course of conduct did not constitute negligence or misconduct by the Managing Owner Related Parties. The Trust and the Fund have agreed to indemnify the Managing Owner Related Parties against claims, losses or liabilities based on their conduct relating to the Trust and the Fund, *provided* that the conduct resulting in the claims, losses or liabilities for which indemnity is sought did not constitute negligence or misconduct and was done in good faith and in a manner reasonably believed to be in the best interests of the Fund.

Under Delaware law, a beneficial owner of a business trust (such as a Shareholder of the Fund) may, under certain circumstances, institute legal action on behalf of himself and all other similarly situated beneficial owners (a class action) to recover damages from a managing owner of such business trust for violations of fiduciary duties, or on behalf of a business trust (a derivative action) to recover damages from a third party where a managing owner has failed or refused to institute proceedings to recover such damages. In addition, beneficial owners may have the right, subject to certain legal requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the Securities and Exchange Commission, or the SEC. Beneficial owners who have suffered losses in connection with the purchase or sale of their beneficial interests may be able to recover such losses from a managing owner where the losses result from a violation by the Managing Owner of the anti-fraud provisions of the federal securities laws.

Under certain circumstances, Shareholders also have the right to institute a reparations proceeding before the CFTC against the Managing Owner (a registered commodity pool operator and commodity trading advisor), the Commodity Broker (registered futures commission merchant), as well as those of their respective employees who are required to be registered under the Commodity Exchange Act, as amended, and the rules and regulations promulgated thereunder. Private rights of action are conferred by the Commodity Exchange Act, as amended.

Investors in futures and in commodity pools may, therefore, invoke the protections provided thereunder.

There are substantial and inherent conflicts of interest in the structure of the Trust and the Fund which are, on their face, inconsistent with the Managing Owner s fiduciary duties. One of the

69

purposes underlying the disclosures set forth in this Prospectus is to disclose to all prospective Shareholders these conflicts of interest so that the Managing Owner may have the opportunity to obtain investors informed consent to such conflicts. Prospective investors who are not willing to consent to the various conflicts of interest described under Conflicts of Interest and elsewhere should not invest in the Fund. The Managing Owner currently intends to raise such disclosures and consent as a defense in any proceeding brought seeking relief based on the existence of such conflicts of interest.

The foregoing summary describing in general terms the remedies available to Shareholders under federal law is based on statutes, rules and decisions as of the date of this Prospectus. This is a rapidly developing and changing area of the law. Therefore, Shareholders who believe that they may have a legal cause of action against any of the foregoing parties should consult their own counsel as to their evaluation of the status of the applicable law at such time.

Ownership or Beneficial Interest in the Fund

The Managing Owner has made and expects to maintain an aggregate investment of \$1,000 in the Fund. As of the date of this Prospectus, principals of the Managing Owner own less than 1% of the Shares.

Management; Voting by Shareholders

The Shareholders take no part in the management or control, and have no voice in the operations or the business of the Trust or the Fund. Shareholders, voting together as a single series, may, however, remove and replace the Managing Owner as the managing owner of the Trust and the Fund, and may amend the Trust Declaration, except in certain limited respects, by the affirmative vote of a majority of the outstanding Shares then owned by Shareholders (as opposed to by the Managing Owner and its affiliates). The owners of a majority of the outstanding Shares then owned by Shareholders may also compel dissolution of the Trust and the Fund.

The owners of 10% of the outstanding Shares then owned by Shareholders have the right to bring a matter before a vote of the Shareholders. The Managing Owner has no power under the Trust Declaration to restrict any of the Shareholders voting rights. Any Shares purchased by the Managing Owner or its affiliates, as well as the Managing Owner s general liability interest in the Fund of the Trust, are non-voting.

The Managing Owner has the right unilaterally to amend the Trust Declaration as it applies to the Fund provided that any such amendment is for the benefit of and not adverse to the Shareholders of the Fund or the Trustee and also in certain unusual circumstances for example, if doing so is necessary to comply with certain regulatory requirements.

Recognition of the Trust and the Fund in Certain States

A number of states do not have business trust statutes such as that under which the Trust has been formed in the State of Delaware. It is possible, although unlikely, that a court in such a state could hold that, due to the absence of any statutory provision to the contrary in such jurisdiction, the Shareholders, although entitled under Delaware law to the same limitation on personal liability as stockholders in a private corporation for profit organized under the laws of the State of Delaware, are not so entitled in such state. To protect Shareholders against any loss of limited liability, the Trust Declaration provides that no written obligation may be undertaken by the Fund unless such obligation is explicitly limited so as not to be enforceable against any Shareholder personally. Furthermore, the Fund itself indemnifies all its Shareholders against any liability

that such Shareholders might incur in addition to that of a beneficial owner. The Managing Owner is itself generally liable for all obligations of the Fund and will use its assets to satisfy any such liability before such liability would be enforced against any Shareholder individually.

70

Possible Repayment of Distributions Received by Shareholders; Indemnification by Shareholders

The Shares are limited liability investments; investors may not lose more than the amount that they invest plus any profits recognized on their investment. However, Shareholders of the Fund could be required, as a matter of bankruptcy law, to return to the estate of the Fund any distribution they received at a time when the Fund was in fact insolvent or in violation of the Trust Declaration. In addition, although the Managing Owner is not aware of this provision ever having been invoked in the case of any public futures fund, Shareholders of the Fund agree in the Trust Declaration that they will indemnify the Fund for any harm suffered by it as a result of

Shareholders actions unrelated to the business of the Fund, or

taxes separately imposed on the Fund by any state, local or foreign taxing authority.

The foregoing repayment of distributions and indemnity provisions (other than the provision for Shareholders of the Fund indemnifying such Fund for taxes imposed upon it by a state, local or foreign taxing authority, which is included only as a formality due to the fact that many states do not have business trust statutes so that the tax status of the Fund in such states might, theoretically, be challenged although the Managing Owner is unaware of any instance in which this has actually occurred) are commonplace in statutory trusts and limited partnerships.

Shares Freely Transferable

The Shares trade on the NYSE Arca and provide institutional and retail investors with direct access to the Fund. The Shares may be bought and sold on the NYSE Arca like any other exchange-listed security.

Book-Entry Form

Individual certificates will not be issued for the Shares. Instead, global certificates are deposited by the Trustee with DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the Shares outstanding at any time. Under the Trust Declaration, Shareholders are limited to (1) participants in DTC such as banks, brokers, dealers and trust companies (DTC

Participants), (2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant (Indirect Participants), and (3) those banks, brokers, dealers, trust companies and others who hold interests in the Shares through DTC Participants or Indirect Participants. The Shares are only transferable through the book-entry system of DTC. Shareholders who are not DTC Participants may transfer their Shares through DTC by instructing the DTC Participant holding their Shares (or by instructing the Indirect Participant or other entity through which their Shares are held) to transfer the Shares. Transfers are made in accordance with standard securities industry practice.

Reports to Shareholders

The Managing Owner will furnish you with an annual report of the Fund within 90 calendar days after the end of its fiscal year as required by the rules and regulations of the CFTC, including, but not limited to, an annual audited financial statement certified by independent registered public accountants and any other reports required by any other governmental authority that has jurisdiction over the activities of the Trust and the Fund. You also will be provided with appropriate information to permit you to file your U.S. federal and state income tax returns (on a timely basis) with respect to your Shares. Monthly account statements conforming to CFTC and NFA requirements are posted on the Managing Owner s website at http://www.dbxus.com. Additional reports may be posted on the Managing Owner s website in the discretion of the Managing Owner or as required by applicable regulatory authorities.

The Managing Owner will notify Shareholders of any change in the fees paid by the Trust or of any material changes to the Fund by filing with the SEC a supplement to this Prospectus and a Form 8-K, which will be publicly available at http://www.sec.gov and at the Managing Owner s website at http://www.dbxus.com. Any such notification will include a description of Shareholders voting rights.

Net Asset Value

Net asset value in respect of the Fund means the total assets of the Fund including, but not limited to, all cash and cash equivalents or other debt securities less total liabilities of the Fund, each determined on the basis of generally accepted accounting principles in the United States, consistently applied under the accrual method of accounting. In particular, net asset

71

value includes any unrealized profit or loss on open futures contracts, and any other credit or debit accruing to the Fund but unpaid or not received by the Fund. All open futures contracts traded on a United States exchange are calculated at their then current market value, which are based upon the settlement price for that particular futures contract traded on the applicable United States exchange on the date with respect to which net asset value is being determined; provided, that if a futures contract traded on a United States exchange could not be liquidated on such day, due to the operation of daily limits or other rules of the exchange upon which that position is traded or otherwise, the Managing Owner may value such futures contract pursuant to policies the Managing Owner has adopted, which are consistent with normal industry standards. The current market value of all open futures contracts traded on a non-United States exchange, to the extent applicable, will be based upon the settlement price for that particular futures contract traded on the applicable non-United States exchange on the date with respect to which net asset value is being determined; provided further, that if a futures contract traded on a non-United States exchange, to the extent applicable, could not be liquidated on such day, due to the operation of daily limits (if applicable) or other rules of the exchange upon which that position is traded or otherwise, the Managing Owner may value such futures contract pursuant to policies the Managing Owner has adopted, which are consistent with normal industry standards. The Managing Owner may in its discretion (and under circumstances, including, but not limited to, periods during which a settlement price of a futures contract is not available due to exchange limit orders or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance) value any asset of the Fund pursuant to such other principles as the Managing Owner deems fair and equitable so long as such principles are consistent with normal industry standards. Interest earned on the Fund s foreign exchange futures brokerage account is accrued at least monthly. The amount of any distribution will be a liability of the Fund from the day when the distribution is declared until it is paid.

Net asset value per Share, in respect of the Fund, is the net asset value of the Fund divided by the number of its outstanding Shares.

Termination Events

The Trust, or, as the case may be, the Fund, will dissolve at any time upon the happening of any of the following events:

The filing of a certificate of dissolution or revocation of the Managing Owner s charter (and the expiration of 90 days after the date of notice to the Managing Owner of revocation without a reinstatement of its charter) or upon the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Managing Owner, or an event of withdrawal unless (i) at the time there is at least one remaining Managing Owner and that remaining Managing Owner carries on the business of the Fund or (ii) within 90 days of such event of withdrawal all the remaining Shareholders agree in writing to continue the business of the Fund and to select, effective as of the date of such event, one or more successor Managing Owners. If the Trust is terminated as the result of an event of withdrawal and a failure of all remaining Shareholders to continue the business of the Trust and to appoint a successor Managing Owner as provided above within 120 days of such event of withdrawal, Shareholders holding Shares representing at least a majority (over 50%) of the net asset value of the Fund (not including Shares held by the Managing Owner and its affiliates) may elect to continue the business of the Trust by forming a new statutory trust, or reconstituted trust, on the same terms and provisions as set forth in the Trust Declaration. Any such election must also provide for the election of a Managing Owner to the reconstituted trust. If such an election is made, all Shareholders of the Fund will be bound thereby and continue as Shareholders of series of the reconstituted trust.

The occurrence of any event which would make unlawful the continued existence of the Trust or the Fund, as the case may be.

In the event of the suspension, revocation or termination of the Managing Owner s registration as a commodity pool operator, or membership as a commodity pool operator with the NFA (if, in either case,

72

such registration is required at such time unless at the time there is at least one remaining Managing Owner whose registration or membership has not been suspended, revoked or terminated).

The Trust or the Fund, as the case may be, becomes insolvent or bankrupt.

The Shareholders holding Shares representing at least a majority (over 50%) of the net asset value (which excludes the Shares of the Managing Owner) vote to dissolve the Trust, notice of which is sent to the Managing Owner not less than ninety (90) Business Days prior to the effective date of termination.

The determination of the Managing Owner that the aggregate net assets of the Fund in relation to the operating expenses of the Fund make it unreasonable or imprudent to continue the business of the Fund, or, in the exercise of its reasonable discretion, the determination by the Managing Owner to dissolve the Trust because the aggregate net asset value of the Trust as of the close of business on any business day declines below \$10 million.

The Trust or the Fund becoming required to be registered as an investment company under the Investment Company Act of 1940.

DTC is unable or unwilling to continue to perform its functions, and a comparable replacement is unavailable.

DISTRIBUTIONS

The Managing Owner has discretionary authority over all distributions made by the Fund. To the extent that the Fund s actual and projected interest income from its holdings of United States Treasury securities and other high credit quality short-term fixed income securities exceeds the actual and projected fees and expenses of the Fund, the Managing Owner expects periodically to make distributions of the amount of such excess. The Fund currently does not expect to make distributions with respect to capital gains. Depending on the Fund s performance for the taxable year and your own tax situation for such year, your income tax liability for the taxable year for your allocable share of the Fund s net ordinary income or loss and capital gain or loss may exceed any distributions you receive with respect to such year.

THE ADMINISTRATOR, CUSTODIAN AND TRANSFER AGENT

The Trust, on behalf of the Fund, has appointed The Bank of New York Mellon as the administrator of the Fund and has entered into an Administration Agreement in connection therewith. The Bank of New York Mellon serves as custodian, or Custodian, of the Fund and has entered into a Global Custody Agreement, or Custody Agreement, in connection therewith. The Bank of New York Mellon serves as the transfer agent, or Transfer Agent, of the Fund and has entered into a Transfer Agency and Service Agreement in connection therewith.

The Bank of New York Mellon, a banking corporation organized under the laws of the State of New York with trust powers, has an office at 2 Hanson Place, Brooklyn, New York 11217. The Bank of New York Mellon is subject to supervision by the New York State Banking Department and the Board of Governors of the Federal Reserve System. Information regarding the net asset value of the Fund, creation and redemption transaction fees and the names of the parties that have executed a Participant Agreement may be obtained from The Bank of New York Mellon by calling the following number: (718) 315-7500. A copy of the Administration Agreement is available for inspection at The Bank of New York Mellon s office identified above.

