

WACHOVIA CORP NEW
 Form 424B3
 March 28, 2008
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Calculation of the Registration Fee

| <u>Title of Each Class of Securities Offered</u> | <u>Maximum Aggregate Offering Price</u> | <u>Amount of Registration Fee (1)(2)</u> |
|--|---|--|
| <u>Medium-Term Notes</u> | \$ 57,011,500 | \$ 2,240.55 |

- (1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.
 (2) Pursuant to Rule 457(p) under the Securities Act of 1933, filing fees of \$269,370.74 have already been paid with respect to unsold securities that were previously registered pursuant to a Registration Statement on Form S-3 (No. 333-123311) filed by Wachovia Corporation on March 14, 2005, and have been carried forward, of which \$2,240.55 is offset against the registration fee due for this offering and of which \$267,130.19 remains available for future registration fees. No additional registration fee has been paid with respect to this offering.

PRICING SUPPLEMENT

Filed Pursuant to Rule 424(b)(3)

(To Prospectus dated March 5, 2007)

Registration No. 333-141071

\$57,011,500

Wachovia Corporation

14.10% Enhanced Yield Securities

Linked to the Common Stock of JP Morgan Chase & Co.

due April 1, 2009

| | |
|-------------------------|--|
| Issuer: | Wachovia Corporation |
| Principal Amount: | Each security will have a principal amount of \$46.54. Each security will be offered at an initial public offering price of \$46.54. The securities are not principal protected. |
| Maturity Date: | April 1, 2009 |
| Interest: | 14.10% per annum payable monthly |
| Interest Payment Dates: | The 1 st of each month, beginning May 1, 2008 to and including the maturity date. |
| Underlying Stock: | JP Morgan Chase & Co. common stock. JP Morgan Chase & Co. has no obligations relating to, and does not sponsor or endorse, the securities. |
| Payment at Maturity: | |

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On the maturity date, for each security you hold, you will receive a cash payment equal to the maturity payment amount, plus accrued but unpaid interest. The maturity payment amount will be a cash payment equal to:

(i) the final stock price *multiplied by* the share ratio, subject to a cap of \$46.54, *plus* (ii) the supplemental performance amount. The share ratio is 0.915.

The supplemental performance amount will equal the greater of (i) zero and (ii) (x) the final stock price *minus* the upper strike price, *multiplied by* (y) the participation rate. The upper strike price is \$52.3575. The participation rate is 65%.

The final stock price will be the closing price of the Underlying Stock on the valuation date, which generally will be the second trading day prior to the maturity date.

You will have the right to elect to receive the maturity payment amount in shares of Underlying Stock equal in value to the maturity payment amount, subject to certain conditions.

Listing:

The securities will not be listed or displayed on any securities exchange or any electronic communications network.

Pricing Date:

March 24, 2008

Expected Settlement Date:

March 31, 2008

CUSIP Number:

929903227

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-10.

Investing in the securities involves risks. See [Risk Factors](#) beginning on page S-5.

| | <u>Per Security</u> | <u>Total</u> |
|--------------------------------------|---------------------|---------------|
| Public Offering Price | \$ 46.5400 | \$ 57,011,500 |
| Underwriting Discount and Commission | \$ 0.0233 | \$ 28,506 |
| Proceeds to Wachovia Corporation | \$ 46.5167 | \$ 56,982,994 |

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 pricing supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Wachovia may use this pricing 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 pricing 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 pricing supplement is being used in a market-making transaction.***

Wachovia Securities

The date of this pricing supplement is March 24, 2008.

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Unless otherwise indicated, you may rely on the information contained in this pricing supplement and the accompanying prospectus. Neither we nor the underwriter has authorized anyone to provide information different from that contained in this pricing 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 pricing supplement and the accompanying prospectus. Neither the delivery of this pricing supplement nor sale of the securities means that information contained in this pricing supplement or the accompanying prospectus is correct after their respective dates. This pricing 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 pricing supplement and the accompanying prospectus to help you understand the 14.10% Enhanced Yield Securities Linked to the Common Stock of JP Morgan Chase & Co. due April 1, 2009, which we refer to as the securities. You should carefully read this pricing 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 pricing 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 pricing 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 pricing 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.

