

WACHOVIA CORP NEW
Form 424B5
August 11, 2006
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The information in this preliminary prospectus supplement is not complete and may be changed.

SUBJECT TO COMPLETION, DATED AUGUST 9, 2006

(TO PROSPECTUS DATED MAY 13, 2005)

PROSPECTUS SUPPLEMENT

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-123311

\$•

Wachovia Corporation

•% Enhanced Yield Securities

Linked to the Common Stock of Alcoa Inc.

due September 5, 2007

Issuer:	Wachovia Corporation
Principal Amount:	Each security will have a principal amount of \$1,000. Each security will be offered at an initial public offering price of \$1,000.
Maturity Date:	September 5, 2007
Interest:	9% to 10% per annum (to be determined on the pricing date) payable quarterly.
Interest Payment Dates:	March 5, June 5, September 5 and December 5, beginning on December 5, 2006.
Underlying Stock:	Alcoa Inc. common stock. Alcoa Inc. has no obligations relating to, and does not sponsor or endorse, the securities.
Payment at Maturity:	On the maturity date, for each security you hold, you will receive a payment equal to the redemption amount, plus any accrued but unpaid interest in cash. The redemption amount will be a cash payment equal to the principal amount of your securities, unless: (a) a knock-in event has occurred; and (b) the final stock price is less than the initial stock price. If the conditions described in (a) and (b) both occur, at maturity, for each security you hold, the redemption amount you will receive will be a number of shares of the Underlying Stock equal to • (the number of shares of the Underlying Stock equal to \$1,000 on the pricing date) multiplied by the share multiplier. If the calculation of the number of shares of the Underlying Stock per security on the valuation date results in fractional shares, such fractional shares will be paid in cash equal to the fractional number of shares multiplied

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by the closing price per share of the Underlying Stock on the valuation date.

If a knock-in event has occurred and the final stock price is less than the initial stock price, you will lose some or all of your principal and receive shares of the Underlying Stock instead of a cash payment. Under these conditions, the market value on the valuation date of the shares of the Underlying Stock that you will receive on the maturity date will be less than the aggregate principal amount of your securities and could be \$0 (but you will still receive any accrued but unpaid interest in cash).

The initial stock price will equal the closing price per share of the Underlying Stock on the pricing date. A knock-in event will occur if the market price of the Underlying Stock multiplied by the share multiplier at any time on any trading day, from the first trading day following the pricing date to and including the valuation date, is less than or equal to the knock-in price. The knock-in price will equal \$•, the price that is 20% below the initial stock price of \$•.

Listing: The securities will not be listed or displayed on any securities exchange, the Nasdaq National Market or any electronic communications network.

Pricing Date: •, 2006

Expected Settlement Date: •, 2006

CUSIP Number: •

For a detailed description of the terms of the securities, see Summary Information beginning on page S-1 and Specific Terms of the Securities beginning on page S-11.

Investing in the securities involves risks. See Risk Factors beginning on page S-7.

	Per Security	Total
Public Offering Price		
Underwriting Discount and Commission		
Proceeds to Wachovia Corporation		

The securities solely represent senior, unsecured debt obligations of Wachovia and are not the obligation of, or guaranteed by, any other entity. The securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Wachovia may use this prospectus supplement in the initial sale of the securities. In addition, Wachovia Capital Markets, LLC or any other broker-dealer affiliate of Wachovia may use this prospectus supplement in a market-making or other transaction in any security after its initial sale. *Unless Wachovia or its agent informs the purchaser otherwise in the confirmation of sale, this prospectus supplement is being used in a market-making transaction.*

Wachovia Securities

The date of this prospectus supplement is •, 2006.

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Unless otherwise indicated, you may rely on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriter has authorized anyone to provide information different from that contained in this prospectus supplement and the accompanying prospectus. When you make a decision about whether to invest in the securities, you should not rely upon any information other than the information in this prospectus supplement and the accompanying prospectus. Neither the delivery of this prospectus supplement nor sale of the securities means that information contained in this prospectus supplement or the accompanying prospectus is correct after their respective dates. This prospectus supplement and the accompanying prospectus are not an offer to sell or solicitation of an offer to buy the securities in any circumstances under which the offer or solicitation is unlawful.

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SUMMARY INFORMATION

This summary includes questions and answers that highlight selected information from this prospectus supplement and the accompanying prospectus to help you understand the 9% Enhanced Yield Securities Linked to the Common Stock of Alcoa Inc. due September 5, 2007, which we refer to as the securities. You should carefully read this prospectus supplement and the accompanying prospectus to fully understand the terms of the securities as well as the tax and other considerations that are important to you in making a decision about whether to invest in the securities. You should carefully review the sections entitled Risk Factors in this prospectus supplement and the accompanying prospectus, which highlight certain risks associated with an investment in the securities, to determine whether an investment in the securities is appropriate for you.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to Wachovia, we, us and our or similar references mean Wachovia Corporation and its subsidiaries. Unless otherwise mentioned or unless the context requires otherwise, all references to WBNA mean Wachovia Bank, National Association. Wachovia Capital Markets, LLC is an indirect, wholly owned subsidiary of Wachovia Corporation. Wachovia Corporation conducts its investment banking, capital markets and retail brokerage activities through its various broker-dealer, bank and non-bank subsidiaries, including Wachovia Capital Markets, LLC, under the trade name Wachovia Securities. Any reference to Wachovia Securities in this prospectus supplement does not, however, refer to Wachovia Securities, LLC, a member of the New York Stock Exchange and the Securities Investor Protection Corporation, to Wachovia Securities Financial Network, LLC, a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation, or to broker-dealer affiliates of Wachovia Corporation and Wachovia Capital Markets, LLC. All references to this prospectus supplement mean the pricing supplement contemplated in the accompanying prospectus.

What are the securities?

The securities offered by this prospectus supplement will be issued by Wachovia Corporation and will mature on September 5, 2007. The return on the securities is linked to the performance of the common stock of Alcoa Inc., which we refer to as the Underlying Stock Issuer, and will depend on whether a knock-in event occurs during the term of the securities and whether the final stock price is less than the initial stock price, each as described below.

As discussed in the accompanying prospectus, the securities are debt securities and are part of a series of debt securities entitled Medium-Term Notes, Series G that Wachovia Corporation may issue from time to time. The securities will rank equally with all other unsecured and unsubordinated debt of Wachovia Corporation. For more details, see Specific Terms of the Securities beginning on page S-11.

Each security will have a principal amount of \$1,000. Each security will be offered at an initial public offering price of \$1,000. You may transfer only whole securities. Wachovia Corporation will issue the securities in the form of a global certificate, which will be held by The Depository Trust Company, also known as DTC, or its nominee. Direct and indirect participants in DTC will record your ownership of the securities.

Are the securities principal protected?

No, the securities do not guarantee any return of principal at maturity. *If a knock-in event has occurred and the final stock price is less than the initial stock price, you will lose some or all of your principal and receive shares of the Underlying Stock instead of a cash payment. Under these conditions, the market value of the shares of the Underlying Stock you receive at maturity will be less than the initial public offering price and you will lose some or all of your principal (but you will still receive accrued but unpaid interest).*

Will I receive interest on the securities?

The securities will bear interest at a rate of 9% to 10% per annum (to be determined on the pricing date) payable on each of March 5, June 5, September 5 and December 5, beginning on December 5, 2006. The interest rate on the securities is higher than the current dividend yield of the Underlying Stock. The interest rate is also

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higher than the interest we would pay on a conventional fixed-rate, principal protected debt security. *You will still receive accrued but unpaid interest on the securities even if a knock-in event has occurred and the final stock price is less than the initial stock price.*

How is Wachovia able to offer a 9% to 10% interest rate on the securities?

Wachovia is able to offer a 9% to 10% interest rate on the securities (to be determined on the pricing date) because the securities are riskier than conventional principal protected debt securities. As previously described, if a knock-in event has occurred and the final stock price is less than the initial stock price, at maturity you will receive shares of the Underlying Stock that are worth less than the principal amount of the securities. The interest rate on the securities reflects the value of our right to deliver stock to you at the maturity of the securities under these circumstances. In general, the more volatile the underlying stock is or is expected to be, the higher the interest rate and the more likely a knock-in event might occur.

What will I receive upon maturity of the securities?

The securities will mature on September 5, 2007. On the maturity date, for each security you hold, you will receive a payment equal to the redemption amount, plus any accrued but unpaid interest in cash. The redemption amount will be a cash payment equal to the principal amount of your securities, unless:

- (a) a knock-in event has occurred; and
- (b) the final stock price is less than the initial stock price.

If the conditions described in (a) and (b) both occur, at maturity, for each security you hold, the redemption amount you will receive will be a number of shares of the Underlying Stock equal to • (the number of shares of the Underlying Stock equal to \$1,000 on the pricing date) multiplied by the share multiplier. The number of shares of the Underlying Stock equal to \$1,000 on the pricing date will be determined as follows:

\$1,000
initial stock price

If the calculation of the number of shares of the Underlying Stock per \$1,000 security on the valuation date results in fractional shares, such fractional shares will be paid in U.S. dollar amounts equal to the fractional number of shares multiplied by the closing price per share of the Underlying Stock on the valuation date.

