

WACHOVIA CORP NEW
Form 424B5
January 05, 2006
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The information in this preliminary prospectus supplement is not complete and may be changed.

SUBJECT TO COMPLETION, DATED JANUARY 4, 2006

(To prospectus dated May 13, 2005)

PROSPECTUS SUPPLEMENT

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-123311

\$•

Wachovia Corporation

Commodity-Linked Notes

due •, 2009

Issuer:	Wachovia Corporation
Principal Amount:	Each note will have a principal amount of \$25. Each note will be offered at an initial public offering price of \$25.
Maturity Date:	•, 2009. The term of the notes will be approximately 3.5 years.
Interest:	Wachovia will not pay you interest during the term of your notes.
Underlying Basket:	The return on the notes, in excess of the principal amount, is linked to the performance of an equally weighted basket (the Basket) of the following five commodities: WTI crude oil, natural gas, copper, aluminum and gold (each, a Component Commodity, and collectively, the Component Commodities).
Maturity Payment Amount:	At maturity, for each note you own, you will receive a cash payment equal to the sum of the principal amount of the note and the Basket performance amount. The Basket performance amount per note will equal the greater of (i) \$0, and (ii) the product of the principal amount of the note, the percentage change in the level of the Basket and a participation rate of •%, which will be determined on the pricing date. <i>If the Basket ending level is less than or equal to the Basket starting level, the Basket performance amount will be \$0, and the maturity payment amount will be \$25.</i>
Listing:	Wachovia will apply to list the notes on the New York Stock Exchange under the symbol •. The NYSE has advised us that our application will not be approved unless a prior rule filing submitted by the NYSE in respect of similar notes that we previously issued is approved by the Securities and Exchange Commission. The SEC may not approve the rule filing or may approve the rule filing several months or more after the issuance of these notes. Moreover, even if the SEC approves the rule filing, the NYSE may not approve our

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application or this offering may not satisfy the listing criteria of the NYSE. The notes will not be listed until both approvals are obtained. If Wachovia is unable to list the notes on the NYSE, the notes will not be listed or displayed on any other securities exchange, the Nasdaq National Market or any electronic communications network.

Expected Pricing Date: •, 2006
Expected Settlement Date: •, 2006
CUSIP number: •

For a detailed description of the terms of the notes, see [Summary Information](#) beginning on page S-1 and [Specific Terms of the Notes](#) beginning on page S-15.

Investing in the notes involves risks. See [Risk Factors](#) beginning on page S-6.

	<u>Per Note</u>	<u>Total</u>
Public Offering Price		
Underwriting Discount and Commission		
Proceeds to Wachovia Corporation		

The notes solely represent a senior unsecured debt obligation of Wachovia and are not the obligation of, or guaranteed by, any other entity. The notes 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 nor 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 notes. In addition, Wachovia Capitals Markets, LLC or any other broker-dealer affiliate of Wachovia may use this prospectus supplement in a market-making or other transaction in any note 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 notes, 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 notes 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 notes in any circumstances under which the offer of 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 Commodity-Linked Notes due •, 2009 (the notes). You should carefully read this prospectus supplement and the accompanying prospectus to fully understand the terms of the notes, the Component Commodities and the tax and other considerations that are important to you in making a decision about whether to invest in the notes. You should carefully review the section Risk Factors in this prospectus supplement and the accompanying prospectus, which highlights certain risks associated with an investment in the notes, to determine whether an investment in the notes 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. 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, member of the New York Stock Exchange and the Securities Investor Protection Corporation or Wachovia Securities Financial Network, LLC, member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation, broker-dealer affiliates of Wachovia Corporation and Wachovia Capital Markets, LLC. Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to WBNA mean Wachovia Bank, National Association. All references to this prospectus supplement mean the pricing supplement contemplated in the accompanying prospectus.

What are the notes?

The notes offered by this prospectus supplement will be issued by Wachovia and will mature on •, 2009, the date that is approximately three and one-half years following the settlement date. The maturity payment amount, in excess of the principal amount, will be linked to the performance of the Basket, which in turn is based on the performance of the Component Commodities.

Each Component Commodity will represent 20% of the Basket. The Component Commodities are set forth below:

WTI Crude Oil (Bloomberg symbol CL)

Natural Gas (Bloomberg symbol NG)

Copper (Bloomberg symbol LOCADY)

Aluminum (Bloomberg symbol LOAHDY)

Gold (Bloomberg symbol GOLDLNPM)

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The weighting of each Component Commodity is fixed and will not change during the term of the notes. Similarly, the Component Commodities that comprise the Basket will not change, except as described under [Specific Terms of the Notes](#) [Adjustments to the Basket](#) and the Component Commodities prices [on page S-17](#).