The Administrator retains certain financial books and records, including: Basket creation and redemption books and records, Fund accounting records, ledgers with respect to assets, liabilities, capital, income and expenses, the registrar, transfer journals and related details and trading and related documents received from futures commission merchants, c/o The Bank of New York Mellon, 2 Hanson Place, Brooklyn, New York 11217, telephone number (718) 315-7500.

A summary of the material terms of the Administration Agreement is disclosed in the Material Contracts section.

The Administrator s monthly fees of up to 0.05% per annum are paid on behalf of the Fund by the Managing Owner out of the Management Fee.

The Administrator and any of its affiliates may from time-to-time purchase or sell Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

73

The Administrator and any successor administrator must be a participant in DTC or such other securities depository as shall then be acting.

The Transfer Agent receives a transaction processing fee in connection with orders from Authorized Participants to create or redeem Baskets in the amount of \$500 per order. These transaction processing fees are paid directly by the Authorized Participants and not by the Fund.

The Trust may retain the services of one or more additional service providers to assist with certain tax reporting requirements of the Fund and the Shareholders of the Fund.

ALPS DISTRIBUTORS, INC.

The Trust, on behalf of the Fund, has appointed ALPS Distributors, Inc. or ALPS Distributors, to assist the Managing Owner and the Administrator with certain functions and duties relating to distribution and marketing, which include the following: consultation with the marketing staff of the Managing Owner and its affiliates with respect to FINRA compliance in connection with marketing efforts; review and filing of marketing materials with FINRA; and consultation with the Managing Owner and its affiliates in connection with marketing and sales strategies. Investors may contact ALPS Distributors toll-free in the U.S. at (877) 369-4617.

ALPS Distributors retains all marketing materials separately for the Fund, at the offices of ALPS Distributors, Inc., 1290 Broadway, Suite 1100, Denver, Colorado 80203; telephone number (303) 623-2577.

The Managing Owner, out of the Management Fee, pays ALPS Distributors for performing its duties on behalf of the Fund and may pay ALPS Distributors additional compensation in consideration of the performance by ALPS Distributors of additional marketing, distribution and ongoing support services to the Fund. Such additional services may include, among other services, the development and implementation of a marketing plan and the utilization of ALPS Distributors resources, which include an extensive broker database and a network of internal and external wholesalers. ALPS Distributors is affiliated with ALPS Fund Services, Inc., a Denver-based outsourcing solution for administration, compliance, fund accounting, legal, marketing, tax administration, transfer agency and shareholder services for open-end, closed-end, hedge

and exchange-traded funds. ALPS Fund Services, Inc. and its affiliates provide fund administration services to funds with assets in excess of \$48 billion. ALPS Distributors and its affiliates provide distribution services to funds with assets of more than \$438 billion.

ALPS Distributors, Inc. provides distribution services to PowerShares DB Agriculture Fund. Certain marketing services may be provided for the Fund by Invesco Distributors, Inc. or Invesco PowerShares Capital Management, LLC. This assistance includes the licensing of the PowerShares® registered service mark to the Managing Owner for use with the Fund. PowerShares® is a registered service mark of Invesco PowerShares Capital Management LLC is not a sponsor or promoter of the Fund and has no responsibility for the performance of the Fund or the decisions made or actions taken by the Managing Owner.

800 Number for Investors

Investors may contact Invesco PowerShares Capital Management LLC toll free in the U.S. at (800) 983-0903.

INVESCO DISTRIBUTORS, INC.

Through a marketing agreement between the Managing Owner and Invesco Distributors, Inc., or Invesco Distributors, an affiliate of Invesco PowerShares Capital Management LLC, or Invesco PowerShares, the Managing Owner, on behalf of the Fund, has appointed Invesco Distributors as a marketing agent. Invesco Distributors assists the Managing Owner and the Administrator with certain functions and duties such as providing various educational and marketing activities regarding the Fund, primarily in the secondary trading market, which activities include, but are not limited to, communicating the Fund s name, characteristics, uses, benefits, and risks, consistent with this Prospectus. Invesco Distributors will not open or maintain customer accounts or handle orders for the Fund. Invesco Distributors engages in public seminars, road shows, conferences, media interviews, and distributing sales literature and other communications (including electronic media) regarding the Fund.

Invesco Distributors is an indirect and wholly-owned subsidiary of Invesco Ltd. Invesco Ltd. is a leading independent global investment manager

74

operating under the AIM, Atlantic Trust, Invesco, Perpetual, PowerShares, Invesco Canada and WL Ross brands.

The Managing Owner, out of the Management Fee, pays Invesco Distributors for performing its duties on behalf of the Fund.

THE SECURITIES DEPOSITORY;

BOOK-ENTRY-ONLY SYSTEM; GLOBAL SECURITY

DTC acts as securities depository for the Shares. 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 Exchange Act. DTC was created to hold securities of DTC Participants and to facilitate the clearance and settlement of transactions in such securities among the DTC Participants through electronic book-entry changes. This eliminates the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly. DTC has agreed to administer its book-entry system in accordance with its rules and by-laws and the requirements of law.

Individual certificates will not be issued for the Shares. Instead, global certificates are signed by the Trustee and the Managing Owner on behalf of the Fund, registered in the name of Cede & Co., as nominee for DTC, and deposited with the Trustee on behalf of DTC. The global certificates evidence all of the Shares of the Fund outstanding at any time. The representations, undertakings and agreements made on the part of the Fund in the global certificates are made and intended for the purpose of binding only the Fund and not the Trustee or the Managing Owner individually.

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

appropriate DTC Participants. The Managing Owner and the Authorized Participants designate the accounts to be credited and charged in the case of creation or redemption of Shares.

Beneficial ownership of the Shares is limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Owners of beneficial interests in the Shares is shown on, and the transfer of ownership is effected only through, records maintained by DTC (with respect to DTC Participants), the records of DTC Participants (with respect to Indirect Participants), and the records of Indirect Participants (with respect to Shareholders that are not DTC Participants or Indirect Participants). Shareholders are expected to receive from or through the DTC Participant maintaining the account through which the Shareholder has purchased their Shares a written confirmation relating to such purchase.

Shareholders that are not DTC Participants may transfer the Shares through DTC by instructing the DTC Participant or Indirect Participant through which the Shareholders hold their Shares to transfer the Shares. Shareholders that are DTC Participants may transfer the Shares by instructing DTC in accordance with the rules of DTC. Transfers are made in accordance with standard securities industry practice.

DTC may decide to discontinue providing its service with respect to Baskets and/or the Shares of the Fund by giving notice to the Trustee and the Managing Owner. Under such circumstances, the Trustee and the Managing Owner will either find a replacement for DTC to perform its functions at a comparable cost or, if a replacement is unavailable, terminate the Fund.

The rights of the Shareholders generally must be exercised by DTC Participants acting on their behalf in accordance with the rules and procedures of DTC. Because the Shares can only be held in book-entry form through DTC and DTC Participants, investors must rely on DTC, DTC Participants and any other financial intermediary through which they hold the Shares to receive the benefits and exercise the rights described in this section. Investors should consult with their broker or financial institution to find out about procedures and requirements for securities held in book-entry form through DTC.

75

SHARE SPLITS

If the Managing Owner believes that the per Share price of the Fund in the secondary market has fallen outside a desirable trading price range, the Managing Owner may direct the Trustee to declare a split or reverse split in the number of Shares outstanding and to make a corresponding change in the number of Shares of the Fund constituting a Basket.

MATERIAL CONTRACTS

Brokerage Agreement

The Commodity Broker and the Trust (on behalf of the Fund) entered into the brokerage agreement with respect to the Fund, or, the Brokerage Agreement. As a result the Commodity Broker:

acts as the clearing broker;

acts as custodian of the Fund s assets; and

performs such other services for the Fund as the Managing Owner may from time-to-time request.

As clearing broker for the Fund, the Commodity Broker receives orders for trades from the Managing Owner.

Confirmations of all executed trades are given to the Fund by the Commodity Broker. The Brokerage Agreement incorporates the Commodity Broker s standard customer agreements and related documents, which generally include provisions that:

all funds, futures and open or cash positions carried for the Fund are held as security for the Fund s obligations to the Commodity Broker;

the margins required to initiate or maintain open positions are as from time-to-time established by the Commodity Broker and may exceed exchange minimum levels; and

the Commodity Broker may close out positions, purchase futures or cancel orders at any time it deems necessary for its protection, without the consent of the Trust on behalf of the Fund.

As custodian of the Fund s assets, the Commodity Broker is responsible, among other

things, for providing periodic accountings of all dealings and actions taken by the Trust on behalf of the Fund during the reporting period, together with an accounting of all securities, cash or other indebtedness or obligations held by it or its nominees for or on behalf of the Fund.

Administrative functions provided by the Commodity Broker to the Fund include, but are not limited to, preparing and transmitting daily confirmations of transactions and monthly statements of account, calculating equity balances and margin requirements.

As long as the Brokerage Agreement between the Commodity Broker and the Trust, on behalf of the Fund, is in effect, the Commodity Broker will not charge the Fund a fee for any of the services it has agreed to perform, except for the agreed upon brokerage fee.

The Brokerage Agreement is not exclusive and runs for successive one-year terms to be renewed automatically each year unless terminated. The Brokerage Agreement is terminable by the Trust, on behalf of the Fund, or the Commodity Broker without penalty upon thirty (30) days prior written notice (unless where certain events of default occur or there is a material adverse change to the Fund s financial position, in which case only prior written notice is required to terminate the Brokerage Agreement).

The Brokerage Agreement provides that neither the Commodity Broker nor any of its managing directors, officers, employees or affiliates will be liable for any costs, losses, penalties, fines, taxes and damages sustained or incurred by the Trust or the Fund other than as a result of the Commodity Broker s gross negligence or reckless or intentional misconduct or breach of such agreement.

Administration Agreement

Pursuant to the Administration Agreement between the Trust, on behalf of itself and on behalf of the Fund, and the Administrator, the Administrator performs or supervises the performance of services necessary for the operation and administration on behalf of the Fund (other than making investment decisions), including receiving and processing orders from Authorized Participants to create and redeem Baskets, net asset value calculations, accounting and other fund administrative services.

The Administration Agreement will continue in effect from the commencement of trading operations

76

unless terminated on at least 90 days prior written notice by either party to the other party. Notwithstanding the foregoing, the Administrator may terminate the Administration Agreement with respect to the Fund upon 30 days prior written notice if the Fund has materially failed to perform its obligations under the Administration Agreement or upon the termination of the Global Custody Agreement.

The Administrator is both exculpated and indemnified under the Administration Agreement.

Except as otherwise provided in the Administration Agreement, the Administrator will not be liable for any costs, expenses, damages, liabilities or claims (including attorneys and accountants fees) incurred by the Trust or the Fund, except those costs, expenses, damages, liabilities or claims arising out of the Administrator s own gross negligence or willful misconduct. In no event will the Administrator be liable to the Trust, the Fund or any third party for special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with the Administration Agreement, even if previously informed of the possibility of such damages and regardless of the form of action. The Administrator will not be liable for any loss, damage or expense, including counsel fees and other costs and expenses of a defense against any claim or liability, resulting from, arising out of, or in connection with its performance under the Administration Agreement, including its actions or omissions, the incompleteness or inaccuracy of any Proper Instructions (as defined therein), or for delays caused by circumstances beyond the Administrator s control, unless such loss, damage or expense arises out of the gross negligence or willful misconduct of the Administrator.

Subject to limitations, the Trust and/or the Fund will indemnify and hold harmless the Administrator from and against any and all costs, expenses, damages, liabilities and claims (including claims asserted by the Trust or the Fund), and reasonable attorneys—and accountants—fees relating thereto, which are sustained or incurred or which may be asserted against the Administrator by reason of or as a result of any action taken or omitted to be taken by the Administrator in good faith under the Administration Agreement or in reliance upon (i) any law, act, regulation or interpretation of the same even though the same may thereafter have been altered, changed, amended or repealed, (ii) the registration statement or Prospectus, (iii) any Proper Instructions,

or (iv) any opinion of legal counsel for the Fund or arising out of transactions or other activities of the Fund which occurred prior to the commencement of the Administration Agreement; *provided*, that neither the Trust nor the Fund will indemnify the Administrator for costs, expenses, damages, liabilities or claims for which the Administrator is liable under the preceding paragraph. This indemnity will be a continuing obligation of the Trust, the Fund and their respective successors and assigns, notwithstanding the termination of the Administration Agreement. Without limiting the generality of the foregoing, the Trust and the Fund will indemnify the Administrator against and save the Administrator harmless from any loss, damage or expense, including counsel fees and other costs and expenses of a defense against any claim or liability, arising from any one or more of the following: (i) errors in records or instructions, explanations, information, specifications or documentation of any kind, as the case may be, supplied to the Administrator by any third-party described above or by or on behalf of the Fund; (ii) action or inaction taken or omitted to be taken by the Administrator pursuant to Proper Instructions of the Trust, on behalf of the Fund, or otherwise without gross negligence or willful misconduct; (iii) any action taken or omitted to be taken by the Administrator in good faith in accordance with the advice or opinion of counsel for the Trust or the Fund or its own counsel; (iv) any improper use by the Trust or the Fund or their respective agents, distributor or investment advisor of any valuations or computations supplied by the Administrator pursuant to the Administration Agreement; (v) the method of valuation and the method of computing net asset value; or (vi) any valuations or net asset value provided by the Fund.