If a knock-in event has occurred and the final stock price is less than the initial stock price, you will lose some or all of the value of your principal and receive shares of the Underlying Stock instead of a cash payment. Under these conditions, the market value on the valuation date of the shares of the Underlying Stock that you will receive on the maturity date will be less than the aggregate principal amount of your securities and could be \$0 (but you will still receive any accrued but unpaid interest in cash).

The initial stock price will equal the closing price per share of the Underlying Stock on the pricing date.

The final stock price will be determined by the calculation agent and will equal the closing price per share of the Underlying Stock.

The share multiplier is 1.0, subject to adjustment for certain corporate events relating to the Underlying Stock Issuer described in this prospectus supplement under Specific Terms of the Securities Antidilution Adjustments .

A knock-in event will occur if, as determined by the calculation agent, the market price of the Underlying Stock multiplied by the share multiplier has fallen to or below the knock-in price at any time during regular business

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hours of the relevant exchange on any trading day from the first trading day following the pricing date to and including the valuation date.

The knock-in price will equal \$●, the price that is 20% below the initial stock price (to be determined by the calculation agent on the pricing date).

The market price is, on any trading day and at any time during the regular business hours of the relevant exchange, the latest reported sale price of the Underlying Stock (or any other security for which a market price must be determined) on that relevant exchange at that time, as determined by the calculation agent.

The valuation date means the fifth trading day prior to the maturity date. However, if that date occurs on a day on which the calculation agent has determined that a market disruption event has occurred or is continuing, then the valuation date will be the next succeeding trading day on which the calculation agent has determined that a market disruption event has not occurred or is not continuing. *If the valuation date is postponed, then the maturity date of the securities will be postponed by an equal number of trading days.*

A trading day means a day, as determined by the calculation agent, on which trading is generally conducted on the New York Stock Exchange, Inc. (NYSE), the American Stock Exchange, the Nasdaq National Market, the Chicago Board Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.

A business day means a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York generally are authorized or obligated by law, regulation or executive order to close.

The relevant exchange is the primary U.S. securities organized exchange or market of trading for the Underlying Stock. If a reorganization event has occurred, the relevant exchange will be the stock exchange or securities market on which the distribution property (as defined below under Specific Terms of the Securities Antidilution Adjustments Adjustments for Reorganization Events on page S-19) that is a listed equity security is principally traded, as determined by the calculation agent.

If a knock-in event has occurred and the final stock price is less than the initial stock price, you will lose some or all of your principal and you will receive shares of the Underlying Stock instead of a cash payment (but you will still receive any accrued but unpaid interest in cash).

Hypothetical Examples

Set forth below are four hypothetical examples of the calculation of the redemption amount (which do not consider any accrued but unpaid interest). Interest will be paid quarterly regardless of whether a knock-in event occurs. For purposes of these examples, we have assumed the following:

Hypothetical initial stock price: \$30.00

Hypothetical knock-in price: \$24.00

Share multiplier on the valuation date: 1.0

Example 1 The hypothetical final stock price is equal to 60% of the hypothetical initial stock price and a knock-in event *has* occurred:

Hypothetical final stock price: \$18.00

$$\text{Redemption amount (per security)} = \left(\frac{\$1,000}{\$30.00} \right) \times 1.0 = 33 \text{ shares of Underlying Stock and } \$6.00 \text{ cash in lieu of fractional shares}$$

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Since the hypothetical final stock price is *less* than the hypothetical initial stock price and a knock-in event *has* occurred, the redemption amount per security would be equal to 33 shares of the Underlying Stock and a cash payment of \$6.00 in lieu of fractional shares with an aggregate market value on the valuation date equal to \$600, representing a 40% loss of the principal amount of your security.

Example 2 The hypothetical final stock price is equal to 85% of the hypothetical initial stock price and a knock-in event *has* occurred:

Hypothetical final stock price: \$25.50

$$\text{Redemption amount (per security)} = \left(\begin{array}{c} \$1,000 \\ \$30.00 \end{array} \right) \times 1.0 = \text{33 shares of Underlying Stock and \$8.50 cash in lieu of fractional shares}$$

Since the hypothetical final stock price is *less* than the hypothetical initial stock price and a knock-in event *has* occurred, the redemption amount per security would be equal to 33 shares of the Underlying Stock and a cash payment of \$8.50 in lieu of fractional shares with an aggregate market value on the valuation date equal to \$850, representing a 15% loss of the principal amount of your security.

Example 3 The hypothetical final stock price is equal to 85% of the hypothetical initial stock price but a knock-in event *has not* occurred:

Hypothetical final stock price: \$25.50

Redemption amount (per security) = \$1,000

Since a knock-in event *has not* occurred, you will receive the full principal amount of \$1,000 in cash even though the hypothetical final stock price is *less* than the hypothetical initial stock price.

Example 4 The hypothetical final stock price is equal to 140% of the hypothetical initial stock price (regardless whether a knock-in event has or has not occurred):

Hypothetical final stock price: \$42.00

Redemption amount (per security) = \$1,000

Since the hypothetical final stock price is *greater* than the hypothetical initial stock price, regardless of whether a knock-in event has or has not occurred, the redemption amount per security would be paid in cash in an amount equal to the \$1,000 principal amount per security. Your total return on your security will not reflect the increase in the market price of the Underlying Stock at the maturity of the securities.

Who should or should not consider an investment in the securities?

We have designed the securities for investors who are willing to make an investment that is contingently exposed to the full downside performance risk of the Underlying Stock and the potential loss of some or all of the value of their principal, who do not expect to participate in any appreciation in the price of the Underlying Stock and who are willing to receive shares of the Underlying Stock as the return on their investment if a knock-in event occurs during the terms of the securities and the final stock price is less than the initial stock price. In exchange for the potential downside exposure to the Underlying Stock described in the preceding sentence, investors in the securities will receive quarterly interest payments at a rate expected to be between 9% to 10% per year.

The securities are not designed for, and may not be a suitable investment for, investors who are unwilling to make an investment that is exposed (or contingently exposed) to the full downside performance risk of the

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Underlying Stock. The securities are also not designed for, and may not be a suitable investment for, investors who seek the full upside appreciation in the market price of the Underlying Stock. The securities may not be a suitable investment for investors who prefer the lower risk of fixed income investments with comparable maturities issued by companies with comparable credit ratings, or who are unable or unwilling to hold the securities to maturity.

What will I receive if I sell the securities prior to maturity?

The market value of the securities may fluctuate during the term of the securities. Several factors and their interrelationship will influence the market value of the securities, including the market price of the Underlying Stock, dividend yields on the Underlying Stock, the time remaining to maturity of the securities, interest and yield rates in the market and the volatility of the market price of the Underlying Stock. The securities are 100% principal protected only if held to maturity and if no knock-in event occurs during the term of the securities. If you sell your securities prior to maturity, you may have to sell them at a discount to the principal amount of the securities. Depending on the impact of these factors, you may receive less than the principal amount in any sale of your securities before the maturity date of the securities and less than what you would have received had you held the securities until maturity. For more details, see **Risk Factors**. Many factors affect the market value of the securities.

Who is Alcoa Inc.?

According to publicly available information, Alcoa Inc. is the world's leading producer of primary aluminum, fabricated aluminum, and alumina, and is active in all major aspects of the industry: technology, mining, refining, smelting, fabricating and recycling. You should independently investigate the Underlying Stock Issuer and decide whether an investment in the securities linked to the Underlying Stock is appropriate for you.

Because the Underlying Stock is registered under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), the Underlying Stock Issuer is required to file periodically certain financial and other information specified by the Securities and Exchange Commission (the **SEC**). Information provided to or filed with the SEC by the Underlying Stock Issuer can be located by reference to SEC file number 001-3610 and inspected at the SEC's public reference facilities or accessed over the Internet through the SEC's website. The address of the SEC's website is <http://www.sec.gov>. In addition, information regarding the Underlying Stock may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated information. We make no representation or warranty as to the accuracy or completeness of any such information. For further information, please see the section entitled **The Underlying Stock** in this prospectus supplement.

What is the Underlying Stock Issuer's role in the securities?

The Underlying Stock Issuer has no obligations relating to the securities or amounts to be paid to you, including no obligation to take the needs of Wachovia or of holders of the securities into consideration for any reason. The Underlying Stock Issuer will not receive any of the proceeds of the offering of the securities, is not responsible for, and has not participated in, the offering of the securities and is not responsible for, and will not participate in, the determination or calculation of the redemption amount. Wachovia is not affiliated with the Underlying Stock Issuer.

How has the Underlying Stock performed historically?

You can find a table with the high, low and closing prices per share of the Underlying Stock during each calendar quarter from calendar year 2003 to the present in the section entitled **The Underlying Stock** - **Historical Data** in this prospectus supplement. We obtained the historical information from Bloomberg Financial Markets, without independent verification. You should not take the past performance of the Underlying Stock as an indication of how the Underlying Stock will perform in the future.

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What about taxes?