As discussed in the accompanying prospectus, the notes are debt securities and are part of a series of debt securities entitled [Medium-Term Notes, Series G](#) that Wachovia may issue from time to time. The notes will rank equally with all other unsecured and unsubordinated debt of Wachovia. For more details, see [Specific Terms of the Notes](#) beginning on page S-15.

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Each note will have a principal amount of \$25. Each note will be offered at an initial public offering price equal to \$25. You may transfer only whole notes. Wachovia will issue the notes 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 notes.

What will I receive upon maturity of the notes?

At maturity, for each note you own, you will receive a cash payment equal to the sum of the principal amount of the note and the Basket performance amount. The Basket performance amount per note will equal the greater of (i) \$0, and (ii) the product of the principal amount of the note, the percentage change in the level of the Basket and a participation rate of •%, which will be determined on the pricing date. *If the Basket ending level is less than or equal to the Basket starting level, the Basket performance amount will be \$0, and the maturity payment amount will be \$25.*

Determination of the Basket performance amount

The Basket performance amount per note will be determined by the calculation agent and will equal the greater of:

(i) \$0, and

$$(ii) \$25 \times \left(\frac{\text{Basket ending level} - \text{Basket starting level}}{\text{Basket starting level}} \right) \times \text{participation rate}$$

The Basket starting level is 1,000.

The Basket ending level will be determined by the calculation agent and will equal the closing level of the Basket on the valuation date. The closing level of the Basket will be calculated based on the weighted levels of the Component Commodities (as shown in the table below), and will equal the sum of the products of (i) the component multiplier of each Component Commodity and (ii) the closing price of the Component Commodity on the valuation date.

Component Commodity	Bloomberg Symbol	Component Multiplier	Closing Price on Pricing Date	Initial Weight
WTI Crude Oil	CL ₁	•	•	20 %
Natural Gas	NG ₁	•	•	20 %
Copper	LOCADY	•	•	20 %
Aluminum	LOAHDY	•	•	20 %
Gold	GOLDLNPM	•	•	20 %
<i>Total</i>				<i>100 %</i>

The participation rate will be 10%, which will be determined on the pricing date.

The component multiplier with respect to each Component Commodity will equal the quotient of (i) the initial weight of each Component Commodity multiplied by the Basket starting level divided by (ii) the closing price of each Component Commodity on the pricing date. The component multiplier of each Component Commodity will be determined on the pricing date.

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The closing price of each Component Commodity will be determined by reference to its official closing price or cash settlement price on the relevant exchange or market on the valuation date, as reported by Bloomberg LP, as follows:

(i) In the case of WTI crude oil, the U.S. dollar closing settlement price per barrel of West Texas Intermediate light sweet crude oil on the New York Mercantile Exchange (the NYMEX) of the first nearby futures contract;

(ii) In the case of natural gas, the official U.S. dollar settlement price per MMBtu of natural gas on the NYMEX of the Henry Hub Natural Gas futures contract in respect of the first nearby month;

(iii) In the case of copper, the official U.S. dollar settlement price per ton of copper-Grade A on the London Metals Exchange (the LME) for cash delivery;

(iv) In the case of aluminum, the official U.S. dollar settlement price per ton of high grade primary aluminum on the LME for cash delivery; and

(v) In the case of gold, the afternoon U.S. dollar fixing price per troy ounce of unallocated gold bullion for delivery in London through a member of the London Bullion Market Association (the LBMA) authorized to effect such delivery.

The valuation date means the fifth business 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 postponed until the next succeeding business day on which the calculation agent determines that a market disruption event does not occur or is not continuing. *If the valuation date is postponed, then the maturity date of the notes will be postponed by an equal number of business days.*

If the Basket ending level is less than or equal to the Basket starting level, the Basket performance amount will be \$0, and the maturity payment amount will be \$25.

Hypothetical Examples

Set forth below are three hypothetical examples of the calculation of the maturity payment amount. For the purposes of these examples we have assumed a hypothetical participation rate of 150%.

Example 1

The hypothetical Basket ending level is 50% of the Basket starting level:

Hypothetical Basket ending level: 500.00

Basket performance amount (per note) is the greater of:

(i) \$0, and

$$(ii) \$25 \times \left(\frac{500.00 - 1,000.00}{1,000.00} \right) \times 150\% = -\$18.75$$

Maturity payment amount (per note) = \$25 + \$0 = \$25

Since the hypothetical Basket ending level is less than the Basket starting level, the Basket performance amount would equal \$0 and the maturity payment amount would equal the principal amount of your note.