Actions taken or omitted in reliance on Proper Instructions, or upon any information, order, indenture, stock certificate, power of attorney, assignment, affidavit or other instrument believed by the Administrator to be genuine or bearing the signature of a person or persons believed to be authorized to sign, countersign or execute the same, or upon the opinion of legal counsel for the Trust, on behalf of the Fund, or its own counsel, will be conclusively presumed to have been taken or omitted in good faith.

Notwithstanding any other provision contained in the Administration Agreement, the Administrator will have no duty or obligation with respect to, including, without limitation, any duty or obligation to determine, or advise or notify the Fund of: (a) the

taxable nature of any distribution or amount received or deemed received by, or payable to the Fund; (b) the taxable nature or effect on the Fund or its shareholders of any corporate actions, class actions, tax reclaims, tax refunds, or similar events; (c) the taxable nature or taxable amount of any distribution or dividend paid, payable or deemed paid by the Fund to their respective shareholders; or (d) the effect under any federal, state, or foreign income tax laws of the Fund making or not making any distribution or dividend payment, or any election with respect thereto.

Global Custody Agreement

The Bank of New York Mellon serves as the Fund s custodian, or Custodian. Pursuant to the Global Custody Agreement between the Trust, on its own behalf and on behalf of the Fund, and the Custodian, or Custody Agreement, the Custodian serves as custodian of all securities and cash at any time delivered to Custodian by the Fund during the term of the Custody Agreement and has authorized the Custodian to hold its securities in registered form in its name or the name of its nominees. The Custodian has established and will maintain one or more securities accounts and cash accounts for the Fund pursuant to the Custody Agreement. The Custodian will maintain separate and distinct books and records segregating the assets of the Fund.

The Trust, on behalf of the Fund, independently, and the Custodian may terminate the Custody Agreement by giving to the other party a notice in writing specifying the date of such termination, which will be not less than ninety (90) days after the date of such notice. Upon termination thereof, the Fund will pay to the Custodian such compensation as may be due to the Custodian, and will likewise reimburse the Custodian for other amounts payable or reimbursable to the Custodian thereunder. The Custodian will follow such reasonable oral or written instructions concerning the transfer of custody of records, securities and other items as the Trust, on behalf of the Fund, gives; provided, that (a) the Custodian will have no liability for shipping and insurance costs associated therewith, and (b) full payment will have been made to the Custodian of its compensation, costs, expenses and other amounts to which it is entitled hereunder. If any securities or cash remain in any account, the Custodian may deliver to the Trust, on behalf of the Fund, such securities and cash. Except as otherwise provided herein, all obligations of the parties to each other hereunder will cease upon termination of the Custody Agreement.

The Custodian is both exculpated and indemnified under the Custody Agreement.

Except as otherwise expressly provided in the Custody Agreement, the Custodian will not be liable for any costs, expenses, damages, liabilities or claims, including attorneys and accountants fees, or losses, incurred by or asserted against the Trust or the Fund, except those losses arising out of the gross negligence or willful misconduct of the Custodian. The Custodian will have no liability whatsoever for the action or inaction of any depository. Subject to the Custodian s delegation of its duties to its affiliates, the Custodian s responsibility with respect to any securities or cash held by a subcustodian is limited to the failure on the part of the Custodian to exercise reasonable care in the selection or retention of such subcustodian in light of prevailing settlement and securities handling practices, procedures and controls in the relevant market. With respect to any losses incurred by the Trust or the Fund as a result of the acts or the failure to act by any subcustodian (other than an affiliate of the Custodian), the Custodian will take appropriate action to recover such losses from such subcustodian; and the Custodian s sole responsibility and liability to the Trust or the Fund will be limited to amounts so received from such subcustodian (exclusive of costs and expenses incurred by the Custodian). In no event will the Custodian be liable to the Trust or the Fund or any third-party for special, indirect or consequential damages, or lost profits or loss of business, arising in connection with the Custody Agreement.

The Trust, on behalf of the Fund, as applicable, will indemnify the Custodian and each subcustodian for the amount of any tax that the Custodian, any such subcustodian or any other withholding agent is required under applicable laws (whether by assessment or otherwise) to pay on behalf of, or in respect of income earned by or payments or distributions made to or for the account of the Fund (including any payment of tax required by reason of an earlier failure to withhold). The Custodian will, or will instruct the applicable subcustodian or other withholding agent to, withhold the amount of any tax which is required to be withheld under applicable law upon collection of any dividend, interest or other distribution made with respect to any security and any proceeds or income from the sale, loan or other transfer of any security. In the event that the Custodian or any subcustodian is required under applicable law to pay any tax on behalf of the Fund, the Custodian is hereby authorized to withdraw cash

from any cash account in the amount required to pay such tax and to use such cash, or to remit such cash to the appropriate subcustodian, for the timely payment of such tax in the manner required by applicable law.

The Trust, on its own behalf and on behalf of the Fund, will indemnify the Custodian and hold the Custodian harmless from and against any and all losses sustained or incurred by or asserted against the Custodian by reason of or as a result of any action or inaction, or arising out of the Custodian s performance under the Custody Agreement, including reasonable fees and expenses of counsel incurred by the Custodian in a successful defense of claims by the Fund; *provided however*, that the Trust, on its own behalf and on behalf of the Fund, as applicable, will not indemnify the Custodian for those losses arising out of the Custodian s gross negligence or willful misconduct. This indemnity will be a continuing obligation of the Trust, on its own behalf and on behalf of the Fund, as applicable, their successors and assigns, notwithstanding the termination of the Custody Agreement.

Transfer Agency and Service Agreement

The Bank of New York Mellon serves as the Fund s transfer agent, or Transfer Agent. Pursuant to the Transfer Agency and Service Agreement between the Trust, the Trust on behalf of the Fund and the Transfer Agent, the Transfer Agent serves as the Fund s transfer agent, dividend or distribution disbursing agent, and agent in connection with certain other activities as provided under the Transfer Agency and Service Agreement.

The term of the Transfer Agency and Service Agreement is one year from the effective date and will automatically renew for additional one year terms unless any party provides written notice of termination (with respect to the Fund) at least ninety (90) days prior to the end of any one year term or, unless earlier terminated as provided below:

Either party terminates prior to the expiration of the initial term in the event the other party breaches any material provision of the Transfer Agency and Service Agreement, including, without limitation in the case of the Trust, on behalf of the Fund, its obligations to compensate the Transfer Agent, provided that the non-breaching party gives written notice of such breach to the breaching party and the breaching party

does not cure such violation within 90 days of receipt of such notice.

The Fund may terminate the Transfer Agency and Service Agreement prior to the expiration of the initial term upon ninety (90) days prior written notice in the event that the Managing Owner determines to liquidate the Trust or the Fund and terminate its registration with the Securities and Exchange Commission other than in connection with a merger or acquisition of the Trust.

The Transfer Agent will have no responsibility and will not be liable for any loss or damage unless such loss or damage is caused by its own gross negligence or willful misconduct or that of its employees, or its breach of any of its representations. In no event will the Transfer Agent be liable for special, indirect or consequential damages regardless of the form of action and even if the same were foreseeable.

Pursuant to the Transfer Agency and Service Agreement, the Transfer Agent will not be responsible for, and the Trust or the Fund will indemnify and hold the Transfer Agent harmless from and against, any and all losses, damages, costs, charges, counsel fees, payments, expenses and liability, or Losses, arising out of or attributable to:

All actions of the Transfer Agent or its agents or subcontractors required to be taken pursuant to the Transfer Agency and Service Agreement, provided that such actions are taken without gross negligence, or willful misconduct.

The Trust s or the Fund s gross negligence or willful misconduct.

The breach of any representation or warranty of the Trust thereunder.

The conclusive reliance on or use by the Transfer Agent or its agents or subcontractors of information, records, documents or services which (i) are received by the Transfer Agent or its agents or subcontractors, and (ii) have been prepared, maintained or performed by the Trust, on its own behalf or on behalf of the Fund, or any other person or firm on behalf of the Trust or the Fund including but not limited to any previous transfer agent or registrar.

79

The conclusive reliance on, or the carrying out by the Transfer Agent or its agents or subcontractors of any instructions or requests of the Trust on behalf of the Fund.

The offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such Shares in such state.

Distribution Services Agreement

ALPS Distributors provides certain distribution services to the Fund. Pursuant to the Distribution Services Agreement between the Trust, with respect to the Fund and ALPS Distributors, ALPS Distributors assists the Managing Owner and the Administrator with certain functions and duties relating to distribution and marketing including reviewing and approving marketing materials.

The date of the Distribution Services Agreement is the effective date and such Agreement will continue until two years from such date and thereafter will continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually (i) by the Managing Owner with respect to the Fund or (ii) otherwise as provided under the Distribution Services Agreement. The Distribution Services Agreement is terminable without penalty on sixty days written notice by the Managing Owner of the Fund or by ALPS Distributors.

The Distribution Services Agreement will automatically terminate in the event of its assignment.

Pursuant to the Distribution Services Agreement, the Fund will indemnify ALPS Distributors as follows:

The Fund indemnifies and holds harmless ALPS Distributors and each of its directors and officers and each person, if any, who controls ALPS Distributors within the meaning of Section 15 of the Securities Act, against any loss, liability, claim, damages or expenses (including the reasonable cost of investigating or defending any alleged loss, liability, claim, damages or expenses and reasonable counsel fees incurred in connection therewith) arising by reason of any person acquiring any Shares, based

upon the ground that the registration statement, Prospectus, statement of additional information, Shareholder reports or other information filed or made public by the Fund (as from time-to-time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading under the Securities Act or any other statute or the common law. However, the Fund does not indemnify ALPS Distributors or hold it harmless to the extent that the statement or omission was made in reliance upon, and in conformity with, information furnished to the Fund by or on behalf of ALPS Distributors. In no case

is the indemnity of the Fund in favor of ALPS Distributors or any person indemnified to be deemed to protect ALPS Distributors or any person against any liability to the Fund or its security holders to which ALPS Distributors or such person would otherwise be subject by reason of willful misfeasance, bad faith or negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under the Distribution Services Agreement, or

is the Fund to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against ALPS Distributors or any person indemnified unless ALPS Distributors or the person, as the case may be, will have notified the Fund in writing of the claim promptly after the summons or other first written notification giving information of the nature of the claims will have been served upon ALPS Distributors or any such person (or after ALPS Distributors or such person will have received notice of service on any designated agent).

However, failure to notify the Fund of any claim will not relieve the Fund from any liability which it may have to any person against whom such action is brought otherwise than on account of its indemnity agreement described herein. The Fund will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any claims, and if the Fund elects to assume the defense, the defense will be conducted by counsel chosen by the Fund. In the event the Fund elects to assume the defense of any

80

suit and retain counsel, ALPS Distributors, officers or directors or controlling person(s), defendant(s) in the suit, will bear the fees and expenses of any additional counsel retained by them. If the Fund elects not to assume the defense of any suit, it will reimburse ALPS Distributors, officers or directors or controlling person(s) or defendant(s) in the suit for the reasonable fees and expenses of any counsel retained by them. The Fund agrees to notify ALPS Distributors promptly of the commencement of any litigation or proceeding against it or any of its officers in connection with the issuance or sale of any of the Shares.

Marketing Agreement

Invesco Distributors provides certain marketing services to the Fund. Pursuant to the Marketing Agreement, as amended from time-to-time, between the Managing Owner on behalf of the Fund, Deutsche Bank AG, London Branch and Invesco Distributors, Invesco Distributors assists the Managing Owner and the Administrator with certain functions and duties such as providing various educational and marketing activities regarding the Fund, primarily in the secondary trading market, which activities include, but are not limited to, communicating the Fund s name, characteristics, uses, benefits, and risks, consistent with this Prospectus. Invesco Distributors does not open or maintain customer accounts or handle orders for the Funds. Invesco Distributors engages in public seminars, road shows, conferences, media interviews and distributing sales literature and other communications (including electronic media) regarding the Fund.

The effective date of the Marketing Agreement will be the effective date of the registration statement and such Marketing Agreement will continue until terminated. The Marketing Agreement is terminable upon written notice by the Managing Owner of the Fund or by Invesco Distributors. The Marketing Agreement may be terminated upon 30 days prior written notice for cause as provided under the Marketing Agreement or upon 90 days prior written notice as provided under the Marketing Agreement.

The Marketing Agreement may not be assigned without the prior written consent of the parties to the Marketing Agreement.

Pursuant to the Marketing Agreement, each party will indemnify and hold harmless the other parties against all losses, claims, damages, liabilities or expenses (including reasonable fees and

disbursements of counsel) from any claim, demand, action or suit arising out of or in connection with the indemnifying party s failure to comply with applicable laws, rules and regulations in connection with performing its obligations; negligence or willful misconduct in carrying out its duties and responsibilities; or material breach of the terms of the Marketing Agreement. The indemnities granted by the parties will survive the termination of the Marketing Agreement. Additionally, the Managing Owner and Deutsche Bank AG, London Branch will indemnify Invesco Distributors and hold Invesco Distributors harmless from any losses, claims, damages, liabilities or expenses (including reasonable fees and disbursements of counsel) from any claim, demand, action or suit arising out of or in connection with any product sales materials relating to the Fund provided by the Managing Owner to Invesco Distributors.

Invesco Distributors will not perform any marketing in respect of the Fund prior to Invesco Distributors receipt of written notice from the Managing Owner that the Fund s registration statement has been declared effective by the SEC.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal (and certain state and local) income tax considerations associated with the purchase, ownership and disposition of Shares as of the date hereof by U.S. Shareholders (as defined below) and non-U.S. Shareholders (as defined below). Except where noted, this discussion deals only with Shares held as capital assets by Shareholders who acquired Shares by purchase and does not address special situations, such as those of:

| dealers in securities, commodities or currencies; |
|--|
| financial institutions; |
| regulated investment companies, or RICs, other than the status of the Fund as a qualified publicly traded partnership, or qualified PTP, within the meaning of the Code; |
| real estate investment trusts; |
| tax-exempt organizations; |

81

insurance companies;

persons holding Shares as a part of a hedging, integrated or conversion transaction or a straddle;

traders in securities or commodities that elect to use a mark-to-market method of accounting for their securities or commodities holdings; or

persons liable for alternative minimum tax.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the Treasury Regulations promulgated thereunder, or the Treasury Regulations, and administrative and judicial interpretations thereof, all as of the date hereof, and such authorities may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those described below.