The United States federal income tax consequences of your investment in the securities are complex and uncertain. By purchasing a security, you and Wachovia hereby agree, in the absence of an administrative determination or a judicial ruling to the contrary, to characterize a security for all tax purposes as an investment unit consisting of a non-contingent debt instrument and payments for a put option. Under this characterization of the securities, you should be required to treat a portion of the payments on the security as an interest payment, and the remainder of the payments as amounts paid to you in respect of the put option. In the opinion of our counsel, Sullivan & Cromwell LLP, it is reasonable to treat the securities as described above, but it would also be a reasonable interpretation of current tax law for the securities to be treated as a single debt instrument subject to the special tax rules governing contingent debt instruments. **Because of this uncertainty, we urge you to consult your tax advisor as to the tax consequences of your investment in the securities.** For a further discussion, see *Supplemental Tax Considerations* beginning on page S-25.

Will the securities be listed on a stock exchange?

The securities will not be listed or displayed on any securities exchange, the Nasdaq National Market or any electronic communications network. There can be no assurance that a liquid trading market will develop for the securities. Accordingly, if you sell your securities prior to maturity, you may have to sell them at a substantial loss. You should review the section entitled *Risk Factors* There may not be an active trading market for the securities in this prospectus supplement.

Are there any risks associated with my investment?

Yes, an investment in the securities is subject to significant risks, including the risk of loss of some or all of your principal. We urge you to read the detailed explanation of risks in *Risk Factors* beginning on page S-7.

How to reach us

You may reach us by calling 1-888-215-4145 or 1-212-214-6282 and asking for the Investment Solutions Group.

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RISK FACTORS

An investment in the securities is subject to the risks described below, as well as the risks described under Risk Factors Risks Related to Indexed Notes in the accompanying prospectus. Your securities are a riskier investment than ordinary debt securities. Also, your securities are not equivalent to investing directly in the Underlying Stock to which your securities are linked. You should carefully consider whether the securities are suited to your particular circumstances.

Your investment may result in a loss of some or all of your principal

Unlike standard senior non-callable debt securities, the securities do not guarantee the return of the principal amount at maturity. With an investment in the securities, you bear the risk of losing some or all of the value of your principal if a knock-in event occurs during the term of the securities and the final stock price is less than the initial stock price. Under these circumstances, at maturity, for each security you hold, the redemption amount that you will receive will be shares of the Underlying Stock, which represents the number of shares of the Underlying Stock equal to \$1,000 on the pricing date, multiplied by the share multiplier to take into account certain corporate events with respect to the Underlying Stock. Accordingly, if a knock-in event has occurred during the term of the securities (i.e., the market price of the Underlying Stock has declined to or below the knock-in price during the term of the securities) and the final stock price is less than the initial stock price you will lose some or all of the value of the principal amount of your securities and receive shares of the Underlying Stock instead of a cash payment. Your principal protection is contingent and, therefore, your principal will be protected only if a knock-in event never occurs during the term of the securities and you hold your securities until maturity.

Your yield may be lower than the yield on a standard debt security of comparable maturity

The yield that you will receive on your securities, which could be negative if a knock-in event occurs during the term of the securities and the final stock price is less than the initial stock price, may be less than the return you could earn on other investments. Your redemption amount in cash will not be greater than the aggregate principal amount of your securities. Even if your yield is positive, your yield may be less than the yield you would earn if you bought a standard senior non-callable debt security of Wachovia with the same maturity date. Your investment may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money.

Owning the securities is not the same as owning the Underlying Stock

Your return will not reflect the return you would realize if you actually owned and held the Underlying Stock for a similar period because the redemption amount per security will never exceed the principal amount of your securities and will be determined without taking into consideration the value of any dividends that may be paid on the Underlying Stock. The securities represent senior unsecured obligations of ours and do not represent or convey any rights of ownership in the Underlying Stock, other than the right to receive a payment at maturity in shares of the Underlying Stock if a knock-in event has occurred and the final stock prices is less than the initial stock price. In addition, you will not receive any dividend payments or other distributions on the Underlying Stock, and as a holder of the securities, you will not have voting rights or any other rights that holders of the Underlying Stock may have. If the return on the Underlying Stock over the term of the securities exceeds the principal amount of the securities and the interest payments you receive, your return on the securities at maturity will be less than the return on a direct investment in the Underlying Stock without taking into account taxes and other costs related to such a direct investment. If the market price of the Underlying Stock increases above the initial stock price during the term of the securities, the market value of the securities will not increase by the same amount. It is also possible for the market price of the Underlying Stock to increase while the market value of the securities declines.

There may not be an active trading market for the securities

The securities will not be listed or displayed on any other securities exchange, the Nasdaq National Market or any electronic communications network. There can be no assurance that a liquid trading market will develop for the securities. The development of a trading market for the securities will depend on our financial performance and

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other factors such as the increase, if any, in the market price of the Underlying Stock. Even if a secondary market for the securities develops, it may not provide significant liquidity and transaction costs in any secondary market could be high. As a result, the difference between bid and asked prices for the securities in any secondary market could be substantial. If you sell your securities before maturity, you may have to do so at a discount from the initial public offering price, and, as a result, you may suffer substantial losses.

Wachovia Capital Markets, LLC and other broker-dealer affiliates of Wachovia currently intend to make a market for the securities, although they are not required to do so and may stop any such market-making activities at any time. As market makers, trading of the securities may cause Wachovia Capital Markets, LLC or any other broker-dealer affiliates of Wachovia to have long or short positions in the securities. The supply and demand for the securities, including inventory positions of market makers, may affect the secondary market for the securities.

Many factors affect the market value of the securities

The market value of the securities will be affected by factors that interrelate in complex ways. It is important for you to understand that the effect of one factor may offset the increase in the market value of the securities caused by another factor and that the effect of one factor may compound the decrease in the market value of the securities caused by another factor. We expect that the market value of the securities will depend substantially on the market price of the Underlying Stock at any time during the term of the securities relative to the initial stock price. If you choose to sell your securities when the market price of the Underlying Stock exceeds or is equal to the initial stock price, you may receive substantially less than the amount that would be payable at maturity based on this market price because of the expectation that the market price of the Underlying Stock will continue to fluctuate until the final stock price is determined and the risk that a knock-in event will occur. In addition, we believe that other factors that may influence the value of the securities include:

the volatility (frequency and magnitude of changes in market price) of the Underlying Stock and in particular market expectations regarding the volatility of the Underlying Stock;

interest rates generally as well as changes in interest rates and the yield curve;

the dividend yield on the Underlying Stock;

the time remaining to maturity;

our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market; and

geopolitical, economic, financial, political, regulatory or judicial events as well as other conditions that affect stock markets in general and that may affect the Underlying Stock Issuer and the market price of the Underlying Stock.

Wachovia and its affiliates have no affiliation with the Underlying Stock Issuer and are not responsible for its public disclosure of information

Wachovia and its affiliates are not affiliated with the Underlying Stock Issuer in any way and have no ability to control or predict its actions, including any corporate actions of the type that would require the calculation agent to adjust the redemption amount, and have no ability to control the public disclosure of these corporate actions or any events or circumstances affecting them.

Each security is an unsecured debt obligation of Wachovia only and is not an obligation of the Underlying Stock Issuer. None of the money you pay for your securities will go to the Underlying Stock Issuer. Since the Underlying Stock Issuer is not involved in the offering of the securities in any way, it has no obligation to consider your interest as an owner of securities in taking any actions that might affect the value of your securities. The Underlying Stock Issuer may take actions that will adversely affect the market value of the securities.

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This prospectus supplement relates only to the securities and does not relate to the Underlying Stock. We have derived the information about the Underlying Stock Issuer in this prospectus supplement from publicly available documents, without independent verification. We have not participated in the preparation of any of the documents or made any due diligence investigation or any inquiry of the Underlying Stock Issuer in connection with the offering of the securities. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Underlying Stock Issuer contained in this prospectus supplement. Furthermore, we do not know whether the Underlying Stock Issuer has disclosed all events occurring before the date of this prospectus supplement including events that could affect the accuracy or completeness of the publicly available documents referred to above, the market price of the Underlying Stock and, therefore, the initial stock price and the final stock price of the Underlying Stock that the calculation agent will use to determine the redemption amount with respect to your securities. You, as an investor in the securities, should investigate the Underlying Stock Issuer on your own.

You have limited antidilution protection

WBNA, as calculation agent for your securities, will, in its sole discretion, adjust the share multiplier for certain events affecting the Underlying Stock, such as stock splits and stock dividends, and certain other corporate actions involving the Underlying Stock Issuer, such as mergers. However, the calculation agent is not required to make an adjustment for every corporate event that can affect the Underlying Stock. For example, the calculation agent is not required to make any adjustments to the share multiplier if the Underlying Stock Issuer or anyone else makes a partial tender or partial exchange offer for the Underlying Stock. Consequently, this could affect the calculation of the redemption amount and the market value of the securities. You should refer to *Specific Terms of the Securities Antidilution Adjustments* beginning on page S-15 for a description of the general circumstances in which the calculation agent will make adjustments to the share multiplier.

Historical performance of the Underlying Stock should not be taken as an indication of its future performance during the term of the securities

It is impossible to predict whether the market price of the Underlying Stock will rise or fall. The Underlying Stock has performed differently in the past and is expected to perform differently in the future. The market price of the Underlying Stock will be influenced by complex and interrelated political, economic, financial and other factors that can affect the Underlying Stock Issuer. You should refer to *The Underlying Stock* beginning on page S-22 for a description of the Underlying Stock Issuer and historical data on the Underlying Stock.