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The hypothetical Basket ending level is 105% of the Basket starting level:

Hypothetical Basket ending level: 1,050.00

Basket performance amount (per note) is the greater of:

(i) \$0, and

$$(ii) \$25 \times \left(\frac{1,050.00 - 1,000.00}{1,000.00} \right) \times 150\% = \$1.875$$

Maturity payment amount (per note) = \$25 + \$1.875 = \$26.875

Since the hypothetical Basket ending level is greater than the Basket starting level, the Basket performance amount would equal \$1.88 and the maturity payment amount would be greater than the principal amount of your note.

Example 3

The hypothetical Basket ending level is 150% of the Basket starting level:

Hypothetical Basket ending level: 1,500.00

Basket performance amount (per note) is the greater of:

(i) \$0, and

$$(ii) \$25 \times \left(\frac{1,500.00 - 1,000.00}{1,000.00} \right) \times 150\% = \$18.75$$

Maturity payment amount (per note) = \$25 + \$18.75 = \$43.75

Since the hypothetical Basket ending level is greater than the Basket starting level, the Basket performance amount would equal \$18.75, and the maturity payment amount would be greater than the principal amount of your note.

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

We have designed the notes for investors who are willing to hold the notes to maturity, who seek exposure to commodities generally and the Component Commodities, who seek to protect their investment by receiving at least 100% of the principal amount of their investment at maturity and who want to participate in more than 100% of any possible increase in the level of the Basket measured over the term of the notes.

The notes are not designed for, and may not be a suitable investment for, investors who are unable or unwilling to hold the notes to maturity, who are unable or unwilling to invest in commodities generally or the Component Commodities, or who seek a more aggressive investment with exposure to both the full upside performance of the Component Commodities and the full downside performance risk of the Basket.

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

The market value of the notes may fluctuate between the date you purchase them and the maturity date. Several factors and their interrelationship will influence the market value of the notes, including the price of the Component Commodities, the time remaining to the maturity date, interest rates and the volatility of the Component Commodities markets. The notes are 100% principal protected only if held to maturity. If you sell your notes prior to maturity, you may have to sell them at a discount and you will not have principal protection. Depending on the impact of these factors, you may receive less than the principal amount in any

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sale of your notes before the maturity date and less than what you would have received had you held the notes until maturity. For more details, see Risk Factors Many factors affect the market level of the notes .

How are the closing prices for the Component Commodities determined?

The closing prices of the Component Commodities are determined by reference to the official closing price or cash settlement price on the NYMEX, the LME or the LBMA, as applicable, as described under Specific Terms of the Notes Maturity Payment Amount beginning on page S-15. The NYMEX is the world's largest physical commodities futures exchange and a leading trading forum for energy and precious metals. The NYMEX trades a variety of commodity products, including future contracts for WTI crude oil and natural gas. The LME was established in 1877 and is the principal non-ferrous metals exchange in the world on which contracts for copper and aluminum, among other metals, are traded. The LME operates as a principals' market and is, therefore, more closely analogous to over-the-counter physical commodity markets than futures markets. The LBMA is the principal gold clearing center for over-the-counter gold bullion transactions. Twice daily during London trading hours a fixing occurs which provides reference prices for that day's trading.

What about taxes?

The notes will be treated as debt instruments subject to special rules governing contingent payment obligations for United States federal income tax purposes. If you are a U.S. individual or taxable entity, you generally will be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes, even though you will not receive any payments from us until maturity. This comparable yield is determined solely to calculate the amount on which you will be taxed prior to maturity and is neither a prediction nor a guarantee of what the actual yield will be. In addition, any gain you may recognize on the sale or maturity of the notes will be taxed as ordinary interest income. If you purchase the notes at a time other than the original issue date, the tax consequences to you may be different.

For further discussion, see Supplemental Tax Considerations beginning on page S-32.

Will the notes be listed on a stock exchange?

We will apply to list the notes on the NYSE under the symbol • . The NYSE has advised us that our application will not be approved unless a prior rule filing submitted by the NYSE in respect of similar notes that we previously issued is approved by the SEC. The SEC may not approve the rule filing or may approve the rule filing several months or more after the issuance of these notes. Moreover, even if the SEC approves the rule filing, the NYSE may not approve our application or this offering may not satisfy the listing criteria of the NYSE. The notes will not be listed until both approvals are obtained. If we are unable to list the notes on the NYSE, the notes will not be listed or displayed on any other securities exchange, the Nasdaq National Market or any electronic communications network. You should be aware that even if the notes are listed on the NYSE a liquid trading market will not necessarily develop for the notes. Accordingly, if you sell your notes prior to the maturity date, 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 notes in this prospectus supplement.

Are there any risks associated with my investment?