A U.S. Shareholder means a beneficial owner of Shares that is for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of such trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A non-U.S. Shareholder means a beneficial owner of Shares that is not a U.S. Shareholder.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership

holding Shares, we urge you to consult your own tax adviser.

No statutory, administrative or judicial authority directly addresses the treatment of Shares or instruments similar to Shares for U.S. federal income tax purposes. As a result, we cannot assure you that the United States Internal Revenue Service, or the IRS, or the courts will agree with the tax consequences described herein. A different treatment from that described below could adversely affect the amount, timing and character of items of income, gain, loss or deduction in respect of an investment in the Shares. If you are considering the purchase of Shares, we urge

you to consult your own tax adviser concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of Shares, as well as any consequences to you arising under the laws of any other taxing jurisdiction.

Status of the Fund

Under current law and assuming full compliance with the terms of the Trust Declaration and applicable law (and other relevant documents), in the opinion of Sidley Austin LLP, the Fund will be classified as a partnership for U.S. federal income tax purposes. Accordingly, subject to the discussion below regarding publicly traded partnerships, the Fund will not be a taxable entity for U.S. federal income tax purposes and will not incur U.S. federal income tax liability.

Special Rules for Publicly Traded Partnerships

A partnership is not a taxable entity and incurs no U.S. federal income tax liability. Section 7704 of the Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception exists with respect to publicly traded partnerships of which 90% or more of the gross income during each taxable year consists of qualifying income within the meaning of Section 7704(d) of the Code, or the qualifying income exception. Qualifying income includes dividends, interest, capital gains from the sale or other disposition of stocks and debt instruments and, in the case of a partnership (such as the Fund) a principal activity of which is the buying and selling of commodities or futures contracts with respect to commodities, income and gains derived from commodities or futures contracts with respect to commodities.

The Fund anticipates that at least 90% of its gross income for each taxable year will

82

constitute qualifying income within the meaning of Section 7704(d) of the Code.

There can be no assurance that the IRS will not assert that the Fund should be treated as a publicly traded partnership taxable as a corporation. No ruling has been or will be sought from the IRS, and the IRS has made no determination as to the status of the Fund for U.S. federal income tax purposes or whether the Fund s operations generate qualifying income under Section 7704(d) of the Code. Whether the Fund will continue to meet the qualifying income exception is a matter that will be determined by the Fund s operations and the facts existing at the time of future determinations. However, the Fund s Managing Owner will use its best efforts to cause the Fund to operate in such manner as is necessary for the Fund to continue to meet the qualifying income exception.

If the Fund were taxable as a corporation in any taxable year, either as a result of a failure to meet the qualifying income exception described above or otherwise, the Fund s items of income, gain, loss and deduction would be reflected only on its tax return rather than being passed through to the Shareholders, and the Fund s net income would be taxed to it at the income tax rates applicable to domestic corporations. In addition, if the Fund were taxable as a corporation, any distribution made by the Fund to a Shareholder would be treated as taxable dividend income, to the extent of the Fund s current or accumulated earnings and profits, or, in the absence of current and accumulated earnings and profits, as a nontaxable return of capital to the extent of the Shareholder s tax basis in its Shares, or as taxable capital gain, after the Shareholder s tax basis in its Shares is reduced to zero. Taxation of the Fund as a corporation could result in a material reduction in a Shareholder s cash flow and after-tax return and thus could result in a substantial reduction of the Value of the Shares.

The discussion below is based on Sidley Austin LLP s opinion that the Fund will be classified as a partnership for U.S. federal income tax purposes that is not subject to corporate income tax for U.S. federal income tax purposes.

U.S. Shareholders

Treatment of Fund Income

A partnership does not incur U.S. federal income tax liability. Instead, each partner of a partnership is required to take into account its share of items of income, gain, loss, deduction and other items of the partnership. Accordingly, each

Shareholder will be required to include in income its allocable share of the Fund s income, gain, loss, deduction and other items for the Fund s taxable year ending with or within its taxable year. In computing a partner s U.S. federal income tax liability, the items must be included, regardless of whether cash distributions are made by the partnership. Thus, Shareholders may be required to take into account taxable income without a corresponding current receipt of cash if the Fund generates taxable income but does not make cash distributions in an amount equal to the taxable income, or if the Shareholder is not able to deduct, in whole or in part, the Shareholder s allocable share of the Fund s expenses or capital losses. The Fund s taxable year will end on December 31 unless otherwise required by law. The Fund will use the accrual method of accounting.

Shareholders will take into account their respective shares of ordinary income realized by the Fund from accruals of interest on U.S. Treasury bills, or T-Bills, held in the Fund's portfolio. The Fund may hold T-Bills or other debt instruments with acquisition discount or original issue discount, in which case Shareholders will be required to include accrued amounts in taxable income on a current basis even though receipt of those amounts may occur in a subsequent year. The Fund may also acquire debt instruments with market discount. Upon disposition of such obligations, gain will generally be required to be treated as interest income to the extent of the market discount and Shareholders will be required to include as ordinary income their share of the market discount that accrued during the period the obligations were held by the Fund.

It is expected that the futures on the Index Commodities held by the Fund will constitute Section 1256 Contracts (as defined below). The Code generally applies a mark-to-market system of taxing unrealized gains and losses on and otherwise provides for special rules of taxation with respect to futures and other contracts that are Section 1256 Contracts. A Section 1256 Contract includes certain regulated futures contracts. Section 1256 Contracts held by the Fund at the end of a taxable year of the Fund will be treated for U.S. federal income tax purposes as if they were sold by the Fund at their fair market value on the last business day of the taxable year. The net gain or loss, if any, resulting from these deemed sales (known as marking-to-market), together with any gain or loss resulting from any actual sales of Section 1256 Contracts (or other termination of the Fund s obligations under such contracts), must be taken into account by the Fund in

computing its taxable income for the year. If a Section 1256 Contract held by the Fund at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on the sale will be adjusted to reflect the gain or loss previously taken into account under the mark-to-market rules.

Capital gains and losses from Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% of the gains or losses and as long-term capital gains or losses to the extent of 60% of the gains or losses. Thus, Shareholders will generally take into account their pro rata share of the long-term capital gains and losses and short-term capital gains and losses from Section 1256 Contracts held by the Fund and taken into account by the Fund in computing its taxable income. If a non-corporate taxpayer incurs a net capital loss for a year, the portion of the loss, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. A loss carried back to a year by a non-corporate taxpayer may be deducted only to the extent (1) the loss does not exceed the net gain on Section 1256 Contracts for the year and (2) the allowance of the carryback does not increase or produce a net operating loss for the year.

Any futures on Index Commodities held by the Fund that are not classified as Section 1256 Contracts will not be subject to the year end mark-to-market rules of Section 1256, as described above. Accordingly, any long-term or short-term capital gains or losses with respect to such futures held by the Fund that are not classified as Section 1256 Contracts will only be recognized by the Fund when such futures positions are assigned or closed (by offset or otherwise). The applicable holding period for qualification for long-term capital gain or loss treatment for the commodity futures held by the Fund that are not Section 1256 Contracts is more than six months (rather than the more than one year holding period applicable to other capital assets).

Allocation of the Fund s Profits and Losses

For U.S. federal income tax purposes, a Shareholder s distributive share of the Fund s income, gain, loss, deduction and other items will be determined by the Trust s Declaration of Trust, unless an allocation under either agreement does not have substantial economic effect, in which case the allocations will be determined in accordance with the partners interests in the partnership. Subject to the discussion below under -Monthly Allocation and Revaluation Conventions and Transferor/Transferee

Allocations and -Section 754 Election, the allocations pursuant to the Trust s Declaration of Trust should be considered to have substantial economic effect or deemed to be made in accordance with the partners interests in the Fund.

If the allocations provided by the Trust s Declaration of Trust were successfully challenged by the IRS, the amount of income or loss allocated to Shareholders for U.S. federal income tax purposes under the Declaration of Trust could be increased or reduced or the character of the income or loss could be modified or both.

As described in more detail below, the U.S. federal income tax rules that apply to partnerships are complex and their application is not always clear. Additionally, the rules generally were not written for, and in some respects are difficult to apply to, publicly traded partnerships. The Fund will apply certain assumptions and conventions intended to comply with the intent of the rules and to report income, gain, loss, deduction and credit to Shareholders in a manner that reflects the economic gains and losses, but these assumptions and conventions may not comply with all aspects of the applicable Treasury Regulations. It is possible therefore that the IRS will successfully assert that assumptions made and/or conventions used do not satisfy the technical requirements of the Code or the Treasury Regulations and will require that tax items be adjusted or reallocated in a manner that could adversely impact Shareholders.

Monthly Allocation and Revaluation Conventions and Transferor/Transferee Allocations

In general, the Fund s taxable income and losses will be determined monthly and will be apportioned among the Shareholders in proportion to the number of Shares owned by each of them as of the close of the last trading day of the preceding month. By investing in Shares, a U.S. Shareholder agrees that, in the absence of an administrative determination or judicial ruling to the contrary, it will report income and loss under the monthly allocation and revaluation conventions described below.

Under the monthly allocation convention, whomever is treated for U.S. federal income tax purposes as holding Shares as of the close of the last trading day of the preceding month will be treated as continuing to hold the Shares until immediately before the close of the last trading day of the following month. With respect to any Shares that

84

were not treated as outstanding as of the close of the last trading day of the preceding month, the first person that is treated as holding such Shares (other than an underwriter or other person holding in a similar capacity) for U.S. federal income tax purposes will be treated as holding such Shares for this purpose as of the close of the last trading day of the preceding month. As a result, a Shareholder who has disposed of Shares prior to the close of the last trading day of a month may be allocated items of income, gain, loss and deduction realized after the date of transfer.

Section 706 of the Code generally requires that items of partnership income and deductions be allocated between transferors and transferees of partnership interests on a daily basis. It is possible that transfers of Shares could be considered to occur for U.S. federal income tax purposes when the transfer is completed without regard to the Fund s monthly convention for allocating income and deductions. If this were to occur, the Fund s allocation method might be considered a monthly convention that does not literally comply with that requirement. If the IRS treats transfers of Shares as occurring throughout each month and a monthly convention is not allowed by the Treasury Regulations (or only applies to transfers of less than all of a Shareholder s Shares) or if the IRS otherwise does not accept the Fund s convention, the IRS may contend that taxable income or losses of the Fund must be reallocated among the Shareholders. If such a contention was sustained, the Shareholders respective tax liabilities would be adjusted to the possible detriment of certain Shareholders. The Managing Owner is authorized to revise the Fund s methods of allocation between transferors and transferees (as well as among Shareholders whose interests otherwise vary during a taxable period).

In addition, for any month in which a creation or redemption of Shares takes place, the Fund generally will credit or debit, respectively, the book capital accounts of the existing Shareholders with any unrealized gain or loss in the Fund s assets. This will result in the allocation of the Fund s items of income, gain, loss, deduction and credit to existing Shareholders to account for the difference between the tax basis and fair market value of property owned by the Fund at the time new Shares are issued or old Shares are redeemed, or reverse Section 704(c) allocations. The intended effect of these allocations is to allocate any built-in gain or loss in the Fund s assets at the time of a creation or redemption of Shares to the investors that economically have earned such gain or loss.

As with the other allocations described above, the Fund generally will use a monthly convention for purposes of the reverse Section 704(c) allocations. More specifically, the Fund generally will credit or debit, respectively, the book capital accounts of the existing Shareholders with any unrealized gain or loss in the Fund s assets based on a calculation utilizing the average price of the Shares during the month in which the creation or redemption transaction takes place, rather than the fair market value of its assets at the time of such creation or redemption, or the revaluation convention. As a result, it is possible that, for U.S. federal income tax purposes, (i) a purchaser of newly issued Shares will be allocated some or all of the unrealized gain in the Fund s assets at the time it acquires the Shares or (ii) an existing Shareholder will not be allocated its entire share in the unrealized loss in the Fund s assets at the time of such acquisition. Furthermore, the applicable Treasury Regulations generally require that the book capital accounts be adjusted based on the fair market value of partnership property on the date of adjustment and do not explicitly allow the adoption of a monthly revaluation convention.

The Code and applicable Treasury Regulations generally require that items of partnership income and deductions be allocated between transferors and transferees of partnership interests on a daily basis, and that adjustments to book capital accounts be made based on the fair market value of partnership property on the date of adjustment. The Code and Treasury Regulations do not contemplate monthly allocation or revaluation conventions. If the IRS does not accept the Fund s monthly allocation or revaluation convention, the IRS may contend that taxable income or losses of the Fund must be reallocated among the Shareholders of the Fund. If such a contention were sustained, the Shareholders respective tax liabilities would be adjusted to the possible detriment of certain Shareholders. The Managing Owner is authorized to revise the Fund s allocation and revaluation methods in order to comply with applicable law or to allocate items of partnership income and deductions in a manner that reflects more accurately the Shareholders interests in the Fund.