What are the securities?

The securities offered by this pricing supplement will be issued by Wachovia Corporation and will mature on April 1, 2009. The return on the securities is linked to the performance of the common stock of JP Morgan Chase & Co., which we refer to as the Underlying Stock Issuer, and will depend substantially on the performance of the final stock price, 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-10.

Each security will have a principal amount of \$46.54. Each security will be offered at an initial public offering price of \$46.54. 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 the final stock price does not exceed the initial stock price by at least 9.29%, you will lose some or all of your principal. Under these circumstances, the payment 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 14.10% per annum, payable on the 1st of each month, beginning May 1, 2008 to and including the maturity date. If there are fewer than 30 days in a month, the interest payment date will be the last day of that month. The interest rate on the securities is higher than the current dividend yield of the Underlying Stock. The interest rate is also 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 the final stock price does not exceed the initial stock price by at least 9.29%.*

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What will I receive upon maturity of the securities?

The securities will mature on April 1, 2009. At maturity, for each security you hold, you will receive a payment equal to the maturity payment amount, plus accrued but unpaid interest in cash. The maturity payment amount will be a cash payment equal to:

(i) the final stock price *multiplied by* the share ratio, subject to a cap of \$46.54, *plus* (ii) the supplemental performance amount.

The supplemental performance amount will equal the greater of: (i) zero and (ii) (x) the final stock price minus the upper strike price, multiplied by (y) the participation rate.

If the final stock price does not exceed the initial stock price by at least 9.29%, you will lose some or all of the value of your principal. Under these circumstances, the payment 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 accrued but unpaid interest in cash).

The initial stock price is \$46.54.

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 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 participation rate is 65%.

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

The share ratio is 0.915.

The upper strike price is \$52.3575 (12.5% above the initial stock price).

The valuation date means the second 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 Global Market, the Chicago 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

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Antidilution Adjustments Adjustments for Reorganization Events on page S-18) that is a listed equity security is principally traded, as determined by the calculation agent.

If the final stock price does not exceed the initial stock price by at least 9.29%, you will lose some or all of your principal (but you will still receive accrued but unpaid interest in cash).

Will I have the option to receive shares of the Underlying Stock instead of cash?

Yes, you will have the right, upon submission and acknowledgement of a Notice of Physical Settlement, attached to this pricing supplement as Annex A, no later than 4:00 p.m., New York City time, on the seventh calendar day prior to the scheduled maturity date, to receive, with respect to each security for which you make an election, the maturity payment amount in a number of shares of the Underlying Stock equal to the maturity payment amount divided by the final stock price.

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. 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 JP Morgan Chase & Co.?

JP Morgan Chase & Co. (JPM) has disclosed that it is primarily engaged in financial services, with services ranging from investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. 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 001-00035 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 The Underlying Stock Issuer in this pricing 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.

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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 the year 2005 to the present in the section entitled *The Underlying Stock Historical Data* in this pricing 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.

What about taxes?

The treatment of the securities for United States federal income tax purposes is uncertain. By purchasing a security, you and Wachovia hereby agree, in the absence of a change in law, an administrative determination or a judicial ruling to the contrary, to characterize such security for all tax purposes as a pre-paid income-bearing derivative contract linked to the value of the Underlying Stock. Under this characterization of the securities, if you are a United States holder: (i) you will likely be taxed on the monthly payments you receive on the securities as ordinary income in accordance with your regular method of accounting for United States federal income tax purposes, (ii) upon the sale of your securities or upon the receipt of cash upon the maturity of your securities, you generally should recognize capital gain or loss in an amount equal to the difference between the amount you receive at such time (other than amounts in respect of accrued interest, which are likely to be taxed as ordinary income) and the amount you paid for the securities, and (iii) if you receive Underlying Stock at maturity, it is unclear whether you should be required to recognize any gain or loss at such time, but Wachovia intends to take the position that you would generally not recognize any taxable gain or loss such time, except with respect to your receipt of accrued interest and cash in lieu of fractional shares. If you are a United States alien holder, we intend to withhold tax at a 30% rate in respect of the interest payments on your securities and no Additional Amounts (as defined in the accompanying prospectus) will be paid.