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Yes, an investment in the notes is subject to significant risks. We urge you to read the detailed explanation of risks in **Risk Factors** beginning on page S-6.

How to reach us

You may reach us by calling (704) 715-8400 and asking for Structured Notes.

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RISK FACTORS

An investment in the notes 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 notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the Component Commodities which comprise the Basket to which your notes are linked. You should carefully consider whether the notes are suited to your particular circumstances.

The notes are intended to be held to maturity. Your principal is only protected if you hold your notes to maturity

You will receive at least 100% of the principal amount of your notes if you hold your notes to maturity, subject to our ability to pay our obligations. If you sell your notes in the secondary market prior to maturity, you will not receive principal protection on the portion of your notes sold. You should be willing to hold your notes to maturity.

You will not receive interest payments on the notes

You will not receive any periodic interest payments on the notes and at maturity you may not receive any return in excess of the principal amount of your notes.

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

The yield that you will receive on your notes may be less than the return you could earn on other investments. 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.

If the Basket performance amount is zero on the valuation date, the maturity payment amount with respect to your notes will be limited to the principal amount. This will be true even if the Basket performance amount as of some date or dates prior to the valuation date may have been positive, because the maturity payment amount will be calculated only on the basis of the closing prices of the Component Commodities (or otherwise determined by the calculation agent, in the case of a market disruption event) on the valuation date. Therefore you should be prepared to realize no return over the principal amount of your notes at maturity.

Owning the notes is not the same as having rights in exchange-traded futures contracts on the Component Commodities

You will not have rights that holders of the exchange-traded futures on the Component Commodities may have. Even if the level of the Basket increases above the Basket starting level during the term of the notes, the market value of the notes may not increase by the same amount. It is

also possible for the level of the Basket to increase while the market value of the notes declines.

There may not be an active trading market for the notes

You should be willing to hold your notes to maturity. We will apply to list the notes on the NYSE under the symbol • . The NYSE has advised us that our application will not be approved unless a prior rule filing submitted by the NYSE in respect of similar notes that we previously issued is approved by the SEC. The SEC may not approve the rule filing or may approve the rule filing several months or more after the issuance of these notes. Moreover, even if the SEC approves the rule filing, the NYSE may not approve our application or this offering may not satisfy the listing criteria of the NYSE. The notes will not be listed until both approvals

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are obtained. If we are unable to list the notes on the NYSE, the notes will not be listed or displayed on any other securities exchange, the Nasdaq National Market or any electronic communications network. You should be aware that even if the notes are listed on the NYSE a liquid trading market will not necessarily develop for the notes. The development of a trading market for the notes will depend on our financial performance and other factors such as the increase, if any, in the level of the Basket. Even if a secondary market for the notes develops, it may not provide significant liquidity and we expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your note in any secondary market could be substantial. If you sell your notes before maturity, you may have to do so at a discount from the original 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 notes, although they are not required to do so and may stop any market-making activities at any time. As market makers, trading of the notes may cause Wachovia Capital Markets, LLC or any other broker-dealer affiliates of Wachovia to have long or short positions of the notes in their inventory. The supply and demand for the notes, including inventory positions of market makers, may affect the secondary market for the notes.

Many factors affect the market value of the notes

The market value of the notes 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 notes caused by another factor and that the effect of one factor may exacerbate the decrease in the market value of the notes caused by another factor. For example, a change in the volatility of the Component Commodities markets may offset some or all of any increase in the market value of the notes attributable to another factor, such as an increase in the prices of the Component Commodities. In addition, a change in interest rates may offset other factors that would otherwise change the prices of the Component Commodities and, therefore, may change the market value of the notes. The following paragraphs describe the expected impact on the market value of the notes given a change in a specific factor, assuming all other conditions remain constant.

The level of the Basket is expected to affect the market value of the notes

We expect that the market value of the notes will depend substantially on the amount, if any, by which the Basket ending level exceeds or does not exceed the Basket starting level. If you choose to sell your notes when the level of the Basket, based on then current prices of the Components Commodities, exceeds the Basket starting level, you may receive substantially less than the amount that would be payable at maturity based on this level because of the expectation that the level of the Basket will continue to fluctuate until the Basket ending level is determined.

Changes in Component Commodity prices may affect the value of the notes in unforeseeable ways

Component Commodity prices are affected by a variety of factors, including weather, agriculture, governmental programs and policies, national and international political and economic events, the adequacy of the infrastructure for supply of the Component Commodities, technological developments, changes in interest rates, changes in exchange rates for the U.S. dollar (the currency in which the market prices for the commodities are quoted), and trading activities in commodities and related contracts. These factors may affect the level of the Basket and the value of the notes in varying ways, and different factors may cause the value of different Component Commodities included in the Basket, and the volatilities of their prices, to move in inconsistent directions and at inconsistent rates.