Section 754 Election

The Fund has made the election permitted by Section 754 of the Code. Such an election, once made, is irrevocable without the consent of the IRS. The making of the Section 754 election by the Fund will generally have the effect of requiring a purchaser

of Shares to adjust its proportionate share of the basis in the Fund s assets, or the inside basis, pursuant to Section 743(b) of the Code to fair market value (as reflected in the purchase price for the purchaser s Shares), as if it had acquired a direct interest in the Fund s assets. The Section 743(b) adjustment is attributed solely to a purchaser of Shares and is not added to the bases of the Fund s assets associated with all of the other Shareholders. Depending on the relationship between a Shareholder s purchase price for Shares and its unadjusted share of the Fund s inside basis at the time of the purchase, the Section 754 election may be either advantageous or disadvantageous to the Shareholder as compared to the amount of gain or loss a Shareholder would be allocated absent the Section 754 election.

The calculations under Section 754 of the Code are complex, and there is little legal authority concerning the mechanics of the calculations, particularly in the context of publicly traded partnerships. To help reduce the complexity of those calculations and the resulting administrative costs, the Fund will apply certain conventions in determining and allocating the Section 743 basis adjustments. It is possible that the IRS will successfully assert that some or all of such conventions utilized by the Fund do not satisfy the technical requirements of the Code or the Treasury Regulations and, thus, will require different basis adjustments to be made. If the IRS were to sustain such a position, a Shareholder may have adverse tax consequences.

In order to make the basis adjustments permitted by Section 754, the Fund will be required to obtain information regarding each Shareholder's secondary market transactions in Shares as well as creations and redemptions of Shares. The Fund will seek the requested information from the record Shareholders, and, by purchasing Shares, each beneficial owner of Shares will be deemed to have consented to the provision of the information by the record owner of the beneficial owner's Shares. Notwithstanding the foregoing, however, there can be no guarantee that the Fund will be able to obtain such information from record owners or other sources, or that the basis adjustments that the Fund makes based on the information it is able to obtain will be effective in eliminating disparity between a Shareholder's outside basis in its Shares and its interest in the inside basis in the Fund's assets.

Constructive Termination

The Fund will experience a constructive termination for tax purposes if there is a sale or exchange of 50 percent or more of the total Shares in the Fund within a 12-month period. A constructive termination results in the closing of the Fund staxable year for all Shareholders in the Fund. In the case of a Shareholder reporting on a taxable year other than the taxable year used by the Fund (which is a fiscal year ending December 31), the early closing of the Fund staxable year may result in more than 12 months of its taxable income or loss being includable in the Shareholder staxable income for the year of termination. The Fund would be required to make new tax elections after a termination, including a new election under Section 754. A termination could also result in penalties if the Fund were unable to determine that the termination had occurred.

Treatment of Distributions

Distributions of cash by a partnership are generally not taxable to the distribute to the extent the amount of cash does not exceed the distribute s tax basis in its partnership interest. Thus, any cash distributions made by the Fund will be taxable to a Shareholder only to the extent the distributions exceed the Shareholder s tax basis in the Shares it is treated as owning (see Tax Basis in Fund Shares below). Any cash distributions in excess of a Shareholder s tax basis generally will be considered to be gain from the sale or exchange of the Shares (see Disposition of Shares below).

Creation and Redemption of Share Baskets

Shareholders, other than Authorized Participants (or holders for which an Authorized Participant is acting), generally will not recognize gain or loss as a result of an Authorized Participant is creation or redemption of a Basket. If the Fund disposes of assets in connection with the redemption of a Basket, however, the disposition may give rise to gain or loss that will be allocated in part to Shareholders. An Authorized Participant is creation or redemption of a Basket also may affect a Shareholder is share of the Fund is tax basis in its assets, which could affect the amount of gain or loss allocated to the Shareholder on the sale or disposition of portfolio assets by the Fund.

Disposition of Shares

If a U.S. Shareholder transfers Shares and such transfer is a sale or other taxable disposition, the

86

U.S. Shareholder will generally be required to recognize gain or loss measured by the difference between the amount realized on the sale and the U.S. Shareholder s adjusted tax basis in the Shares sold. The amount realized will include an amount equal to the U.S. Shareholder s share of the Fund s liabilities, as well as any proceeds from the sale. The gain or loss recognized will generally be taxable as capital gain or loss. Capital gain of non-corporate U.S. Shareholders is eligible to be taxed at reduced rates where the Shares sold are considered held for more than one year. Capital gain of corporate U.S. Shareholders is taxed at the same rate as ordinary income. Any capital loss recognized by a U.S. Shareholder on a sale of Shares will generally be deductible only against capital gains, except that a non-corporate U.S. Shareholder may also offset up to \$3,000 per year of ordinary income with capital losses.

Tax Basis in Fund Shares

A U.S. Shareholder s initial tax basis in its Shares will equal the sum of (a) the amount of cash paid by the U.S. Shareholder for its Shares and (b) the U.S. Shareholder s share of the Fund s liabilities. A U.S. Shareholder s tax basis in its Shares will be increased by (a) the U.S. Shareholder s share of the Fund s income, if any, that is exempt from tax and (c) any increase in the U.S. Shareholder s share of the Fund s liabilities. A U.S. Shareholder s tax basis in Shares will be decreased (but not below zero) by (a) the amount of any cash distributed (or deemed distributed) to the U.S. Shareholder, (b) the U.S. Shareholder s share of the Fund s losses and deductions, (c) the U.S. Shareholder s share of the Fund s expenditures that are neither deductible nor properly chargeable to its capital account and (d) any decrease in the U.S. Shareholder s share of the Fund s liabilities.

Limitations on Interest Deductions

The deductibility of a non-corporate U.S. Shareholder s investment interest expense is generally limited to the amount of the Shareholder s net investment income. Investment interest expense will generally include interest expense incurred by the Fund, if any, and investment interest expense incurred by the U.S. Shareholder on any margin account borrowing or other loan incurred to purchase or carry Shares. Net investment income includes gross income from property held for investment and

amounts treated as portfolio income, such as dividends and interest, less deductible expenses, other than interest, directly connected with the production of investment income. For this purpose, any long-term capital gain or qualifying dividend income that is taxable at long-term capital gains rates is excluded from net investment income unless the U.S. Shareholder elects to pay tax on such capital gain or dividend income at ordinary income rates.

Organization, Syndication and Other Expenses

In general, expenses incurred that are considered miscellaneous itemized deductions may be deducted by a U.S. Shareholder that is an individual, estate or trust only to the extent that they exceed 2% of the adjusted gross income of the U.S. Shareholder. The Code imposes additional limitations on the amount of certain itemized deductions allowable to individuals, by reducing the otherwise allowable portion of such deductions by an amount equal to the lesser of:

3% of the individual s adjusted gross income in excess of certain threshold amounts; or

80% of the amount of certain itemized deductions otherwise allowable for the taxable year.

In addition, these expenses are also not deductible in determining the alternative minimum tax liability of a U.S. Shareholder. The Fund will report its expenses on a pro rata basis to the Shareholders, and each U.S. Shareholder will determine separately to what extent they are deductible on the U.S. Shareholder s tax return. A U.S. Shareholder s inability to deduct all or a portion of the expenses could result in an amount of taxable income to the U.S. Shareholder with respect to the Fund that exceeds the amount of cash actually distributed to such U.S. Shareholder for the year. It is anticipated that management fees the Fund will pay will constitute miscellaneous itemized deductions.

Under Section 709(b) of the Code, amounts paid or incurred to organize a partnership may, at the election of the partnership, be treated as deferred expenses, which are allowed as a deduction ratably over a period of 180 months. The Fund has made a Section 709(b) election. A non-corporate U.S. Shareholder s allocable share of the organizational expenses will constitute miscellaneous itemized deductions. Expenditures in connection with the issuance and marketing of Shares (so called

87

syndication fees) are not eligible for the 180-month amortization provision and are not deductible.

Passive Activity Income and Loss

Individuals are subject to certain passive activity loss rules under Section 469 of the Code. Under these rules, losses from a passive activity generally may not be used to offset income derived from any source other than passive activities. Losses that cannot be currently used under this rule may generally be carried forward. Upon an individual s disposition of an interest in the passive activity, the individual s unused passive losses may generally be used to offset other (i.e., non-passive) income. Under current Treasury Regulations, income or loss from the Fund s investments generally will not constitute income or losses from a passive activity. Therefore, income or loss realized by Shareholders will not be available to offset a U.S. Shareholder s passive losses or passive income from other sources.

Reporting by the Fund to its Shareholders

The Fund will file a partnership tax return. Accordingly, tax information will be provided to Shareholders on Schedule K-1 for each calendar year as soon as practicable after the end of such taxable year but in no event later than March 15. Each Schedule K-1 provided to a Shareholder will set forth the Shareholder s share of the Fund s tax items (i.e., interest income from T-Bills, short-term and long-term capital gain or loss with respect to the futures contracts, and investment expenses for the year) in a manner sufficient for a U.S. Shareholder to complete its tax return with respect to its investment in the Shares.

Each Shareholder, by its acquisition of Shares, will be deemed to agree to allow brokers and nominees to provide to the Fund its name and address and the other information and forms as may be reasonably requested by the Fund for purposes of complying with their tax reporting and withholding obligations (and to waive any confidentiality rights with respect to the information and forms for this purpose) and to provide information or forms upon request.

Given the lack of authority addressing structures similar to that of the Fund, it is not certain that the IRS will agree with the manner in which tax reporting by the Fund will be undertaken. Therefore, Shareholders should be aware that future IRS interpretations or revisions to Treasury Regulations

could alter the manner in which tax reporting by the Fund and any nominee will be undertaken.

Audits and Adjustments to Tax Liability

Any challenge by the IRS to the tax treatment by a partnership of any item must be conducted at the partnership, rather than at the partner, level. A partnership ordinarily designates a tax matters partner (as defined under Section 6231 of the Code) as the person to receive notices and to act on its behalf in the conduct of such a challenge or audit by the IRS.

Pursuant to the governing documents, the Managing Owner has been appointed the tax matters partner of the Fund for all purposes of the Code. The tax matters partner, which is required by the Trust Declaration to notify all U.S. Shareholders of any U.S. federal income tax audit of the Fund, has the authority under the Trust Declaration to conduct any IRS audits of the Fund s tax returns or other tax related administrative or judicial proceedings and to settle or further contest any issues in such proceedings. The decision in any proceeding initiated by the tax matters partner will be binding on all U.S. Shareholders. As the tax matters partner, the Managing Owner has the right on behalf of all Shareholders to extend the statute of limitations relating to the Shareholders. U.S. federal income tax liabilities with respect to Fund items.

A U.S. federal income tax audit of the Fund s partnership tax return may result in an audit of the returns of the U.S. Shareholders, which, in turn, could result in adjustments of items of a Shareholder that are unrelated to the Fund as well as to the Fund s related items. In particular, there can be no assurance that the IRS, upon an audit of a partnership tax return of the Fund or of an income tax return of a U.S. Shareholder, might not take a position that differs from the treatment thereof by the Fund. A U.S. Shareholder would be liable for interest on any deficiencies that resulted from any adjustments. Prospective U.S. Shareholders should also recognize that they might be forced to incur substantial legal and accounting costs in resisting any challenge by the IRS to items in their individual returns, even if the challenge by the IRS should prove unsuccessful.

Non-U.S. Shareholders

The Fund will conduct its activities in such a manner that a non-U.S. Shareholder who is not otherwise carrying on a trade or business in the United States will not be considered to be engaged in

88

a trade or business in the United States as a result of an investment in the Shares. A non-U.S. Shareholder s share of the interest income realized by the Fund on its holdings of T-Bills will be exempt from U.S. withholding tax provided the non-U.S. Shareholder certifies on IRS Form W-8BEN (or other applicable form) that the Shareholder is not a U.S. person, provides name and address information and otherwise satisfies applicable documentation requirements.

Non-U.S. Shareholders will not be subject to U.S. federal income tax on gains realized on the sale of Shares or on the non-U.S. Shareholder s share of the Fund s gains. However, in the case of an individual non-U.S. Shareholder, the non-U.S. Shareholder will be subject to U.S. federal income tax on gains on the sale of Shares or the non-U.S. Shareholder s distributive share of gains if the non-U.S. Shareholder is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

Non-U.S. Shareholders that are individuals will be subject to U.S. federal estate tax on the value of U.S. situs property owned at the time of their death (unless a statutory exemption or tax treaty exemption applies). It is unclear whether partnership interests (such as the Shares) will be considered U.S. situs property. Accordingly, non-U.S. Shareholders may be subject to U.S. federal estate tax on all or part of the value of the Shares owned at the time of their death.

Non-U.S. Shareholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in the Shares.

Regulated Investment Companies

RICs may invest up to 25% of their assets in qualified PTPs and net income derived from such investments is qualifying income under the income source test applicable to entities seeking to qualify for the special tax treatment available to RICs under the Code. In addition, interests in a qualified PTP are treated as issued by such PTP and a RIC is not required to look through to the underlying partnership assets when testing compliance with the asset diversification tests applicable to RICs under the Code. The Fund anticipates that it will qualify as a qualified PTP for any taxable year in which the Fund realizes sufficient gross income from its commodities futures transactions. However,

qualification of the Fund as a qualified PTP depends on performance of the Fund for the particular tax year and there is no assurance that it will qualify in a given year or that future results of the Fund will conform to prior experience. Additionally, there is, to date, no regulatory guidance on the application of these rules, and it is possible that future guidance may adversely affect qualification of the Fund as a qualified PTP. In a 2005 revenue ruling, the IRS clarified that derivative contracts owned by a RIC that provide for a total-return exposure on a commodity index will not produce qualifying income for purposes of the RIC qualification rules. The IRS interpretation set forth in such ruling, however, does not adversely affect the Fund s ability to be treated as a qualified PTP for purposes of applying the RIC qualification rules. RIC investors are urged to monitor their investment in the Fund and consult with a tax advisor concerning the impact of such an investment on their compliance with the income source and asset diversification requirements applicable to RICs. The Fund will make available on the Managing Owner s website periodic tax information designed to enable RIC investors in its Shares to make a determination as to the Fund s status under the qualified PTP rules.