We have been advised by our counsel, Kirkpatrick & Lockhart Preston Gates Ellis LLP, that the securities should be treated as a pre-paid income-bearing derivative contract linked to the value of the Underlying Stock, and that alternative treatments are also possible. Because of this uncertainty, we urge you to consult your tax advisor as to the tax consequences of your investment in the securities and to review the discussion of potential alternative treatments for your securities under *Supplemental Tax Considerations* *Supplemental U.S. Tax Considerations* *Alternative Treatments* beginning on page S-24.

For a further discussion, see *Supplemental Tax Considerations* beginning on page S-24.

Will the securities be listed on a stock exchange?

The securities will not be listed or displayed on any securities exchange 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 pricing 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-5.

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 the final stock price does not exceed the initial stock price by at least 9.29%. Under these circumstances, the maturity payment amount that you will receive will be less than the initial stock price, and you will lose some or all of the value of the principal amount of your securities.

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 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.

You will have limited participation in the upside performance of the Underlying Stock

Although the return on the securities is linked to the performance of the Underlying Stock, your return will not be identical to the return you would realize if you actually owned and held the Underlying Stock for a similar period, including in the event that the market price of the Underlying Stock has increased at maturity. Under such circumstances, your maturity payment amount will reflect less than the full amount of any market price increase of the Underlying Stock and may not reflect a market price increase at all. This is because, as the maturity payment amount is calculated, if the market price of the Underlying Stock increases above the initial stock price, but does not increase above the upper strike price of \$52.3575 (12.5% above the initial stock price), subject to adjustment by the share multiplier, the maximum you will receive is the principal amount of your securities. Under such circumstances, your maturity payment amount will not reflect any of that market price increase. Additionally, if the final stock price is above the \$52.3575 upper strike price, your maturity payment amount for each security will only include 65% of the amount that the final stock price is above the upper strike price. As a result, you will not participate in any upside performance in the Underlying Stock if the final stock price does not exceed the upper strike price, and your participation will only be a portion of any increase in the final stock price beyond the upper strike price.

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 maturity payment amount per security will reflect less than the full amount of any market price increase in the Underlying Stock 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 elect to receive the maturity payment amount in shares of Underlying Stock at maturity. 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 sum of the maturity payment 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

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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 securities exchange 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 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. 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

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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.

This pricing 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 pricing 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 pricing supplement. Furthermore, we do not know whether the Underlying Stock Issuer has disclosed all events occurring before the date of this pricing 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

Wachovia Securities, 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-14 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.

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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.

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-13.

Potential conflicts of interest could arise

Our subsidiary, Wachovia Securities, is our agent for the purposes of calculating the final stock price, the share multiplier and the maturity payment amount. Under certain circumstances, Wachovia Securities' 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-13. Wachovia Securities 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

The federal income tax treatment of the securities is uncertain and the Internal Revenue Service could assert that the securities should be taxed in a manner that is different than described in this pricing supplement. We do not intend to request a ruling from the Internal Revenue Service regarding the tax treatment of the securities, and the Internal Revenue Service or a court may not agree with the tax treatment described in this pricing supplement. If you are a United States alien holder, we intend to withhold tax at a 30% rate in respect of the monthly interest payments on your securities and no Additional Amounts (as defined in the accompanying prospectus) will be paid. See *Supplemental Tax Considerations* beginning on page S-24.

As discussed further below, on December 7, 2007, the Internal Revenue Service issued a notice indicating that it and the Treasury Department are actively considering whether, among other issues, you should be required to accrue interest over the term of an instrument such as the securities at a rate that may differ from the interest that

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you will receive over the term of the securities and whether all or part of the gain you may recognize upon maturity of an instrument such as the securities could be treated as ordinary income. The outcome of this process is uncertain and could apply on a retroactive basis.

You should consult your tax advisor as to the possible alternative treatments in respect of the securities. See Supplemental Tax Considerations beginning on page S-24 for a further discussion.

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, or the Code, 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 Code or any substantially similar prohibition. These prohibitions are discussed in further detail under Employee Retirement Income Security Act beginning on page S-27.