Purchases and sales by us and our affiliates may affect the return on the securities

As described below under *Use of Proceeds and Hedging* on page S-29, we or one or more of our affiliates may hedge our obligations under the securities by purchasing the Underlying Stock, futures or options on the Underlying Stock or other derivative instruments with returns linked or related to changes in the market price of the Underlying Stock, and we may adjust these hedges by, among other things, purchasing or selling the Underlying Stock, futures, options or other derivative instruments with returns linked to the Underlying Stock at any time. Although they are not expected to, any of these hedging activities may adversely affect the market price of the Underlying Stock and, therefore, the market value of the securities. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the securities declines.

The inclusion of commissions and projected profits from hedging in the initial public offering price is likely to adversely affect secondary market prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Wachovia is willing to purchase the securities in secondary market transactions will likely be lower than the initial public offering price, since the initial public offering price included, and secondary market prices are likely to exclude, commissions paid with respect to the securities, as well as the projected profit included in the cost of hedging our obligations under the securities. In addition, any such prices may differ from values determined by pricing models used by Wachovia, as a result of dealer discounts, mark-ups or other transactions.

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The calculation agent may postpone the valuation date and, therefore, the determination of the final stock price and the maturity date if a market disruption event occurs on the valuation date

The valuation date and, therefore, the determination of the final stock price may be postponed if the calculation agent determines that a market disruption event has occurred or is continuing on the valuation date. If a postponement occurs, the calculation agent will use the closing price per share of the Underlying Stock on the next succeeding trading day on which no market disruption event occurs or is continuing. As a result, the maturity date for the securities would also be postponed. You will not be entitled to any compensation from us or the calculation agent for any loss suffered as a result of the occurrence of a market disruption event, any resulting delay in payment or any change in the market price of the Underlying Stock resulting from the postponement of the valuation date. See [Specific Terms of the Securities](#) [Market Disruption Event](#) beginning on page S-14.

Potential conflicts of interest could arise

Our subsidiary, WBNA, is our agent for the purposes of calculating whether a knock-in event has occurred, the final stock price, and the redemption amount. Under certain circumstances, WBNA's role as our subsidiary and its responsibilities as calculation agent for the securities could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with its determination as to whether the final stock price can be calculated on a particular trading day. See the section entitled [Specific Terms of the Securities](#) [Market Disruption Event](#) beginning on page S-14. WBNA is required to carry out its duties as calculation agent in good faith and using its reasonable judgment.

Wachovia or its affiliates may presently or from time to time engage in business with the Underlying Stock Issuer. This business may include extending loans to, or making equity investments in, the Underlying Stock Issuer or providing advisory services to the Underlying Stock Issuer, including merger and acquisition advisory services. In the course of business, Wachovia or its affiliates may acquire non-public information relating to the Underlying Stock Issuer and, in addition, one or more affiliates of Wachovia may publish research reports about the Underlying Stock Issuer. Wachovia does not make any representation to any purchasers of the securities regarding any matters whatsoever relating to the Underlying Stock Issuer. Any prospective purchaser of the securities should undertake an independent investigation of the Underlying Stock Issuer as in its judgment is appropriate to make an informed decision regarding an investment in the securities.

Tax consequences are uncertain

You should consider the tax consequences of investing in the securities, significant aspects of which are uncertain. See [Supplemental Tax Considerations](#) beginning on page S-25.

Certain considerations for insurance companies and employee benefit plans

A fiduciary of a pension plan or other employee benefit plan that is subject to the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended, which we call [ERISA](#), or the Internal Revenue Code of 1986, as amended, and that is considering purchasing the securities with the assets of such a plan, should consult with its counsel regarding whether the purchase or holding of the securities could become a [prohibited transaction](#) under ERISA, the Internal Revenue Code or any substantially similar prohibition. These prohibitions are discussed in further detail under [Employee Retirement Income Security Act](#) beginning on page S-28.

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SPECIFIC TERMS OF THE SECURITIES

*Please note that in this section entitled **Specific Terms of the Securities**, references to **holders** mean those who own securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not indirect holders who own beneficial interests in securities registered in street name or in securities issued in book-entry form through The Depository Trust Company. Please review the special considerations that apply to indirect holders in the accompanying prospectus, under **Legal Ownership**.*

The securities are part of a series of debt securities, entitled **Medium-Term Notes, Series G**, that we may issue under the indenture from time to time as described in the accompanying prospectus. The securities are also **Indexed Notes** and **Senior Notes**, each as described in the accompanying prospectus.

This prospectus supplement summarizes specific financial and other terms that apply to the securities. Terms that apply generally to all **Medium-Term Notes, Series G**, are described in **Description of the Notes We May Offer** in the accompanying prospectus. The terms described here supplement those described in the accompanying prospectus and, if the terms described there are inconsistent with those described here, the terms described here are controlling.

We describe the terms of the securities in more detail below.

Interest

The securities will bear interest at a rate expected to be between 9% to 10% per annum (to be determined on the pricing date) payable on each of March 5, June 5, September 5 and December 5, beginning on December 5, 2006.

If the maturity date is postponed due to a postponement of the valuation date, we will pay interest on the maturity date as postponed rather than on September 5, 2007 (the scheduled maturity date), but no interest will accrue on the securities or on such payment during the period from or after September 5, 2007.

The regular record dates will be the close of business on November 21, February 19, May 22 and August 22, respectively, in each case the fifteenth calendar day, whether or not a business day, immediately preceding the related interest payment date. For the purpose of determining the holder at the close of business on a day that is not a business day, the close of business will mean 5:00 P.M. in New York City, on that day.

Denominations

Wachovia will issue the securities in principal amount of \$1,000 per security and integral multiples thereof.

Offering Price

Each security will be offered at an initial public offering price equal to \$1,000.

Payment at Maturity

The securities will mature on September 5, 2007. At maturity, for each security you hold, you will receive a payment equal to the redemption amount, plus any accrued but unpaid interest in cash. The redemption amount will be a cash payment equal to the principal amount of your securities, unless:

(a) a knock-in event has occurred; and

(b) the final stock price is less than the initial stock price.

If the conditions described in (a) and (b) both occur, at maturity, for each security you hold, the redemption amount you will receive will be a number of shares of the Underlying Stock equal to • (the number of shares of the

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Underlying Stock equal to \$1,000 on the pricing date) multiplied by the share multiplier. The number of shares of the Underlying Stock equal to \$1,000 on the pricing date will be determined as follows:

\$1,000

initial stock price

If the calculation of the number of shares of the Underlying Stock per \$1,000 security on the valuation date results in fractional shares, such fractional shares will be paid in U.S. dollar amounts equal to the fractional number of shares multiplied by the closing price per share of the Underlying Stock on the valuation date.

If a knock-in event occurs and the final stock price is less than the initial stock price, you will lose some or all of your principal and receive shares of the Underlying Stock instead of a cash payment. Under these conditions, the market value on the valuation date of the shares of the Underlying Stock that you will receive on the maturity date will be less than the aggregate principal amount of your securities and could be \$0 (but you will still receive any accrued but unpaid interest in cash).

The Underlying Stock means the common stock of the Underlying Stock Issuer, CUSIP Number 013817101. In the event of the occurrence of certain corporate events in respect of the Underlying Stock Issuer described in the section entitled Antidilution Adjustments Adjustments for Reorganization Events on page S-19, the securities may become redeemable for shares of common stock of one or more issuers in addition to, or in lieu of, the Underlying Stock. If any such event occurs, references to Underlying Stock in this prospectus supplement will mean, for purposes of determining the final stock price or whether a knock-in event has occurred or otherwise as the context requires, the shares of common stock of such additional issuer or issuers, as well as the common stock of the original Underlying Stock Issuer if the original Underlying Stock remains outstanding.

The Underlying Stock Issuer means Alcoa Inc. In the event of the occurrence of certain corporate events in respect of the Underlying Stock Issuer described in the section entitled Antidilution Adjustments Adjustments for Reorganization Events , the securities may become redeemable for shares of common stock of one or more issuers in addition to, or in lieu of, the Underlying Stock. If any such event occurs, references to Underlying Stock Issuer in this prospectus supplement will mean, as the context requires, such additional issuer or issuers, as well as the original Underlying Stock Issuer if the original Underlying Stock remains outstanding.

The initial stock price will equal the closing price per share of the Underlying Stock on the pricing date.

The final stock price will be determined by the calculation agent and will equal the closing price per share of the Underlying Stock multiplied by the share multiplier, each as of the valuation date.

The share multiplier is 1.0, subject to adjustment for certain corporate events relating to the Underlying Stock Issuer described in this prospectus supplement under Antidilution Adjustments .

A knock-in event will occur if, as determined by the calculation agent, the market price of the Underlying Stock multiplied by the share multiplier has fallen to or below the knock-in price at any time during regular business hours of the relevant exchange on any trading day from the first trading day following the pricing date to and including the valuation date.

The knock-in price will equal \$•, the price that is 20% below the initial stock price (to be determined by the calculation agent on the pricing date).

The market price is, on any trading day and at any time during the regular business hours of the relevant exchange, the latest reported sale price of the Underlying Stock (or any other security for which a market price must be determined) on that relevant exchange at that time, as determined by the calculation agent.