Tax-Exempt Organizations

An organization that is otherwise exempt from U.S. federal income tax is nonetheless subject to taxation with respect to its unrelated business taxable income, or UBTI. Except as noted below with respect to certain categories of exempt income, UBTI generally includes income or gain derived (either directly or through a partnership) from a trade or business, the conduct of which is substantially unrelated to the exercise or

performance of the organization s exempt purpose or function.

UBTI generally does not include passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership (such as the Fund) in which it is a partner. This type of income is exempt, subject to the discussion of unrelated debt-financed income below, even if it is realized from securities trading activity that constitutes a trade or business.

UBTI includes not only trade or business income or gain as described above, but also unrelated debt-financed income. This latter type of income generally consists of (1) income derived by an exempt organization (directly or through a

89

partnership) from income producing property with respect to which there is acquisition indebtedness at any time during the taxable year and (2) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is acquisition indebtedness at any time during the twelve-month period ending with the date of the disposition.

All of the income realized by the Fund is expected to be short-term or long-term capital gain income, interest income or other passive investment income of the type specifically exempt from UBTI as discussed above. The Fund will not borrow funds for the purpose of acquiring or holding any investments or otherwise incur acquisition indebtedness with respect to such investments. Therefore, a tax-exempt entity purchasing Shares will not incur any UBTI by reason of its investment in the Shares or upon sale of such Shares provided that such tax-exempt entity does not borrow funds for the purpose of investing in the Shares.

Certain State and Local Taxation Matters

Prospective Shareholders should consider, in addition to the U.S. federal income tax consequences described, potential state and local tax considerations in investing in the Shares.

State and local laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Shareholder s distributive share of the taxable income or loss of the Fund generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which the Shareholder is a resident. The Fund may conduct business in one or more jurisdictions that will subject a Shareholder to tax (and require a Shareholder to file an income tax return with the jurisdiction in respect to the Shareholder s share of the income derived from that business). A prospective Shareholder should consult its tax adviser with respect to the availability of a credit for such tax in the jurisdiction in which the Shareholder is resident.

The Fund should not be subject to the New York City unincorporated business tax because such tax is not imposed on an entity that is primarily engaged in the purchase and sale of financial instruments and securities for its own account. By reason of a similar own account exemption, it is also expected that a nonresident individual U.S. Shareholder should not be subject to New York State personal income

tax with respect to his or her share of income or gain recognized by the Fund. A nonresident individual U.S. Shareholder will not be subject to New York City earnings tax on nonresidents with respect to his or her investment in the Fund. New York State and New York City residents will be subject to New York State and New York City personal income tax on their income recognized in respect of Shares. Because the Fund may conduct its business, in part, in New York City, corporate U.S. Shareholders generally will be subject to the New York franchise tax and the New York City general corporation tax by reason of their investment in the Fund, unless certain exemptions apply. However, pursuant to applicable regulations, non-New York corporate U.S. Shareholders not otherwise subject to New York State franchise tax or New York City general corporation tax should not be subject to these taxes solely by reason of investing in shares based on qualification of the Fund as a portfolio investment partnership under applicable rules. No ruling from the New York State Department of Taxation and Finance or the New York City Department of Finance has been, or will be, requested regarding such matters.

Backup Withholding

The Fund is required in certain circumstances to backup withhold on certain payments paid to non-corporate Shareholders that do not furnish the Fund with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to a Shareholder may be refunded or credited against the Shareholder s U.S. federal income tax liability, if any, provided that the required information

is furnished to the IRS in a timely manner.

Shareholders should be aware that certain aspects of the U.S. federal, state and local income tax treatment regarding the purchase, ownership and disposition of Shares are not clear under existing law. Thus, Shareholders are urged to consult their own tax advisers to determine the tax consequences of ownership of the Shares in their particular circumstances, including the application of U.S. federal, state, local and foreign tax laws.

HIRE Act

The Hiring Incentives to Restore Employment Act (the HIRE Act) will (i) require certain foreign

90

entities that are foreign financial institutions (as defined in Section 1471(d)(4) of the Code) to enter into an agreement with the IRS to disclose to the IRS the name, address and tax identification number of certain U.S. persons who own an interest in the foreign entity and require certain other foreign entities to provide certain other information; and (ii) impose a 30% withholding tax on certain payments of U.S. source income and proceeds from the sale of property that produces U.S. source interest or dividends if the foreign entity fails to enter into the agreement or satisfy its obligations under the legislation. Non-U.S. Shareholders are encouraged to consult with their own tax advisors regarding the possible implications of the HIRE Act on an investment in the Fund.

Medicare Tax

Other recently enacted legislation will impose a 3.8% tax on the net investment income (as defined in the Code) of certain individuals, trusts and estates. U.S. Shareholders are encouraged to consult with their own advisors regarding the possible implications of this legislation on an investment in the Fund.

Tax Agent

The beneficial owners who are of a type, as identified by the nominee through whom their Shares are held, that do not ordinarily have U.S. federal tax return filing requirements (collectively, Certain K-1 Unitholders) have designated the Managing Owner as their tax agent (the Tax Agent) in dealing with the Trust. In light of such designation and pursuant to Treasury Regulation section 1.6031(b)-1T(c), as amended from time to time, the Trust will provide to the Tax Agent Certain K-1 Unitholders statements (as such term is defined under Treasury Regulation section 1.6031(b)-1T(a)(3)), as amended from time to time).

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS BEFORE DECIDING WHETHER TO INVEST IN THE SHARES.

PURCHASES BY EMPLOYEE BENEFIT PLANS

Although there can be no assurance that an investment in the Fund, or any other managed futures product, will achieve the investment objectives of an employee benefit plan in making such investment, futures investments have certain features which may be of interest to such a plan. For example, the futures markets are one of the few investment fields in which employee benefit plans can participate in leveraged strategies without being required to pay tax on unrelated business taxable income. See Material U.S. Federal Income Tax Considerations—Tax-Exempt Organizations—at page 89. In addition, because they are not taxpaying entities, employee benefit plans are not subject to paying annual tax on profits (if any) of the Fund.

General

The following section sets forth certain consequences under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Code, which a fiduciary of an employee benefit plan as defined in, and subject to the fiduciary responsibility provisions of, ERISA or of a plan as defined in and subject to Section 4975 of the Code who has investment discretion should consider before deciding to invest the plan s assets in the Fund (such employee benefit plans and plans being referred to herein as Plans, and such fiduciaries with investment discretion being referred to herein as Plan Fiduciaries). The following summary is not intended to be complete, but only to address certain questions under ERISA and the Code which are likely to be raised by the Plan Fiduciary s own counsel.

In general, the terms employee benefit plan as defined in ERISA and plan as defined in Section 4975 of the Code together refer to any plan or account of various types which provide retirement benefits or welfare benefits to an individual or to an employer s employees and their beneficiaries. Such plans and accounts include, but are not limited to, corporate pension and profit-sharing plans, simplified employee pension plans, Keogh plans for self-employed individuals (including partners), individual retirement accounts described in Section 408 of the Code and medical benefit plans.

Each Plan Fiduciary must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Fund, including the role an investment in such Fund plays in the Plan s

91

investment portfolio. Each Plan Fiduciary, before deciding to invest in the Fund, must be satisfied that such investment in such Fund is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Fund, are diversified so as to minimize the risk of large losses and that an investment in the Fund complies with the documents of the Plan and related trust.

EACH PLAN FIDUCIARY CONSIDERING ACQUIRING SHARES MUST CONSULT WITH ITS OWN LEGAL AND TAX ADVISERS BEFORE DOING SO. AN INVESTMENT IN THE FUND IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. THE FUND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM.

Plan Assets

ERISA and a regulation issued thereunder, or the Plan Asset Rules, contain rules for determining when an investment by a Plan in an entity will result in the underlying assets of such entity being assets of the Plan for purposes of ERISA and Section 4975 of the Code (*i.e.*, plan assets). Those rules provide that assets of an entity will not be plan assets of a Plan which purchases an interest therein if certain exceptions apply, including (i) an exception applicable if the equity interest purchased is a publicly-offered security, or the Publicly-Offered Security Exception, and (ii) an exception applicable if the investment by all benefit plan investors is not significant or certain other exceptions apply, or the Insignificant Participation Exception.

The Publicly-Offered Security Exception applies if the equity interest is a security that is (1) freely transferable, (2) part of a class of securities that is widely held and (3) either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, or (b) sold to the Plan as part of a public offering pursuant to an effective registration statement under the Securities Act of 1933 and the class of which such security is a part is registered under the Securities Exchange Act of 1934 within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer in which the offering of such security occurred. The Plan Asset Rules state that the determination of whether a security is freely transferable is to be made based on all relevant facts and circumstances. Under the Plan Asset Rules, a class of securities is widely held only if it is of a class of securities owned by 100 or more investors independent of the issuer and of each other.

The Shares of the Fund should be considered to be publicly-offered securities. First, the Shares are being sold only as part of a public offering pursuant to an effective registration statement under the Securities Act of 1933, and the Shares were timely registered under the Securities Exchange Act of 1934. Second, it appears that the Shares are freely transferable because the Shares of the Fund may be freely bought and sold on NYSE Arca like any other exchange-listed security. Third, the Shares of the Fund have been owned by at least 100 investors independent of such Fund and of each other from the date the Shares were first sold. Therefore, the underlying assets of the Fund should not be considered to constitute assets of any Plan which purchases Shares.

Ineligible Purchasers

In general, Shares may not be purchased with the assets of a Plan if the Managing Owner, the Commodity Broker, the Administrator, ALPS Distributors, Inc., Invesco Distributors, Inc., the Trustee, the Index Sponsor, or any of their respective affiliates or any of their respective employees either: (a) has investment discretion with respect to the investment of such plan assets; (b) has authority or responsibility to give or regularly gives investment advice with respect to such plan assets, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such plan assets and that such advice will be based on the particular investment needs of the Plan; or (c) is an employer maintaining or contributing to such Plan. A party that is described in clause (a) or (b) of the preceding sentence is a fiduciary under ERISA and the Code with respect to the Plan, and any such purchase might result in a prohibited transaction under ERISA and the Code.

Except as otherwise set forth, the foregoing statements regarding the consequences under ERISA and the Code of an investment in the Fund are based on the provisions of the Code and ERISA as currently in effect, and the existing administrative and judicial interpretations thereunder. No assurance can be given that administrative, judicial or legislative changes will not occur that will not make the foregoing statements incorrect or incomplete.

THE PERSON WITH INVESTMENT DISCRETION SHOULD CONSULT WITH HIS OR HER ATTORNEY AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT

92

IN THE FUND IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN AND CURRENT TAX LAW.

PLAN OF DISTRIBUTION

Authorized Participants

Unless otherwise agreed to by the Managing Owner and the Authorized Participant as provided in the next sentence, the Fund issues Shares in Baskets to Authorized Participants continuously on the creation order settlement date as of 2:45 p.m., Eastern time, on the business day immediately following the date on which a valid order to create a Basket is accepted by the Fund, at the net asset value of 200,000 Shares of the Fund as of the closing time of the NYSE Arca or the last to close of the exchanges on which the Fund s futures contracts are traded, whichever is later, on the date that a valid order to create a Basket is accepted by the Fund. Upon submission of a creation order, the Authorized Participant may request the Managing Owner to agree to a creation order settlement date up to 3 business days after the creation order date.

Authorized Participants may offer to the public, from time-to-time, Shares from any Baskets they create. Shares offered to the public by Authorized Participants will be offered at a per Share offering price that will vary depending on, among other factors, the trading price of the Fund on the NYSE Arca, the net asset value per Share and the supply of and demand for the Shares at the time of the offer. Shares initially comprising the same Basket but offered by Authorized Participants to the public at different times may have different offering prices. The excess, if any, of the price at which an Authorized Participant sells a Share over the price paid by such Authorized Participant in connection with the creation of such Share in a Basket will be deemed to be underwriting compensation by the FINRA Corporate Financing Department. Authorized Participants will not receive from the Fund, the Managing Owner or any of their affiliates, any fee or other compensation in connection with their sale of Shares to the public, although investors are expected to be charged a customary commission by their brokers in connection with purchases of Shares that will vary from investor to investor. Investors are encouraged to review the terms of their brokerage accounts for applicable charges.

As of the date of this Prospectus, each of Deutsche Bank Securities Inc., Merrill Lynch Professional Clearing Corp., Newedge USA LLC, Virtu Financial Capital Markets, LLC, Citigroup

Global Markets Inc., J.P. Morgan Securities Inc., Credit Suisse Securities (USA) LLC, Virtu Financial BD LLC, Knight Capital Americas, LLC, Timber Hill LLC, Morgan Stanley & Co. LLC, Jefferies LLC, Nomura Securities International Inc., RBC Capital Markets, LLC, UBS Securities LLC, Cantor Fitzgerald & Co., BNP Paribas Securities Corp., Goldman, Sachs & Co. and Goldman Sachs Execution & Clearing, L.P. has executed a Participant Agreement and are the only Authorized Participants.

Likelihood of Becoming a Statutory Underwriter

The Fund issues Shares in Baskets to Authorized Participants from time-to-time in exchange for cash. Because new Shares can be created and issued on an ongoing basis at any point during the life of the Fund, a distribution, as such term is used in the Securities Act, will be occurring. An Authorized Participant, other broker-dealer firm or its client will be deemed a statutory underwriter, and thus will be subject to the prospectus-delivery and liability provisions of the Securities Act, if it purchases a Basket from the Fund, breaks the Basket down into the constituent Shares and sells the Shares to its customers; or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for the Shares. 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 would lead to categorization as an underwriter.