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Changes in the volatility of the Component Commodities are expected to affect the market value of the notes

Volatility is the term used to describe the size and frequency of price and/or market fluctuations. If the volatility of the Component Commodities increases or decreases, the market value of the notes may be adversely affected. In addition, the Basket includes only five commodities and, as a result, price volatility in these Component Commodities will likely have a greater impact on the Basket performance amount than it would on a broader commodities basket.

Changes in the levels of interest rates are expected to affect the market value of the notes

We expect that changes in interest rates, even if they do not affect the prices of the Component Commodities as described above, may affect the market value of the notes and may be adverse to holders of the notes.

Changes in our credit ratings may affect the market value of the notes

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the market value of the notes. However, because the return on your notes is dependent upon factors in addition to our ability to pay our obligations under the notes, such as the percentage change in the price of the Component Commodities shortly prior to maturity relative to the pricing date, an improvement in our credit ratings will not reduce the other investment risks related to the notes.

In general, assuming all relevant factors are held constant, we expect that the effect on the market value of the notes of a given change in some of the factors listed above will be less if it occurs later in the term of the notes than if it occurs earlier in the term of the notes.

Changes in correlation among the prices of the Component Commodities may affect the value of the notes

Correlation is the extent to which the values of the Component Commodities included in the Basket increase or decrease to the same degree at the same time. To the extent that correlation among the Component Commodities changes, the value of the notes may be adversely affected. For example, if the price of one Component Commodity decreases sharply and the others appreciate slightly or remain unchanged, the level of the Basket may depreciate, which may cause the value of the notes to decline. Moreover, a sharp decrease in the price of one Component Commodity relative to the others may cause the Basket ending level to decline below the Basket starting level and, therefore, limit your maturity payment amount to the principal of your notes. Thus, the maturity payment amount will be greater than the principal amount of your notes only if the Basket ending level exceeds the Basket starting level.

Suspension or disruptions of market trading in the commodity and related futures markets may adversely affect the value of your notes

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The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention.

The time remaining to maturity may affect the value of the notes

The value of the notes may be affected by the time remaining to maturity. As a result of a time premium, the notes may have a value above or below that which would be expected based on the level of

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interest rates and the levels or prices of the Component Commodities and the Basket level at such time the longer the time remaining to maturity. A time premium results from expectations concerning the value of the Basket during the period prior to maturity of the notes. As the time remaining to the maturity of the notes decreases, this time premium will likely decrease, adversely affecting the value of the notes.

There are specific risks associated with many of the Component Commodities included in the Basket

Crude Oil Oil prices are highly volatile. They are affected by numerous factors in addition to economic activity. These include political events, weather, labor activity, and, especially, direct government intervention such as embargos, and supply disruptions in major producing or consuming regions such as the Middle East, the United States, Latin America and Russia. Such events tend to affect oil prices worldwide, regardless of the location of the event. The outcome of meetings of the Organization of Petroleum Exporting Countries can particularly affect world oil supply and oil prices. Oil prices could also be affected by any decision by the Organization of Petroleum Exporting Countries to quote oil prices in a currency other than U.S. dollars (such as Euros), which could decrease liquidity in the applicable futures contract, and thereby affect the value of such futures contract. Market expectations about these events and speculative activity also cause prices to fluctuate. Due to the recent rapid appreciation in energy prices, there is a significant possibility that a negative correction will occur and decrease oil prices, thereby adversely affecting the value of the Basket.

Furthermore, a significant proportion of world oil production capacity is controlled by a small number of producers, and such producers have in the recent past implemented curtailments of output and trade. Such efforts at supply curtailment (or the cessation thereof) could affect the value of the applicable futures contract. Oil's major end-use as a refined product is as a transport fuel, industrial fuel and in-home heating fuel. Potential for substitution exists in most areas, although considerations including relative cost often limit substitution levels. However, the development of a substitute product or transport fuel could adversely affect the value of the applicable futures contract.

In the event of sudden disruptions in the supplies of oil, such as those caused by war, accidents, weather or acts of terrorism, prices of oil futures contracts and, consequently, the value of the Basket, could become extremely volatile and unpredictable. Also, sudden and dramatic declines in futures contract prices may occur, for example, upon a cessation of hostilities that may exist in countries producing oil, the discovery of significant additional sources or reserves of oil, the introduction of new or previously withheld supplies into the market (e.g., oil from Iraq) or the introduction of substitute products or commodities. Any such declines could have a significant adverse effect on the value of the Basket and on the value of the notes. In addition, the price of oil has on occasion been subject to very rapid and significant short-term changes due to speculative activities which, if such activities result in a price decrease, may cause the value of the notes to decrease. Such volatility could lead some investors in oil futures contracts to withdraw from the applicable futures markets, which could adversely affect the liquidity of such markets and could adversely affect the value of the Basket and, correspondingly, the value of the notes.