The valuation date means the fifth trading day prior to the maturity date. However, if that date occurs on a day on which the calculation agent has determined that a market disruption event has occurred or is continuing,

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then the valuation date will be the next succeeding trading day on which the calculation agent has determined that a market disruption event has not occurred or is not continuing. *If the valuation date is postponed, then the maturity date of the securities will be postponed by an equal number of trading days.*

A trading day means a day, as determined by the calculation agent, on which trading is generally conducted on the New York Stock Exchange, Inc. (NYSE), the American Stock Exchange, the Nasdaq National Market, the Chicago Board Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.

A business day means a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York generally are authorized or obligated by law, regulation or executive order to close.

The relevant exchange is the primary U.S. securities organized exchange or market of trading for the Underlying Stock. If a reorganization event has occurred, the relevant exchange will be the stock exchange or securities market on which the distribution property (as defined below under Antidilution Adjustments Adjustments for Reorganization Events on page S-19) that is a listed equity security is principally traded, as determined by the calculation agent.

If any payment is due on the securities on a day which is not a day on which commercial banks settle payments in New York City, then that payment may be made on the next day that is a day on which commercial banks settle payments in New York City, in the same amount and with the same effect as if paid on the original due date.

WBNA, our subsidiary, will serve as the calculation agent. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and, absent a determination of a manifest error, will be conclusive for all purposes and binding on Wachovia and the holders and beneficial owners of the securities. Wachovia may at any time change the calculation agent without notice to holders of securities.

U.S. Bank National Association will serve as registrar and the domestic paying agent.

If the redemption amount is payable in shares of the Underlying Stock and Wachovia determines that it is prohibited from delivering shares of the Underlying Stock, or that it would otherwise be unduly burdensome to deliver shares of the Underlying Stock, then on the maturity date, it will pay the redemption amount per security in cash in an amount equal to the closing price of the Underlying Stock on the valuation date multiplied by the number of shares of the Underlying Stock into which each security is redeemable. Any such determination will be made in the sole discretion of Wachovia.

Closing Price

The closing price for one share of the Underlying Stock (or one unit of any other security for which a closing price must be determined) on any trading day means:

if the Underlying Stock (or any such other security) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way, of the principal trading session on such day on the principal United States securities exchange registered under the Exchange Act, on which the Underlying Stock (or any such other security) is listed or admitted to trading,

if the Underlying Stock (or any such other security) is a security of the Nasdaq National Market (and provided that the Nasdaq National Market is not then a national securities exchange), the Nasdaq official closing price published by The Nasdaq Stock Market, Inc. on such day, or

if the Underlying Stock (or any such other security) is neither listed or admitted to trading on any national securities exchange nor a security of the Nasdaq National Market but is included in the OTC Bulletin Board Service (the OTC Bulletin Board) operated by the National Association of Securities

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Dealers, Inc. (the "NASDAQ"), the last reported sale price of the principal trading session on the OTC Bulletin Board on such day.

If the Underlying Stock (or any such other security) is listed or admitted to trading on any national securities exchange or is a security of the Nasdaq National Market but the last reported sale price or Nasdaq official closing price, as applicable, is not available pursuant to the preceding sentence, then the closing price for one share of the Underlying Stock (or one unit of any such other security) on any trading day will mean the last reported sale price of the principal trading session on the over-the-counter market as reported on the Nasdaq National Market or the OTC Bulletin Board on such day.

If the last reported sale price or Nasdaq official closing price, as applicable, for the Underlying Stock (or any such other security) is not available pursuant to either of the two preceding sentences, then the closing price for any trading day will be the mean, as determined by the calculation agent, of the bid prices for the Underlying Stock (or any such other security) obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the calculation agent. Bids of Wachovia Capital Markets, LLC or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. The term "security of the Nasdaq National Market" will include a security included in any successor to such system, and the term "OTC Bulletin Board Service" will include any successor service thereto.

Market Disruption Event

A market disruption event means the occurrence or existence of any of the following events:

a suspension, absence or material limitation of trading in the Underlying Stock on its primary market for more than two hours of trading or during the one-half hour before the close of trading in that market, as determined by the calculation agent in its sole discretion;

a suspension, absence or material limitation of trading in option or futures contracts relating to the Underlying Stock, if available, in the primary market for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market, as determined by the calculation agent in its sole discretion;

the Underlying Stock does not trade on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or what was the primary market for the Underlying Stock, as determined by the calculation agent in its sole discretion; or

any other event, if the calculation agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the securities that we or our affiliates have effected or may effect as described below under "Use of Proceeds and Hedging".

The following events will not be market disruption events:

a limitation on the hours or number of days of trading in the Underlying Stock on its primary market, but only if the limitation results from an announced change in the regular business hours of the relevant market; and

a decision to permanently discontinue trading in the option or futures contracts relating to the Underlying Stock.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts relating to the Underlying Stock, if available, are traded will not include any time when that market is itself closed for trading under ordinary circumstances. In contrast, a suspension or limitation of trading in option or futures contracts relating to the Underlying Stock, if available, in the primary market for those contracts, by reason of any of:

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a price change exceeding limits set by that market;

an imbalance of orders relating to those contracts; or

a disparity in bid and asked quotes relating to those contracts will constitute a suspension or material limitation of trading in option or futures contracts, as the case may be, relating to the Underlying Stock in the primary market for those contracts.

Events of Default and Acceleration

In case an event of default with respect to any securities has occurred and is continuing, the amount payable to a beneficial owner of a security upon any acceleration permitted by the securities, with respect to each \$1,000 principal amount of each security, will be equal to the redemption amount, calculated as though the date of early repayment were the maturity date of the securities. If a bankruptcy proceeding is commenced in respect of Wachovia, the claim of the beneficial owner of a security may be limited, under Section 502(b)(2) of Title 11 of the United States Code, to the principal amount of the security plus an additional amount of contingent interest calculated as though the date of the commencement of the proceeding were the maturity date of the securities.

In case of default in payment of the securities, whether at their maturity or upon acceleration, the securities will not bear a default interest rate.

Antidilution Adjustments

The share multiplier is subject to adjustment by the calculation agent as a result of the dilution and reorganization adjustments described in this section. The adjustments described below do not cover all events that could affect the market value of your securities. We describe the risks relating to dilution above under **Risk Factors** **You have limited antidilution protection** on page S-9.

How adjustments will be made

If one of the events described below occurs with respect to the Underlying Stock and the calculation agent determines that the event has a diluting or concentrative effect on the market price of the Underlying Stock, the calculation agent will calculate a corresponding adjustment to the share multiplier as the calculation agent deems appropriate to account for that dilutive or concentrative effect. For example, if an adjustment is required because of a two-for-one stock split, then the share multiplier will be adjusted by the calculation agent by multiplying the existing share multiplier by a fraction whose numerator is the number of shares of the Underlying Stock outstanding immediately after the stock split and whose denominator is the number of shares of the Underlying Stock outstanding immediately prior to the stock split. Consequently, the share multiplier will be adjusted to double the prior share multiplier, due to the corresponding decrease in the market price of the Underlying Stock.

The calculation agent will also determine the effective date of that adjustment, and the replacement of the Underlying Stock, if applicable, in the event of consolidation or merger or certain other events in respect of the Underlying Stock Issuer. Upon making any such adjustment, the calculation agent will give notice as soon as practicable to the trustee, stating the adjustment to the share multiplier. The calculation agent will not be required to make any adjustments to the share multiplier after the close of business on the fifth trading day immediately prior to the maturity date. In no event, however, will an antidilution adjustment to the share multiplier during the term of the securities be deemed to change the principal amount per security, which is fixed at one-fortieth of the initial stock price of the Underlying Stock.

If more than one event requiring adjustment occurs with respect to the Underlying Stock, the calculation agent will make an adjustment for each event in the order in which the events occur, and on a cumulative basis. Thus, having made an adjustment for the first event, the calculation agent will adjust the share multiplier for the second event, applying the required adjustment to the share multiplier as already adjusted for the first event, and so on for any subsequent events.

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For any dilution event described below, other than a consolidation or merger, the calculation agent will not have to adjust the share multiplier unless the adjustment would result in a change to the share multiplier then in effect of at least 0.1%. The share multiplier resulting from any adjustment will be rounded up or down, as appropriate, to the nearest one-hundred thousandth.

If an event requiring an antidilution adjustment occurs, the calculation agent will make the adjustment with a view to offsetting, to the extent practical, any change in your economic position relative to your securities that results solely from that event. The calculation agent may, in its sole discretion, modify the antidilution adjustments as necessary to ensure an equitable result.

The calculation agent will make all determinations with respect to antidilution adjustments, including any determination as to whether an event requiring adjustment has occurred, as to the nature of the adjustment required and how it will be made or as to the value of any property distributed in a reorganization event, and will do so in its sole discretion. In the absence of manifest error, those determinations will be conclusive for all purposes and will be binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of these determinations by the calculation agent. The calculation agent will provide information about the adjustments that it makes upon your written request.

No adjustments will be made for certain other events, such as offerings of common stock by the Underlying Stock Issuer for cash or in connection with the occurrence of a partial tender or exchange offer for the Underlying Stock by the Underlying Stock Issuer.