Authorized Participants, other broker-dealers and other persons are cautioned that some of their activities will result in their being deemed participants in a distribution in a manner which would render them statutory underwriters and subject them to the prospectus-delivery and liability provisions of the Securities Act.

Dealers who are neither Authorized Participants nor underwriters but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with Shares that are part of an unsold allotment within the meaning of section 4(3)(C) of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by section 4(3) of the Securities Act.

93

Summary of Items of Value Paid Pursuant to FINRA Rule 2310

Nature of

| Payment | Recipient | Payor | Amount of Payment | Services Provided |
|---------------------------|-------------------------|----------------|---|---|
| Selling Commission | Authorized Participants | Shareholders | No greater than 0.99% of the gross offering proceeds. | Brokering purchases and sales of the Shares and creating and redeeming Baskets for the Fund. |
| Distribution Services Fee | ALPS Distributors | Managing Owner | Approximately \$25,000 per annum, plus any fees or disbursements incurred; not to exceed 0.25% of the gross offering proceeds. | Assisting the Managing Owner and the Administrator with certain functions and duties relating to distribution and marketing, including reviewing and approving marketing materials, consulting with FINRA and ensuring compliance with FINRA marketing rules and maintaining certain books and records pertaining to the Trust and the Fund. |
| Marketing Fee | Invesco Distributors | Managing Owner | A range from 0.10% - 0.20% per annum of the average amount of the daily net assets of all DB Funds (as defined herein) during each calendar year calculated in U.S. dollars, or Total Net Assets; not to exceed 8.75% of the gross offering proceeds. | Assisting the Managing Owner and the Administrator with certain functions and duties such as providing various educational and marketing activities regarding the Fund, primarily in the secondary trading market, which activities include, but are not limited to, communicating the Fund s name, characteristics, uses, benefits, and risks, consistent with this Prospectus. Invesco Distributors engages in public seminars, road shows, conferences and media interviews and distributes sales literature and other communications (including electronic media) regarding the Fund. |

For additional details see below.

General

Retail investors may purchase and sell Shares through traditional brokerage accounts. Investors who purchase Shares through a commission/fee-based brokerage account may pay commissions/fees charged by the brokerage account. Investors are encouraged to review the terms of their brokerage accounts for applicable charges.

Investors intending to create or redeem Baskets through Authorized Participants 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.

The Managing Owner has agreed to indemnify certain parties against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that such parties may be required to make in respect of those liabilities. The Trustee has agreed to reimburse such parties, solely from and to the extent of the Fund sassets, for indemnification and contribution amounts due from the Managing Owner in respect of such liabilities to the extent the Managing Owner has not paid such amounts when due.

The offering of Baskets is being made in compliance with FINRA Rule 2310. Accordingly, the Authorized Participants will not make any sales to any account over which they have discretionary authority without the prior written approval of a purchaser of Shares. The maximum amount of items of value to be paid to FINRA Members in connection with the offering of the Shares by the Fund will not exceed 10% of the gross offering proceeds of such Shares.

The Authorized Participants will not charge a commission of greater than 0.99% of the gross offering proceeds of such Shares (which represents a maximum of \$46,534,275.38 of the \$4,700,431,856.25 registered on this Registration Statement on Form S-3, SEC Registration Number 333-185865) of the Trust.

Pursuant to the Distribution Services Agreement, ALPS Distributors will be paid out of the Management Fee of the Fund in an amount of approximately \$25,000 per annum with respect to the Fund, plus any fees or disbursements incurred by ALPS Distributors in connection with the performance by ALPS Distributors of its duties on behalf of the Fund.

Pursuant to the Marketing Agreement, Invesco Distributors will be paid the following fees out of the Management Fee of each fund in an amount of (i) 0.10% per annum of the average amount of the daily net assets of all DB Funds up to the first \$3 billion (as defined in the following paragraph) during each calendar year calculated in U.S. dollars, or Total Net Assets; (ii) 0.12% per annum on the next \$2 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$3 billion up to \$5 billion); (iii) 0.15% per annum on the next \$2 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$5 billion up to \$7 billion); (iv) 0.16% per annum on the next \$1 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$7 billion up to \$8 billion); (v) 0.17% per annum on the next

\$1 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$8 billion up to \$9 billion); (vi) 0.18% per annum on the next \$1 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$9 billion up to \$10 billion); (vii) 0.19% per annum on the next \$1 billion of Total Net Assets (i.e., the amount of Total Net Assets from \$10 billion up to \$11 billion); and (viii) 0.20% per annum of Total Net Assets of \$11 billion or more.

DB Funds means PowerShares DB Commodity Index Tracking Fund, PowerShares DB G10 Currency Harvest Fund, PowerShares DB Energy Fund, PowerShares DB Oil Fund, PowerShares DB Precious Metals Fund, PowerShares DB Gold Fund, PowerShares DB Silver Fund, PowerShares DB Base Metals Fund, PowerShares DB Agriculture Fund, PowerShares DB US Dollar Index Bullish Fund, PowerShares DB US Dollar Index Bearish Fund, PowerShares DB Gold Double Short ETN, PowerShares DB Gold Double Long ETN, PowerShares DB Gold Short ETN, PowerShares DB Agriculture Double Short ETN, PowerShares DB Agriculture Double Long ETN, PowerShares DB Agriculture Short ETN, PowerShares DB Agriculture Long ETN, PowerShares DB Commodity Index Double Short ETN, PowerShares DB Commodity Double Long ETN, PowerShares DB Commodity Index Short ETN, PowerShares DB Base Metals Double Short ETN, PowerShares DB Base Metals Double Short ETN, PowerShares DB Base Metals Double Short ETN, PowerShares DB Crude Oil Index Short ETN, PowerShares DB Crude Oil Long ETN, PowerShares DB Crude Oil Long ETN, PowerShares DB 3x Long 25+ Year Treasury Bond ETN, PowerShares DB 3x Short 25+ Year Treasury Bond ETN, PowerShares DB Inflation ETN, PowerShares DB Deflation ETN, PowerShares DB 3x Long US Dollar Index Futures ETN, PowerShares DB 3x Short US Dollar Index Futures ETN, PowerShares DB 3x Italian Treasury Bond Futures ETN, PowerShares DB Italian Treasury Bond Futures ETN, PowerShares DB 3x Italian Treasury Bond Futures ETN, PowerShares DB 3x Inverse Japanese Govt Bond Futures ETN and PowerShares DB Inverse Japanese Govt Bond Futures ETN and PowerShares DB Inverse Japanese Govt Bond Futures ETN and PowerShares DB Inverse Japanese Govt Bond Futures ETN.

The payments to ALPS Distributors and Invesco Distributors will not, in the aggregate (of the Trust,

95

and not on a Fund by Fund basis), exceed 0.25% and 8.75%, respectively, of the gross offering proceeds of the offering (or in an aggregate amount equal to \$11,751,079.64 and \$411,287,787.42, respectively, of the aggregate \$4,700,431,856.25 registered on this Registration Statement on Form S-3, SEC Registration Number 333-185865) of the Trust. ALPS Distributors and Invesco Distributors will monitor compensation received in connection with the Trust to determine if the payments described hereunder must be limited, when combined with selling commissions charged and any price spreads realized by other FINRA members, in order to comply with the 10% limitation on total underwriters compensation pursuant to FINRA Rule 2310.

The Shares of the Fund are listed on the NYSE Arca under the symbol DBA.

LEGAL MATTERS

Sidley Austin LLP has advised the Managing Owner in connection with the Shares being offered hereby. Sidley Austin LLP also advises the Managing Owner with respect to its responsibilities as managing owner of, and with respect to matters relating to the Trust and the Fund. Sidley Austin LLP has prepared the sections Material U.S. Federal Income Tax Considerations and Purchases By Employee Benefit Plans with respect to ERISA. Sidley Austin LLP has not represented, nor will it represent the Trust or the Fund or the Shareholders in matters relating to the Trust or the Fund and no other counsel has been engaged to act on their behalf. Certain opinions of counsel have been filed with the SEC as exhibits to the Registration Statement of which this Prospectus is a part.

Richards, Layton & Finger, P.A., special Delaware counsel to the Trust, has advised the Trust in connection with the legality of the Shares being offered hereby.

EXPERTS

PowerShares DB Agriculture Fund

The statements of financial condition, including the schedules of investments, of PowerShares DB Agriculture Fund, as of December 31, 2013 and the related statements of income and expenses, changes in shareholders equity and cash flows for the year then ended and management s assessment of the effectiveness of internal control over financial

reporting (which is included in Management s Report on Internal Control over Financial Reporting) as of December 31, 2013 have been incorporated by reference herein in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The statement of financial condition, including the schedule of investments, of PowerShares DB Agriculture Fund, as of December 31, 2012 and the related statements of income and expenses, changes in shareholders equity, and cash flows for each of the years in the two year period ended December 31, 2012, have been incorporated by reference herein in reliance upon the report of KPMG LLP, an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

DB Commodity Services LLC

The statement of financial condition of DB Commodity Services LLC as of December 31, 2013 and the related statements of income and expenses, changes in member s capital (deficit), and cash flows for the year then ended incorporated in this Prospectus by reference to the Current Report on Form 8-K for the year ended December 31, 2013 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The statement of financial condition of DB Commodity Services LLC as of December 31, 2012 and the related statements of income and expenses, changes in member s capital (deficit), and cash flows for the year then ended, have been incorporated by reference herein in reliance upon the report of KPMG LLP, an independent registered accounting firm, and upon the authority of said firm as experts in accounting and auditing.

Effective May 28, 2013, PricewaterhouseCoopers LLP replaced KPMG LLP as the independent registered public accounting firm of the registrant.

96

ADDITIONAL INFORMATION

This Prospectus constitutes part of the Registration Statement filed by the Trust on behalf of the Fund with the SEC in Washington, D.C. Additionally, as further discussed under Incorporation by Reference of Certain Documents, we have incorporated by reference certain information. This Prospectus does not contain all of the information set forth in such Registration Statement, certain portions of which have been omitted pursuant to the rules and regulations of the SEC, including, without limitation, certain exhibits thereto (for example, the forms of the Participant Agreement and the Customer Agreement). The descriptions contained herein of agreements included as exhibits to the Registration Statement are necessarily summaries; the exhibits themselves may be inspected without charge at the public reference facilities maintained by the SEC in Washington, D.C., and copies of all or part thereof may be obtained from the Commission upon payment of the prescribed fees. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of such site is http://www.sec.gov.

RECENT FINANCIAL INFORMATION AND ANNUAL REPORTS

The Managing Owner will furnish you with an annual report of the Fund within 90 calendar days after the end of its fiscal year as required by the rules and regulations of the CFTC, including, but not limited to, an annual audited financial statement certified by independent registered public accountants and any other reports required by any other governmental authority that has jurisdiction over the activities of the Fund. You also will be provided with appropriate information to permit you to file your U.S. federal and state income tax returns (on a timely basis) with respect to your Shares. Monthly account statements conforming to CFTC and NFA requirements will be posted on the Managing Owner s website at http://www.dbxus.com. Additional reports may be posted on the Managing Owner s website in the discretion of the Managing Owner or as required by regulatory authorities.

PRIVACY POLICY OF THE MANAGING OWNER

The Managing Owner collects non-public information about you from the following sources: (i) information received from you on applications or

other forms; and (ii) information about your transactions with the Managing Owner and others. The Managing Owner does not disclose any non-public personal information about you to anyone, other than as set forth below, as permitted by applicable law and regulation. The Managing Owner may disclose non-public personal information about you to the funds in which you invest. The Managing Owner may disclose non-public personal information about you to non-affiliated companies that work with the Managing Owner to service your account(s), or to provide services or process transactions that you have requested. The Managing Owner may disclose non-public personal information about you to parties representing you, such as your investment representative, your accountant, your tax adviser, or to other third parties at your direction/consent. If you decide to close your account(s) or become an inactive customer, the Managing Owner will adhere to the privacy policies and practices as described in this notice. The Managing Owner restricts access to your personal and account information to those employees who need to know that information to provide products and services to you. The Managing Owner maintains appropriate physical, electronic and procedural safeguards to guard your non-public personal information.

INCORPORATION BY REFERENCE OF CERTAIN DOCUMENTS

The SEC allows us to incorporate by reference into this Prospectus the information that we file with it, meaning we can disclose important information to you by referring you to those documents already on file with the SEC.

The information we incorporate by reference is an important part of this Prospectus, and later information that we file with the SEC will automatically update and supersede some of this information. We incorporate by reference the documents listed below, and any future filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act.

This filing incorporates by reference the following documents, which we have previously filed and may subsequently file with the SEC, in response to certain disclosures:

The Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 3, 2014.

97

Table of Contents

The Current Reports on Form 8-K filed January 15, 2014 and March 13, 2014;

All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since December 31, 2013, except for information furnished under Form 8-K, which is not deemed filed and not incorporated herein by reference;

Any documents filed pursuant to the Exchange Act subsequent to the date of this Registration Statement and prior to its effectiveness shall be deemed incorporated by reference into the Prospectus; and

Any documents filed under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering made under this Prospectus.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this Prospectus (or in any other document that is subsequently filed with the SEC and incorporated by reference) modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this Prospectus except as so modified or superseded.

We will provide to you a copy of the filings that have been incorporated by reference in this Prospectus upon your request, at no cost. Any request may be made by writing or calling us at the following address or telephone number:

Invesco PowerShares Capital Management LLC

3500 Lacey Road, Suite 700

Downers Grove, IL 60515

Telephone: (800) 983-0903

These documents may also be accessed through our website at http://www.dbxus.com or as described herein under Additional Information. The information and other content contained on or linked from our website is not incorporated by reference in this Prospectus and should not be considered a part of this Prospectus.