Natural Gas The price of natural gas is primarily influenced by the global supply of, and demand for, natural gas, both in the short term and the long term.

The demand for natural gas has traditionally been cyclical with the highest demand generally occurring during the months of winter and the lowest demand generally occurring during the warmest months of the summer. In addition to this cyclical demand, there are two major drivers that influence the demand for natural gas and, therefore, its price: fuel switching and the U.S. economy. Fuel switching occurs when the price of natural gas rises and thereby causes consumers to switch to an alternate fuel source. Similarly, the U.S. economy and, in particular, whether it is experiencing an expansion or recession, has an impact on the short term demand for natural gas, especially in the industrial sector. While these factors can significantly affect the demand for natural gas, there are many other factors from the industrial, commercial and residential sectors that affect the demand for natural gas and, therefore, its price.

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The world's supply of natural gas is concentrated in the Middle East, Europe and the Former U.S.S.R. and Africa. In general, the supply of natural gas is based on competitive market forces: inadequate supply at any one time leads to price increases, which signal to production companies the need to increase the supply of natural gas to the market. Supplying natural gas in order to meet this demand, however, is dependent on a number of factors. These factors may be broken down into two segments: those factors that affect the short term supply and general barriers to increasing supply. In turn, factors that affect the short term supply are as follows: the availability of skilled workers and equipment, permitting and well development and weather and delivery disruptions (e.g., hurricanes, labor strikes and wars). Similarly, the other more general barriers to the increase in supply of natural gas are: access to land, the expansion of pipelines and the financial environment. These factors, which are not exhaustive, are interrelated and can have complex and unpredictable effects on the supply for, and the price of, natural gas.

Copper The price of copper is primarily affected by the global demand for, and supply of, copper. Demand for copper is significantly influenced by the level of global industrial economic activity. Industrial sectors which are particularly important include the electrical and construction sectors. In recent years demand has been supported by strong consumption from newly industrializing countries, which continue to be in a copper-intensive period of economic growth as they develop their infrastructure. An additional, but highly volatile, component of demand is adjustments to inventory in response to changes in economic activity and/or pricing levels.

Apart from the United States, Canada and Australia, the majority of copper concentrate supply (the raw material) comes from countries that have experienced political instability and upheaval and, as a result, copper supply has been affected by strikes, financial problems and terrorist activity in recent years.

Aluminum Market prices for aluminum are highly volatile and are affected by numerous factors, with the two principal factors being the level of economic activity in the main consuming markets and the rate of supply of new metal from producers. Other factors influencing market prices for aluminum include disruptions in aluminum output, the level of metal exports from Russia, producer cut-backs and speculative activity.

Production of aluminum is a three-stage process beginning with the mining of bauxite. The mining of bauxite occurs mainly in the tropics, with the major producing regions being the Caribbean, South America, Africa, Southeast Asia and Australia. Fluctuation in the supplies of bauxite or social or political disruptions in the major producing regions could affect the value of the Basket. The production of aluminum from alumina is a power-intensive process and a continuous supply of electrical power is essential. A significant proportion of aluminum production capacity is located close to resources of hydroelectric power. Other economical energy sources for producing aluminum include low-grade coal and waste gases from oil production. However, disruptions in the supply of energy to aluminum producers or an increase in the cost thereof could affect the value of the Basket. Furthermore, a significant proportion of western world aluminum production capacity is controlled by a small number of companies, and such producers have in the past implemented temporary curtailments of output. Such efforts at supply curtailment (or the cessation thereof) could affect the value of the Basket. Aluminum's major end-uses include applications in the transportation, construction, packaging and electrical industries. Potential for substitution exists in all areas, although considerations including relative weight and cost often limit substitution levels. However, the development of a substitute product could adversely affect the value of the Basket.

In the event of sudden disruptions in the supplies of aluminum, such as those caused by war, accidents, weather or acts of terrorism, aluminum prices and, consequently, the value of the Basket, could become extremely volatile and unpredictable. Also, sudden and dramatic declines in aluminum prices as may occur, for example, upon cessation of hostilities that may exist in countries producing aluminum or upon the discovery of significant additional sources or reserves of the raw materials necessary to produce aluminum (e.g., bauxite or electricity), the introduction of new or previously withheld supplies into the market (e.g.,

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aluminum from the former Soviet Union) or the introduction of substitute products or commodities, could have a significant adverse effect on the value of the Basket and on the value of the notes. In addition, the price of aluminum has on occasion been subject to very rapid and significant short-term changes due to speculative activities which, if such activities result in a price decrease, may cause the value of the notes to decrease.