The following events are those that may require an antidilution adjustment of the share multiplier:

a subdivision, consolidation or reclassification of the Underlying Stock or a distribution or dividend of Underlying Stock to existing holders of the Underlying Stock by way of bonus, capitalization or similar issue;

a distribution or dividend to existing holders of the Underlying Stock of:

shares of the Underlying Stock,

other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Stock Issuer equally or proportionately with such payments to holders of the Underlying Stock, or

any other type of securities, rights or warrants in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the calculation agent;

the declaration by the Underlying Stock Issuer of an extraordinary or special dividend or other distribution whether in cash or shares of the Underlying Stock or other assets;

a repurchase by the Underlying Stock Issuer of its common stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

any other similar event that may have a diluting or concentrative effect on the market price of the Underlying Stock; and

a consolidation of the Underlying Stock Issuer with another company or merger of the Underlying Stock Issuer with another company.
Stock Splits and Reverse Stock Splits

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A stock split is an increase in the number of a corporation's outstanding shares of stock without any change in its stockholders' equity. Each outstanding share will be worth less as a result of a stock split.

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A reverse stock split is a decrease in the number of a corporation's outstanding shares of stock without any change in its stockholders' equity. Each outstanding share will be worth more as a result of a reverse stock split.

If the Underlying Stock is subject to a stock split or a reverse stock split, then once the split has become effective the calculation agent will adjust the share multiplier to equal the product of the prior share multiplier and the number of shares issued in such stock split or reverse stock split with respect to one share of the Underlying Stock.

Stock Dividends

In a stock dividend, a corporation issues additional shares of its stock to all holders of its outstanding stock in proportion to the shares they own. Each outstanding share will be worth less as a result of a stock dividend.

If the Underlying Stock is subject to a stock dividend payable in shares of Underlying Stock that is given ratably to all holders of shares of the Underlying Stock, then once the dividend has become effective the calculation agent will adjust the share multiplier on the ex-dividend date to equal the sum of the prior share multiplier plus the product of:

the number of shares issued with respect to one share of the Underlying Stock, and

the prior share multiplier.

The ex-dividend date for any dividend or other distribution is the first day on and after which the Underlying Stock trades without the right to receive that dividend or distribution.

No Adjustments for Other Dividends and Distributions

The share multiplier will not be adjusted to reflect dividends, including cash dividends, or other distributions paid with respect to the Underlying Stock, other than:

stock dividends described above,

issuances of transferable rights and warrants as described in *Transferable Rights and Warrants* below,

distributions that are spin-off events described in *Reorganization Events* beginning on page S-19, and

extraordinary dividends described below.

An extraordinary dividend means each of (a) the full amount per share of Underlying Stock of any cash dividend or special dividend or distribution that is identified by the Underlying Stock Issuer as an extraordinary or special dividend or distribution, (b) the excess of any cash dividend or other cash distribution (that is not otherwise identified by the Underlying Stock Issuer as an extraordinary or special dividend or distribution) distributed per share of Underlying Stock over the immediately preceding cash dividend or other cash distribution, if any, per share of Underlying Stock that did not include an extraordinary dividend (as adjusted for any subsequent corporate event requiring an adjustment as described in this pricing supplement, such as a stock split or reverse stock split) if such excess portion of the dividend or distribution is more than 5% of the closing price of Underlying Stock on the trading day preceding the ex-dividend date (that is, the day on and after which transactions in Underlying Stock on an organized securities exchange or trading system no longer carry the right to receive that cash dividend or other cash distribution) for the payment of such cash dividend or other cash distribution (such closing price, the base closing price) and (c) the full cash value of any non-cash dividend or distribution per share of Underlying Stock (excluding marketable securities, as defined below).

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If the Underlying Stock is subject to an extraordinary dividend, then once the extraordinary dividend has become effective the calculation agent will adjust the share multiplier on the ex-dividend date to equal the product of:

the prior share multiplier, and

a fraction, the numerator of which is the base closing price of the Underlying Stock on the trading day preceding the ex-dividend date and the denominator of which is the amount by which the base closing price of the Underlying Stock on the trading day preceding the ex-dividend date exceeds the extraordinary dividend.

Notwithstanding anything herein, the initiation by the Underlying Stock Issuer of an ordinary dividend on the Underlying Stock or any announced increase in the ordinary dividend on the Underlying Stock will not constitute an extraordinary dividend requiring an adjustment.

To the extent an extraordinary dividend is not paid in cash, the value of the non-cash component will be determined by the calculation agent, in its sole discretion. A distribution on the Underlying Stock that is a dividend payable in shares of Underlying Stock, an issuance of rights or warrants or a spin-off event and also an extraordinary dividend will result in an adjustment to the number of shares of Underlying Stock only as described in *Stock Dividends* above, *Transferable Rights and Warrants* below or *Reorganization Events* below, as the case may be, and not as described here.

Transferable Rights and Warrants

If the Underlying Stock Issuer issues transferable rights or warrants to all holders of the Underlying Stock to subscribe for or purchase the Underlying Stock at an exercise price per share that is less than the closing price of the Underlying Stock on the trading day before the ex-dividend date for the issuance, then the share multiplier will be adjusted to equal the product of:

the prior share multiplier, and

a fraction, (1) the numerator of which will be the number of shares of the Underlying Stock outstanding at the close of trading on the trading day before the ex-dividend date (as adjusted for any subsequent event requiring an adjustment hereunder) plus the number of additional shares of the Underlying Stock offered for subscription or purchase pursuant to the rights or warrants and (2) the denominator of which will be the number of shares of the Underlying Stock outstanding at the close of trading on the trading day before the ex-dividend date (as adjusted for any subsequent event requiring an adjustment hereunder) plus the number of additional shares of the Underlying Stock (referred to herein as the additional shares) that the aggregate offering price of the total number of shares of the Underlying Stock so offered for subscription or purchase pursuant to the rights or warrants would purchase at the closing price on the trading day before the ex-dividend date for the issuance.

The number of additional shares will be equal to:

the product of (1) the total number of additional shares of the Underlying Stock offered for subscription or purchase pursuant to the rights or warrants and (2) the exercise price of the rights or warrants, *divided by*

the closing price of the Underlying Stock on the trading day before the ex-dividend date for the issuance.

If the number of shares of the Underlying Stock actually delivered in respect of the rights or warrants differs from the number of shares of the Underlying Stock offered in respect of the rights or warrants, then the share multiplier will promptly be readjusted to the share multiplier that would have been in effect had the adjustment been made on the basis of the number of shares of the Underlying Stock actually delivered in respect of the rights or warrants.

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Reorganization Events

Each of the following is a reorganization event:

the Underlying Stock is reclassified or changed;

the Underlying Stock Issuer has been subject to a merger, consolidation or other combination and either is not the surviving entity or is the surviving entity but all outstanding shares of Underlying Stock are exchanged for or converted into other property;

a statutory share exchange involving outstanding shares of Underlying Stock and the securities of another entity occurs, other than as part of an event described above;

the Underlying Stock Issuer sells or otherwise transfers its property and assets as an entirety or substantially as an entirety to another entity;

the Underlying Stock Issuer effects a spin-off, other than as part of an event described above (in a spin-off, a corporation issues to all holders of its common stock equity securities of another issuer); or

the Underlying Stock Issuer is liquidated, dissolved or wound up or is subject to a proceeding under any applicable bankruptcy, insolvency or other similar law, or another entity completes a tender or exchange offer for all the outstanding shares of Underlying Stock.

Adjustments for Reorganization Events

If a reorganization event occurs, then the calculation agent will adjust the share multiplier to reflect the amount and type of property or properties—whether cash, securities, other property or a combination thereof—that a prior holder of the number of shares of the Underlying Stock represented by its investment in the securities would have been entitled to in relation to an amount of shares of the Underlying Stock equal to what a holder of shares of the Underlying Stock would hold after the reorganization event has occurred. We refer to this new property as the distribution property.

For the purpose of making an adjustment required by a reorganization event, the calculation agent, in its sole discretion, will determine the value of each type of the distribution property. For any distribution property consisting of a security, the calculation agent will use the closing price of the security on the relevant trading day. The calculation agent may value other types of property in any manner it determines, in its sole discretion, to be appropriate. If a holder of shares of the Underlying Stock may elect to receive different types or combinations of types of distribution property in the reorganization event, the distribution property will consist of the types and amounts of each type distributed to a holder of shares of the Underlying Stock that makes no election, as determined by the calculation agent in its sole discretion.