We file annual, quarterly, current reports and other information with the SEC. You may read and copy these materials at the SEC s Public Reference Room at 100 F Street, NW, Washington, DC 20549.

The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding the Funds.

[Remainder of page left blank intentionally.]

PART TWO

STATEMENT OF ADDITIONAL INFORMATION

POWERSHARES DB MULTI-SECTOR COMMODITY TRUST

PowerShares DB Agriculture Fund

Shares of Beneficial Interest

The Shares are speculative securities which involve the risk of loss.

Past performance is not necessarily indicative of future results.

See The Risks You Face beginning at page 18 in Part One.

THIS PROSPECTUS IS IN TWO PARTS:

A DISCLOSURE DOCUMENT AND A STATEMENT OF ADDITIONAL INFORMATION.

THESE PARTS ARE BOUND TOGETHER, AND BOTH CONTAIN

IMPORTANT INFORMATION. YOU MUST READ THE

STATEMENT OF ADDITIONAL INFORMATION

IN CONJUNCTION WITH THE

DISCLOSURE DOCUMENT, DATED APRIL 3, 2014.

April 3, 2014

DB Commodity Services LLC

Managing Owner

99

PART TWO

STATEMENT OF ADDITIONAL INFORMATION

TABLE OF CONTENTS

| GENERAL INFORMATION RELATING TO DEUTSCHE BANK AG | | | |
|--|-----|--|--|
| THE FUTURES MARKETS | 101 | | |
| Futures Contracts | 101 | | |
| Hedgers and Speculators | 102 | | |
| Futures Exchanges | 102 | | |
| Daily Limits | 102 | | |
| Regulations - | 102 | | |
| <u>Margin</u> | 103 | | |
| Exhibit A Privacy Notice | P-1 | | |

100

GENERAL INFORMATION RELATING TO DEUTSCHE BANK AG

Deutsche Bank AG is a banking company with limited liability incorporated under the laws of the Federal Republic of Germany under registration number HRB 30 000. Deutsche Bank AG has its registered office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main, Germany. Deutsche Bank AG originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Deutsche Bank Aktiengesellschaft West, Düsseldorf, and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank, founded in 1870. The merger and the name were entered in the Commercial Register of the District Court in Frankfurt am Main on May 2, 1957.

Deutsche Bank AG is the parent company of the Deutsche Bank Group, consisting of banks, capital market companies, fund management companies and a property finance company, installment financing companies, research and consultancy companies and other domestic and foreign companies. The Deutsche Bank Group has over 100,000 employees in 74 countries engaged in banking business and other financial businesses worldwide.

The objectives of Deutsche Bank AG, as set forth in its Articles of Association, include the transaction of all kinds of banking businesses, the provision of financial and other services and the promotion of international economic relations. Deutsche Bank AG may realize these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, Deutsche Bank AG is entitled to transact all business and to take all steps which appear likely to promote the objectives of Deutsche Bank AG, in particular, to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of participations in other enterprises, and to conclude enterprise agreements.

The activities of the Deutsche Bank Group include traditional deposit-taking and lending business for private clients, corporate and public sector entities, including mortgage lending, payment transactions, securities brokerage for customers, asset management, investment banking, project finance, structured finance, foreign trade finance, money and foreign exchange dealing, building savings business (Bauspargeschäft), as well as cash management,

payment and securities settlement, and payment cards and point-of-sale services.

As of December 31, 2012, the issued share capital of Deutsche Bank AG amounted to euro 2.37 billion, consisting of 929.50 million ordinary registered shares without par value. These shares are fully paid up and in registered form. The shares are listed for trading and official quotation on all the German stock exchanges and on a number of other global stock exchanges.

Please refer to Deutsche Bank AG s Annual Report on Form 20-F for additional financial information and financial statements.

Deutsche Bank AG London is the London branch of Deutsche Bank AG. Deutsche Bank AG, New York branch, is the New York branch of Deutsche Bank AG and operates pursuant to a license issued by the Superintendent of Banks of the State of New York on July 14, 1978.

THE FUTURES MARKETS

Futures Contracts

Futures contracts are standardized contracts made on United States or foreign exchanges that call for the future delivery of specified quantities of various agricultural and tropical commodities, industrial commodities, currencies, financial instruments or metals at a specified time and place. The contractual obligations, depending upon whether one is a buyer or a seller, may be satisfied either by taking or making, as the case may be, physical delivery of an approved grade of commodity or by making an offsetting sale or purchase of an equivalent but opposite futures contract on the same, or mutually off-setting, exchange prior to the designated date of delivery. As an example of an offsetting transaction where the physical commodity is not delivered, the contractual obligation arising from the sale of one contract of December 2014 wheat on a commodity exchange may be fulfilled at any time before delivery of the commodity is required by the purchase of one contract of December 2014 wheat on the same exchange. The difference between the price at which the futures contract is sold or purchased and the price paid for the offsetting purchase or sale, after allowance for brokerage commissions, constitutes the profit or loss to the trader. Certain futures contracts, such as those for stock or other financial or economic indices approved by the CFTC or Eurodollar contracts, settle in cash

101

(irrespective of whether any attempt is made to offset such contracts) rather than delivery of any physical commodity.

Hedgers and Speculators

The two broad classes of persons who trade futures interest contracts are hedgers and speculators. Commercial interests, including farmers, that market or process commodities, and financial institutions that market or deal in commodities, including interest rate sensitive instruments, foreign currencies and stocks, and which are exposed to currency, interest rate and stock market risks, may use the futures markets for hedging. Hedging is a protective procedure designed to minimize losses that may occur because of price fluctuations occurring, for example, between the time a processor makes a contract to buy or sell a raw or processed commodity at a certain price and the time he must perform the contract. The futures markets enable the hedger to shift the risk of price fluctuations to the speculator. The speculator risks his capital with the hope of making profits from price fluctuations in futures interests contracts. Speculators rarely take delivery of commodities, but rather close out their positions by entering into offsetting purchases or sales of futures interests contracts. Since the speculator may take either a long or short position in the futures markets, it is possible for him to make profits or incur losses regardless of whether prices go up or down. Trading by the Fund will be for speculative rather than for hedging purposes.

Futures Exchanges

Futures exchanges provide centralized market facilities for trading futures contracts and options (but not forward contracts). Members of, and trades executed on, a particular exchange are subject to the rules of that exchange. Among the principal exchanges in the United States are the Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Mercantile Exchange, and ICE Futures U.S.

Each futures exchange in the United States has an associated clearing house. Once trades between members of an exchange have been confirmed, the clearing house becomes substituted for each buyer and each seller of contracts traded on the exchange and, in effect, becomes the other party to each trader s open position in the market. Thereafter, each party to a trade looks only to the clearing house for performance. The clearing house generally establishes some sort of security or guarantee fund to

which all clearing members of the exchange must contribute; this fund acts as an emergency buffer that enables the clearing house, at least to a large degree, to meet its obligations with regard to the other side of an insolvent clearing member s contracts. Furthermore, clearing houses require margin deposits and continuously mark positions to market to provide some assurance that their members will be able to fulfill their contractual obligations. Thus, a central function of the clearing houses is to ensure the integrity of trades, and members effecting futures transactions on an organized exchange need not worry about the solvency of the party on the opposite side of the trade; their only remaining concerns are the respective solvencies of their commodity broker and the clearing house. The clearing house guarantee of performance on open positions does not run to customers. If a member firm goes bankrupt, customers could lose money.

Foreign futures exchanges differ in certain respects from their U.S. counterparts. In contrast to U.S. exchanges, certain foreign exchanges are principals markets, where trades remain the liability of the traders involved, and the exchange clearing house does not become substituted for any party.

Daily Limits

Most U.S. futures exchanges (but generally not foreign exchanges or banks or dealers in the case of forward contracts) limit the amount of fluctuation in futures interests contract prices during a single trading day by regulation. These regulations specify what are referred to as daily price fluctuation limits or more commonly daily limits. The daily limits establish the maximum amount that the price of a futures interests contract may vary either up or down from the previous day s settlement price. Once the daily limit has been reached in a particular futures interest, no trades may be made at a price beyond the limit. See The Risks You Face (35) The Net Asset Value Calculation of the Fund May Be Overstated or Understated Due to the Valuation Method Employed When a Settlement Price is not Available on the Date of Net Asset Value Calculation.

Regulations

Futures exchanges in the United States are subject to regulation under the Commodity Exchange Act, or CEAct, by the CFTC, the governmental agency having responsibility for regulation of futures

102

exchanges and trading on those exchanges. (Investors should be aware that no governmental U.S. agency regulates the OTC foreign exchange markets.)

The CEAct and the CFTC also regulate the activities of commodity trading advisors and commodity pool operators and the CFTC has adopted regulations with respect to certain of such persons activities. Pursuant to its authority, the CFTC requires a commodity pool operator (such as the Managing Owner) to keep accurate, current and orderly records with respect to each pool it operates. The CFTC may suspend the registration of a commodity pool operator if the CFTC finds that the operator has violated the CEAct or regulations thereunder and in certain other circumstances. Suspension, restriction or termination of the Managing Owner s registration as a commodity pool operator would prevent it, until such time (if any) as such registration were to be reinstated, from managing, and might result in the termination of, the Trust. The CEAct gives the CFTC similar authority with respect to the activities of commodity trading advisors, such as the Managing Owner. If the registration of a Managing Owner as a commodity trading advisor were to be terminated, restricted or suspended, the Managing Owner would be unable, until such time (if any) as such registration were to be reinstated, to render trading advice to the Fund. The Fund is not registered with the CFTC in any capacity.

The CEAct requires all futures commission merchants, such as the Commodity Broker, to meet and maintain specified fitness and financial requirements, segregate customer funds from proprietary funds and account separately for all customers funds and positions, and to maintain specified book and records open to inspection by the staff of the CFTC.

The CEAct also gives the states certain powers to enforce its provisions and the regulations of the CFTC.

Shareholders are afforded certain rights for reparations under the CEAct. Shareholders may also be able to maintain a private right of action for certain violations of the CEAct. The CFTC has adopted rules implementing the reparation provisions of the CEAct which provide that any person may file a complaint for a reparations award with the CFTC for violation of the CEAct against a floor broker, futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, and their respective associated persons.

Pursuant to authority in the CEAct, the NFA has been formed and registered with the CFTC as a registered futures association. At the present time, the NFA is the only non-exchange self-regulatory organization for commodities professionals. NFA members are subject to NFA standards relating to fair trade practices, financial condition, and consumer protection. As the self-regulatory body of the commodities industry, the NFA promulgates rules governing the conduct of commodity professionals and disciplines those professionals who do not comply with such standards. The CFTC has delegated to the NFA responsibility for the registration of commodity trading advisors, commodity pool operators, futures commission merchants, introducing brokers and their respective associated persons and floor brokers. The Commodity Broker and the Managing Owner are members of the NFA (the Fund is not required to become a member of the NFA).

The CFTC has no authority to regulate trading on foreign commodity exchanges and markets.

Margin

Initial or original margin is the minimum amount of funds that must be deposited by a futures trader with his commodity broker in order to initiate futures trading or to maintain an open position in futures contracts. Maintenance margin is the amount (generally less than initial margin) to which a trader s account may decline before he must deliver additional margin. A margin deposit is like a cash performance bond. It helps assure the futures trader s performance of the futures interests which contracts he purchases or sells. Futures interests are customarily bought and sold on margins that represent a very small percentage (ranging upward from less than 2%) of the purchase price of the underlying commodity

being traded. Because of such low margins, price fluctuations occurring in the futures markets may create profits and losses that are greater, in relation to the amount invested, than are customary in other forms of investment or speculation. The minimum amount of margin required in connection with a particular futures interests contract is set from time-to-time by the exchange on which such contract is traded, and may be modified from time-to-time by the exchange during the term of the contract.

Brokerage firms carrying accounts for traders in futures interests contracts may not accept lower, and generally require higher, amounts of margin as a

103

matter of policy in order to afford further protection for themselves.

Margin requirements are computed each day by a commodity broker. When the market value of a particular open futures interests contract position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the commodity broker. If the margin call is not met within a reasonable time, the broker may close out the Fund s position. With respect to the Managing Owner s trading, only the Managing Owner, and not the Fund or its Shareholders personally, will be subject to margin calls.

[Remainder of page left blank intentionally.]

104

EXHIBIT A

PRIVACY NOTICE

The importance of protecting the investors privacy is recognized by PowerShares DB Multi-Sector Commodity Trust, or the Trust, and DB Commodity Services LLC, or the Managing Owner. The Trust and the Managing Owner protect personal information they collect about you by maintaining physical, electronic and procedural safeguards to maintain the confidentiality and security of such information.

Categories Of Information Collected. In the normal course of business, the Trust and the Managing Owner may collect the following types of information concerning investors in the Fund who are natural persons:

Information provided in the Participant Agreements and other forms (including name, address, social security number, income and other financial-related information); and

Data about investor transactions (such as the types of investments the investors have made and their account status).

How the Collected Information is Used. Any and all nonpublic personal information received by the Fund or the Managing Owner with respect to the investors who are natural persons, including the information provided to the Funds by such an investor in a Participant Agreement, will not be shared with nonaffiliated third parties which are not service providers to the Trust or the Managing Owner without prior notice to such investors. Such service providers include but are not limited to the Authorized Participants, the Commodity Broker, administrators, auditors and the legal advisers of the Trust. Additionally, the Trust and/or the Managing Owner may disclose such nonpublic personal information as required by applicable laws, statutes, rules and regulations of any government, governmental agency or self-regulatory organization or a court order. The same privacy policy will also apply to the Shareholders who have fully redeemed.

For questions about the privacy policy, please contact the Trust.

P-1