Gold Gold prices are subject to volatile price movements over short periods of time and are affected by numerous factors. These include economic factors, including, among other things the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates and gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may also be affected by industry factors such as industrial and jewelry demand, lending, sales and purchases of gold by the official sector, including central banks and other governmental agencies and multilateral institutions which hold gold, levels of gold production and production costs, and short-term changes in supply and demand because of trading activities in the gold market. It is not possible to predict the aggregate effect of all or any combination of these factors.

Risks relating to trading of Component Commodities on the LME

The closing prices of copper and aluminum will be determined by reference to the U.S. dollar settlement prices of contracts traded on the LME. The LME is a principals market which operates in a manner more closely analogous to the over-the-counter physical commodity markets than regulated futures markets, and certain features of U.S. futures markets are not present in the context of LME trading. For example, there are no daily price limits on the LME, which would otherwise restrict the extent of daily fluctuations in the prices of LME contracts. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days. In addition, depending on the underlying commodity, a contract may be entered into on the LME calling for daily delivery from one day to three months following the date of such contract and for monthly delivery from the seventh month following the date of such contract up to 63 months following the date of such contract, in contrast to trading on futures exchanges, which call for delivery in stated delivery months. As a result, there may be a greater risk of a concentration of positions in LME contracts on particular delivery dates, which in turn could cause temporary aberrations in the prices of LME contracts for certain delivery dates. If such aberrations occur on the valuation date, the U.S. dollar settlement prices used to determine the closing price of copper and aluminum, and consequently the maturity payment amount, could be adversely affected.

Historical prices of the Component Commodities should not be taken as an indication of the future prices of the Component Commodities during the term of the notes

The closing prices of the Component Commodities will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which those commodities are traded and the values of those commodities themselves. As a result, it is impossible to predict whether the closing prices of the Component Commodities will rise or fall.

The Basket is not a recognized market index and may not accurately reflect global market performance

The Basket is not a recognized market index. The Basket was created solely for purposes of the offering of the notes and will be calculated solely during the term of the notes. The level of the Basket and, therefore, the Basket performance amount, however, will not be published during the terms of the notes. The Basket does not reflect the performance of all major securities or commodities markets, and may not reflect actual global market performance.

Risks associated with the Basket may adversely affect the market price of the notes

Because the notes are linked to the Basket which, in part, reflects the return on futures contracts and settlement prices on five different exchange-traded physical commodities, the Basket will be less diversified

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than other funds or investment portfolios investing in a broader range of products and, therefore, could experience greater volatility. An investment in the notes may therefore carry risks similar to a concentrated securities investment in a limited number of industries or sectors.

Wachovia and its affiliates have no affiliation with the NYMEX, the LME or the LBMA and are not responsible for their public disclosure of information

Wachovia and its affiliates are not affiliated with the NYMEX, the LME or the LBMA in any way and have no ability to control or predict any of their actions, including any errors in or discontinuation of disclosure regarding any of their methods or policies relating to the determination of the closing prices of the Component Commodities. The NYMEX, the LME and the LBMA are not under any obligation to continue to determine the closing prices for the Component Commodities. If the NYMEX, the LME or the LBMA discontinues, or materially changes the method of determining the closing prices for the Component Commodities, it may become difficult to determine the market value of the notes or the maturity payment amount. Under these circumstances, the calculation agent in its sole discretion may designate a successor provider of closing prices. If the calculation agent determines in its sole discretion that no comparable provider of closing prices exists, the maturity payment amount will be determined by the calculation agent in its sole discretion. See *Specific Terms of the Notes – Market Disruption Event* and *Specific Terms of the Notes – Adjustments to the Basket and the Component Commodities Prices* beginning on page S-17.

We have derived the information about the Component Commodities and the NYMEX, the LME and the LBMA in this prospectus supplement from publicly available information, without independent verification. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Component Commodities or the NYMEX, the LME or the LBMA contained in this prospectus supplement. You, as an investor in the notes, should make your own investigation into the Component Commodities, the NYMEX, the LME and the LBMA. In addition, each prospective investor should consult its legal advisors in determining the appropriate treatment of the notes under any applicable capital or similar rules, and under applicable tax and accounting requirements. Furthermore, prospective investors whose investment activities are subject to investment laws and regulations or to review by certain authorities may be subject to restrictions on investment in certain types of securities, which may include the notes. Prospective investors should review and consider such restrictions prior to investing in the notes.