If any reorganization event occurs, in each case as a result of which the holders of the Underlying Stock receive any equity security listed on a national securities exchange or traded on the Nasdaq National Market, which we refer to as a *marketable security*, other securities or other property, assets or cash, which we collectively refer to as *exchange property*, the amount payable upon exchange at maturity with respect to the principal amount of each security following the effective date for such reorganization event (or, if applicable, in the case of spinoff stock, the ex-dividend date for the distribution of such spinoff stock) and any required adjustment to the share multiplier will be determined in accordance with the following and, for purposes of certain calculations and determinations in respect of the securities, such as the determination of the final stock price and whether a knock-in event has occurred, the term *Underlying Stock* in this prospectus supplement will be deemed to mean:

(a)

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if the Underlying Stock continues to be outstanding, the Underlying Stock (if applicable, as reclassified upon the issuance of any tracking stock) at the share multiplier in effect on the valuation date (taking into account any adjustments for any distributions described under paragraph (c)(1) below); and

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- (b) for each marketable security received in such reorganization event, which we refer to as a new stock, including the issuance of any tracking stock or spinoff stock or the receipt of any stock received in exchange for the Underlying Stock, the number of shares of the new stock received with respect to one share of the Underlying Stock multiplied by the share multiplier for the Underlying Stock on the trading day immediately prior to the effective date of the reorganization event (the new stock share multiplier), as adjusted to the valuation date; and
 - (c) for any cash and any other property or securities other than marketable securities received in such reorganization event, which we refer to as non-stock exchange property,
 - (1) if the Underlying Stock continues to be outstanding, a number of shares of the Underlying Stock, determined by the calculation agent on the trading day immediately prior to the effective date of such reorganization event, with an aggregate value equal to the share multiplier in effect for the Underlying Stock on such trading day multiplied by a fraction, the numerator of which is the value of the non-stock exchange property on such trading day and the denominator of which is the amount by which the closing price of the Underlying Stock exceeds the value of the non-stock exchange property on such trading day; and the number of such shares of the Underlying Stock determined in accordance with this clause will be added at the time of such adjustment to the share multiplier calculated under (a) above,
 - (2) if the Underlying Stock is surrendered for exchange property that includes new stock:
 - (i) if the new stock is a marketable security in existence prior to the effective date of the reorganization event, a number of shares of the new stock determined by the calculation agent on the trading day immediately prior to the effective date of such reorganization event with an aggregate value equal to (x) the new stock share multiplier as calculated under (b) above (without taking into account the additional shares in this provision) multiplied by (y) a fraction, the numerator of which is the value on such trading day of the non-stock exchange property received per share of the Underlying Stock and the denominator of which is the amount by which the closing price of the new stock exceeds the value on such trading day of the non-stock exchange property received per share of the Underlying Stock, and
 - (ii) if the new stock is not a marketable security in existence prior to the effective date of the reorganization event, a number of shares of the new stock determined by the calculation agent on the effective date of such reorganization event (or the following trading day if such day is not a trading day or if a market disruption event occurs or is continuing on such day) with an aggregate value equal to the new stock share multiplier in effect for the new stock on such trading day multiplied by a fraction, the numerator of which is the value on such trading day of the non-stock exchange property received per share of the Underlying Stock and the denominator of which is the amount by which the closing price of the new stock exceeds the value on such trading day of the non-stock exchange property received per share of the Underlying Stock (and, by way of clarification, for purposes of determining whether a knock-in event has occurred beginning on the effective date of such reorganization event until the time of such determination, the cash value of the non-stock exchange property will be taken into account until the time of such determination),
- where the number of such shares of the new stock determined in accordance with this clause will be added to the new stock share multiplier as calculated under (b) above either at the time of such adjustment, in the case of clause (i) above, or on the date of determination of additional shares, in case of clause (ii) above, or
- (3) if the Underlying Stock is surrendered exclusively for non-stock exchange property (in each case, a reference basket event), an initially equal dollar weighted basket of three reference basket stocks (as defined below) with an aggregate value on the effective date of such reorganization event equal to the value of the non-stock exchange property multiplied by the share multiplier in effect for the Underlying Stock on the trading day immediately prior to the effective date of such reorganization event.

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If a reorganization event occurs with respect to the shares of the Underlying Stock and the calculation agent adjusts the share multiplier to reflect the distribution property in the event as described above, the calculation agent will make further antidilution adjustments for any later events that affect the distribution property, or any component of the distribution property, comprising the new share multiplier. The calculation agent will do so to the same extent that it would make adjustments if the shares of the Underlying Stock were outstanding and were affected by the same kinds of events. If a subsequent reorganization event affects only a particular component of the number of shares of the Underlying Stock, the required adjustment will be made with respect to that component as if it alone were the number of shares of the Underlying Stock.

For example, if the Underlying Stock Issuer merges into another company and each share of the Underlying Stock is converted into the right to receive two common shares of the surviving company and a specified amount of cash, the shares of the Underlying Stock will be adjusted to reflect two common shares of the surviving company and the specified amount of cash. The calculation agent will adjust the share multiplier to reflect any later stock split or other event, including any later reorganization event, that affects the common shares of the surviving company, to the extent described in this section entitled Antidilution Adjustments, as if the common shares were shares of the Underlying Stock. In that event, the cash component will not be adjusted but will continue to be a component of the number of shares of the Underlying Stock (with no interest adjustment). Consequently, the final stock price will include the final value of the two shares of the surviving company and the cash.

Reference Basket Events

Following the occurrence of a reference basket event described in paragraph (c)(3) above, the redemption amount for each security will be determined by reference to reference basket stocks at the basket stock share multiplier then in effect for each such a reference basket stock as determined in accordance with the following paragraph.

The reference basket stocks will be the three stocks with the largest market capitalization among the stocks that then comprise the S&P 500 Index (or, if publication of such Index is discontinued, any successor or substitute index selected by the calculation agent in its sole discretion) with the same primary Standard Industrial Classification Code (SIC code) as the Underlying Stock Issuer; provided, however, that a reference basket stock will not include any stock that is subject to a trading restriction under the trading restriction policies of Wachovia or any of its affiliates that would materially limit the ability of Wachovia or any of its affiliates to hedge the securities with respect to such stock. In the event that three reference basket stocks cannot be identified from the S&P 500 Index by primary SIC code for which there is no trading restriction, the remaining reference basket stock(s) will be selected by the calculation agent from the largest market capitalization stock(s) within the same Division and Major Group classification (as defined by the Office of Management and Budget) as the primary SIC code for the Underlying Stock Issuer. Each reference basket stock will be assigned a basket stock share multiplier equal to the number of shares of such reference basket stock with a closing price on the effective date of such reorganization event equal to the product of (a) the value of the non-stock exchange property, (b) the share multiplier in effect for the Underlying Stock on the trading day immediately prior to the effective date of such reorganization event and (c) 0.3333333.

THE UNDERLYING STOCK**The Underlying Stock Issuer**

Provided below is a brief description of the Underlying Stock Issuer obtained from publicly available information published by the Underlying Stock Issuer.

Alcoa Inc. has disclosed that it is the world's leading producer of primary aluminum, fabricated aluminum, and alumina, and is active in all major aspects of the industry: technology, mining, refining, smelting, fabricating, and recycling. Aluminum and alumina represent approximately three-quarters of Alcoa's revenues, and the price of aluminum influences the operating results of Alcoa. Nonaluminum products include precision castings, industrial fasteners, vinyl siding, consumer products, food service and flexible packaging products, plastic.

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The Underlying Stock is registered under the Exchange Act. Companies with securities registered under the Exchange Act are required to file periodically financial and other information specified by the SEC. Information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates. In addition, information filed by the Underlying Stock Issuer with the SEC electronically can be reviewed through a website maintained by the SEC. The address of the SEC's website is <http://www.sec.gov>. Information filed with the SEC by the Underlying Stock Issuer under the Exchange Act can be located by reference to SEC file number 001-3610.

Information about the Underlying Stock may also be obtained from other sources such as press releases, newspaper articles and other publicly disseminated documents, as well as from the Underlying Stock Issuer's website. We do not make any representation or warranty as to the accuracy or completeness of any materials referred to above, including any filings made by the Underlying Stock Issuer with the SEC.

Historical Data

The Underlying Stock is listed on the NYSE under the symbol AA. The following table sets forth the high intra-day, low intra-day and quarter-end closing prices for the Underlying Stock. The information given below is for the four calendar quarters in each of 2003, 2004 and 2005 and the first two calendar quarters in 2006. On August 4, 2006, the closing price for the Underlying Stock was \$29.57 per share. The closing prices listed below were obtained from Bloomberg Financial Markets without independent verification. The historical closing prices of the Underlying Stock should not be taken as an indication of future performance, and no assurance can be given that the price of the Underlying Stock will not decrease such that you would receive less than the principal amount of your securities at maturity.

Quarterly High Intra-Day, Low Intra-Day and Quarter-End Closing Price of the Underlying Stock

Quarter-Start		High Intra-Day Price of the	Low Intra-Day Price of the	Quarter-End Closing Price
Date	Quarter-End Date	Underlying Stock	Underlying Stock	of the Underlying Stock
01/01/2003	03/31/2003	\$ 24.75	\$ 18.45	\$ 19.38
04/01/2003	06/30/2003	27.22	18.86	25.50
07/01/2003	09/30/2003	29.50	24.00	26.16
10/01/2003	12/31/2003	38.92	26.27	38.00
01/01/2004	03/31/2004	39.44	32.60	34.69
04/01/2004	06/30/2004	36.60	28.51	33.03
07/01/2004	09/30/2004	33.70	29.44	33.59
10/01/2004	12/31/2004	34.99	30.63	31.42
01/01/2005	03/31/2005	32.29	28.01	30.39
04/01/2005	06/30/2005	31.80	25.91	26.13
07/01/2005	09/30/2005	29.98	23.81	24.42
10/01/2005	12/31/2005	29.84	22.28	29.57
01/01/2006	03/31/2006	32.20	28.39	30.56
04/01/2006	06/30/2006	36.96	28.55	32.36
07/01/2006	08/04/2006	34.00	28.94	29.57

HYPOTHETICAL RETURNS

The following table illustrates, for the hypothetical initial stock price, the hypothetical knock-in price and a range of hypothetical final stock prices, whether or not a knock-in event has occurred:

the hypothetical price return of the Underlying Stock;

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the hypothetical pre-tax annualized rate of return of an investment in the Underlying Stock, as more fully described below;

the hypothetical redemption amount per security (excluding interest payments);

the hypothetical return at maturity of the securities (excluding interest payments); and

the hypothetical pre-tax annualized rate of total return on the securities.