The calculation agent may modify the composition of the Basket and the determination of the prices of the Component Commodities.

The composition of the Basket and the method of calculating the closing prices of the Component Commodities may be adjusted by the calculation agent from time to time upon the occurrence of certain extraordinary events. For example, if the method used for determining the closing price of a Component Commodity is changed in a material respect by the commodity exchange upon which futures or forwards contracts with respect to that Component Commodity trades, or if a closing price is not available for a Component Commodity for any reason, then the calculation agent may take such action, including adjustments to the Basket or to the method of calculating the closing price of that Component Commodity, as it deems appropriate. See *Specific Terms of the Notes – Adjustments to the Basket and the Component Commodities Prices* on page S-17. Such changes could adversely affect the Basket performance amount and, consequently, the value of the notes.

The calculation agent may postpone the determination of the Basket ending level and the maturity date if a market disruption event occurs on the valuation date

The valuation date and, therefore, the determination of the Basket ending level may be postponed if the calculation agent determines that a market disruption event has occurred or is continuing on the valuation date with respect to one or more of the Component Commodities. If a postponement occurs, the calculation

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agent will use the closing level of the Basket on the next succeeding business day on which no market disruption event occurs or is continuing for calculation of the Basket ending level. As a result, the maturity date for the notes would be postponed. You will not be entitled to 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 level of the Basket after the valuation date. See **Specific Terms of the Notes** **Market Disruption Event** beginning on page S-17.

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

As described below under **Use of Proceeds and Hedging** on page S-35, we or one or more affiliates may hedge our obligations under the notes by purchasing Component Commodities, futures or options on Component Commodities, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of Component Commodities, and we may adjust these hedges by, among other things, purchasing or selling Component Commodities, futures, options or exchange-traded funds or other derivative instruments at any time.

Although they are not expected to, any of these hedging activities may adversely affect the closing prices of Component Commodities and the Basket performance amount. 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 notes declines.

Potential conflicts of interest could arise

Our subsidiary, WBNA, is our agent for the purposes of calculating the Basket ending level and the maturity payment amount. Under certain circumstances, WBNA's role as our subsidiary and its responsibilities as calculation agent for the notes could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with its determination as to whether the level of the Basket can be calculated on a particular scheduled trading day. See the sections **Specific Terms of the Notes** **Market Disruption Event** and **Specific Terms of the Notes** **Adjustments to the Basket and the Component Commodities Prices** beginning on page S-17. WBNA is required to carry out its duties as calculation agent in good faith and using its reasonable judgment.

Wachovia or its affiliates may engage in trading activities related to the Component Commodities and the exchange-traded futures and forward contracts on the Component Commodities, which are not for the account of holders of the notes or on their behalf. These trading activities may present a conflict between the holders' interest in the notes and the interests we and our affiliates will have in our proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our customers and in accounts under our management. These trading activities, if they influence the prices of the Component Commodities, could be adverse to the interests of the holders of the notes. We and one or more of our affiliates have published and in the future expect to publish research reports with respect to some or all of the Component Commodities. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. The research should not be viewed as a recommendation or endorsement of the notes in any way and investors must make their own independent investigation of the merits of this investment. Any of these activities by us or our other affiliates may affect the market price of the Component Commodities and the related exchange-traded futures and forward contracts and, therefore, the market value of the notes.

The inclusion of commissions and projected profits from hedging in the original issue 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 notes in secondary market transactions will likely be lower than the

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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 notes, as well as the projected profit included in the cost of hedging our obligations under the notes. 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.

U.S. taxpayers will be required to pay taxes on the notes each year

The notes will be treated as debt instruments subject to special rules governing contingent payment obligations for United States federal income tax purposes. If you are a U.S. person, you generally will be required to pay taxes on ordinary income from the notes over their term based upon the comparable yield for the notes, even though you will not receive any payments from us until maturity. The comparable yield is determined solely to calculate the amounts you will be taxed on prior to maturity and is neither a prediction nor a guarantee of what the actual yield will be. In addition, any gain you may recognize upon the sale or maturity of the notes will be taxed as ordinary income. Any loss you may recognize upon the sale of the notes will be ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of the notes, and thereafter, capital loss. If you hold your notes until maturity and the maturity payment is less than the projected payment at maturity, the difference will first reduce interest that would otherwise accrue in respect of the notes in such taxable year, and any remainder will be ordinary loss to the extent you previously accrued interest income in respect of the notes and thereafter will be capital loss. If you purchase the notes at a time other than the original issue date, the tax consequences may be different. You should consult your tax advisor about your own tax situation.

For further information, see Supplemental Tax Considerations on page S-32.

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 Co