The figures below are for purposes of illustration only. The actual redemption amount and the resulting total and pre-tax annualized rate of return will depend on the actual final stock price and whether or not a knock-in event occurs, each determined by the calculation agent as described in this prospectus supplement.

Hypothetical final stock price	Hypothetical price return of the Underlying Stock	Hypothetical pre-tax annualized rate of return of the Underlying Stock(1)(2)	A knock-in event has occurred			A knock-in event has not occurred		
			Hypothetical redemption amount per note (excluding interest payment)	Hypothetical return at maturity of the notes (excluding interest payment)	Hypothetical pre-tax annualized rate of total return on the notes(1)	Hypothetical redemption amount per note (excluding interest payment)	Hypothetical return at maturity of the notes (excluding interest payment)	Hypothetical pre-tax annualized rate of total return on the notes(1)
18.00	-40.00%	-38.32%	\$ 600.00	-40.00%	-31.72%			
19.20	-36.00	-34.28	640.00	-36.00	-27.55			
20.40	-32.00	-30.24	680.00	-32.00	-23.38			
21.60	-28.00	-26.21	720.00	-28.00	-19.21			
22.80	-24.00	-22.17	760.00	-24.00	-15.05			
24.00(3)	-20.00	-18.14	800.00	-20.00	-10.90	\$ 1,000.00	0.00%	9.84%
25.20	-16.00	-14.11	840.00	-16.00	-6.74	1,000.00	0.00	9.84
26.40	-12.00	-10.08	880.00	-12.00	-2.59	1,000.00	0.00	9.84
27.60	-8.00	-6.05	920.00	-8.00	1.56	1,000.00	0.00	9.84
28.80	-4.00	-2.02	960.00	-4.00	5.70	1,000.00	0.00	9.84
30.00(4)	0.00	2.02	1,000.00	0.00	9.84	1,000.00	0.00	9.84
31.20	4.00	6.04	1,000.00	0.00	9.84	1,000.00	0.00	9.84
32.40	8.00	10.07	1,000.00	0.00	9.84	1,000.00	0.00	9.84
33.60	12.00	14.10	1,000.00	0.00	9.84	1,000.00	0.00	9.84
34.80	16.00	18.13	1,000.00	0.00	9.84	1,000.00	0.00	9.84
36.00	20.00	22.16	1,000.00	0.00	9.84	1,000.00	0.00	9.84
37.20	24.00	26.19	1,000.00	0.00	9.84	1,000.00	0.00	9.84
38.40	28.00	30.21	1,000.00	0.00	9.84	1,000.00	0.00	9.84
39.60	32.00	34.24	1,000.00	0.00	9.84	1,000.00	0.00	9.84
40.80	36.00	38.27	1,000.00	0.00	9.84	1,000.00	0.00	9.84
42.00	40.00	42.29	1,000.00	0.00	9.84	1,000.00	0.00	9.84

(1) The annualized rates of return specified in the preceding table are calculated based on (a) annual compounding and (b) an actual/365 day count.

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(2) This rate of return is solely based on the following assumptions:

(a) quarterly dividends equal to \$0.3125 per share;

(b) no transaction fees or expenses; and

(c) a 1-year and 7-day investment term.

(3) This is also the hypothetical knock-in price.

(4) This is also the hypothetical initial stock price.

The following graph sets forth the return at maturity for a range of final stock prices both if a knock-in event has occurred and if a knock-in event has not occurred.

Return Profile of •% Enhanced Yield Securities vs. Alcoa Inc. Common Stock Price*

*Assumes an interest rate of 9.5% per annum.

SUPPLEMENTAL TAX CONSIDERATIONS

The following is a general description of certain United States federal income tax considerations relating to the securities. The following does not purport to be a complete analysis of all tax considerations relating to the securities. Prospective purchasers of the securities should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United States of acquiring, holding and disposing of the securities and receiving payments of interest, principal and/or other amounts under the securities. This summary is based upon the law as in effect on the date of this prospectus supplement and is subject to any change in law that may take effect after such date. This summary does not address

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all aspects of United States federal income taxation of the securities that may be relevant to you in light of your particular circumstances, nor does it address all of your tax consequences if you are a holder of securities who is subject to special treatment under the United States federal income tax laws.

Supplemental United States Tax Considerations

The discussion below supplements the discussion under **United States Taxation** in the accompanying prospectus and is subject to the limitations and exceptions set forth therein. Except as otherwise noted under **United States Alien Holders** below, this discussion is applicable to you only if you are a United States holder (as defined in the accompanying prospectus).

The treatment of the securities for United States federal income tax purposes is uncertain. In the opinion of Sullivan & Cromwell LLP, it would be reasonable to treat the securities as an investment unit consisting of (i) a non-contingent debt instrument (that is not treated as a short-term obligation) subject to the rules governing debt instruments (as described under **United States Taxation** **United States Holders** in the accompanying prospectus) issued by us to you (the **Debt Portion**) and (ii) a stock-settled put option on the Underlying Stock written by you and purchased by us (the **Put Option**). The terms of the securities require you and us (in the absence of an administrative determination or a judicial ruling to the contrary) to treat the securities for all tax purposes in accordance with such characterization, and the discussion below assumes that the securities are so treated, except as otherwise specifically noted.

No statutory, judicial or administrative authority directly discusses how the securities should be treated for United States federal income tax purposes. As a result, the United States federal income tax consequences of your investment in the securities are highly uncertain and alternative characterizations are possible. Accordingly, we urge you to consult your tax advisor in determining the tax consequences of an investment in the securities, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

Treatment as an Investment Unit. If the securities are properly treated as an investment unit consisting of a Debt Portion and Put Option, it is likely that the Debt Portion of the security would be treated as having been issued for the principal amount you paid for the security (if you are an initial purchaser) and that interest payments on the security would be treated in part as payments of interest and in part as payments for the Put Option. Amounts treated as interest would be includible in income by you in accordance with your regular method of accounting for interest for United States federal income tax purposes. Amounts treated as payment for the Put Option would be deferred and would be included in income by you upon the maturity or sale of the security or, in the event the security is stock settled, would be incorporated into your basis of the Underlying Stock you received in respect of your securities. The terms of the security require you and us to treat •% of the stated interest payments on the security as payment of interest on the Debt Portion and the remaining •% of the stated interest payments on the security as payment for the Put Option.

A cash payment of the full principal amount that is, \$1,000 of the security upon the maturity of the security would likely be treated as (i) payment in full of the principal amount of the Debt Portion (which would likely not result in the recognition of gain or loss if you are an initial purchaser of your security) and (ii) the lapse of the Put Option, which would likely result in your recognition of short-term capital gain in an amount equal to the amount paid to you for the Put Option and deferred as described in the preceding paragraph.

A payment at maturity in shares of the Underlying Stock would likely be treated as (i) payment in full of the principal amount of the Debt Portion (resulting in neither gain nor loss for an initial purchaser) and (ii) the exercise by us of the Put Option and your purchase of the Underlying Stock for an amount equal to the principal amount of the security. Your United States federal income tax basis in the Underlying Stock you receive would equal the principal amount of the security less the amount of payments you received for the Put Option and deferred as described above. Your holding period in the Underlying Stock would generally begin the day following the day you beneficially receive such stock. If you receive cash in lieu of a fractional share of the Underlying Stock, you would recognize a short-term capital gain or loss in an amount equal to the difference between the amount of cash you receive and your tax basis (determined in the manner described above) in the fractional share.

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Upon the sale of the security, you would be required to apportion the value of the amount you receive between the Debt Portion and Put Option on the basis of the values thereof on the date of the sale. You would recognize gain or loss with respect to the Debt Portion in an amount equal to the difference between (i) the amount apportioned to the Debt Portion and (ii) your adjusted United States federal income tax basis in the Debt Portion (which would generally be equal to the principal amount of your security if you are an initial purchaser of your security). Such gain or loss would be long-term capital gain or loss (except to the extent attributable to accrued but unpaid interest, which would be taxable as such) if your holding period is greater than one year. Long-term capital gain of a noncorporate United States holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15%. The amount of cash that you receive that is apportioned to the Put Option (together with any amount of premium received in respect thereof and deferred as described above) would be treated as short-term capital gain. If the value of the Debt Portion on the date of the sale of your security is in excess of the amount you receive upon such sale, you would likely be treated as having made a payment to the purchaser equal to the amount of such excess in order to extinguish your rights and obligations under the Put Option. In such a case, you would likely recognize short-term capital gain or loss in an amount equal to the difference between the premium you previously received in respect of the Put Option and the amount of the deemed payment made by you to extinguish the Put Option.

If you are a secondary purchaser of the security, you would be required to allocate your purchase price for the security between the Debt Portion and Put Option based on the respective fair market values of each on the date of purchase. If, however, the portion of your purchase price allocated to the Debt Portion is at a discount from, or is in excess of, the principal amount of the security, you may b