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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 Securities** and **Senior Notes**, each as described in the accompanying prospectus.

This pricing 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 of 14.10% per annum, payable on the 1st of each month, beginning May 1, 2008 to and including the maturity date. If there are fewer than 30 days in a month, the interest payment date will be the last day of that month.

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 April 1, 2009 (the scheduled maturity date), but no interest will accrue on the securities or on such payment during the period from or after April 1, 2009.

The regular record dates will be the close of business on the fifteenth calendar day, whether or not a business day, immediately preceding each 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 \$46.54 per security and integral multiples thereof.

Offering Price

Each security will be offered at an initial public offering price equal to \$46.54.

Payment at Maturity

The securities will mature on April 1, 2009. At maturity, for each security you hold, you will receive a payment equal to the maturity payment amount, plus accrued but unpaid interest in cash. The **maturity payment amount** will be a cash payment equal to:

(i) the final stock price *multiplied* by the share ratio, subject to a cap of \$46.54, *plus* (ii) the supplemental performance amount.

The **supplemental performance amount** will equal the greater of: (i) zero and (ii) (x) the final stock price minus the upper strike price, multiplied by (y) the participation rate.

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If the final stock price does not exceed the initial stock price by at least 9.29%, you will lose some or all of the value of your principal. Under these circumstances, the payment 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 accrued but unpaid interest in cash).

The **Underlying Stock** means the common stock of the Underlying Stock Issuer, CUSIP Number 46625H100. 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-18, 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 pricing supplement will mean, for purposes of determining the final stock price 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 JP Morgan Chase & Co.. 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 pricing 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** is \$46.54.

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 **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 **participation rate** is 65%.

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

The **share ratio** is 0.915.

The **upper strike price** is \$52.3575 (12.5% above the initial stock price).

The **valuation date** means the second 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 NYSE, the American Stock Exchange, the Nasdaq Global Market, the Chicago 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.

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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-18) 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.

Wachovia Securities, 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 the U.S. registrar and domestic paying agent.

If the final stock price does not exceed the initial stock price by at least 9.29%, you will lose some or all of your principal (but you will still receive accrued but unpaid interest in cash).

Physical Settlement Election

You will have the right, upon submission and acknowledgement of a Notice of Physical Settlement, attached to this pricing supplement as Annex A, no later than 4:00 p.m., New York City time, on the seventh calendar day prior to the scheduled maturity date, to receive, with respect to each security for which you make an election, the maturity payment amount in a number of shares of the Underlying Stock equal to the maturity payment amount divided by the final stock price.

In order to ensure that the notice is timely received by us, you must instruct the participant through which you own your interest before that participant's deadline for accepting instructions from their customers. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of securities, you should consult the participant through which you own your interest for the relevant deadline. Your Notice of Physical Settlement will not be effective if it is submitted after 4:00 p.m., New York City time, on the seventh calendar day prior to the maturity date. All instructions given to us by participants on your behalf relating to the right to elect physical settlement of the securities will be irrevocable.

If you elect physical settlement of the securities, we will pay cash in lieu of delivering any fractional share of the Underlying Stock in an amount equal to the value of such fractional share based on the final stock price.

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, or

if the Underlying Stock (or any such other security) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board Service (the OTC Bulletin Board) operated by the National Association of Securities Dealers, Inc. (the NASD), the last reported sale price of the principal trading session on the OTC Bulletin Board on such day.

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If the Underlying Stock (or any such other security) is listed or admitted to trading on any national securities exchange but the last reported sale price 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 or the OTC Bulletin Board on such day.

If the last reported sale price 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 OTC Bulletin Board 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 Global 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:

a price change exceeding limits set by that market;

an imbalance of orders relating to those contracts; or

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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 \$46.54 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-7.

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 dilutive 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 second 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.

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.

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.

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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:

ordinary dividend adjustments;

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 dilutive 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.

Ordinary Dividend Adjustments

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In addition to any adjustments to the share multiplier described elsewhere in this section, the share multiplier will be adjusted for changes in the regular quarterly cash dividend payable to holders of the Underlying Stock relative to its base quarterly dividend (as described below). If there is any change (whether positive or negative) before maturity of the securities in the regular quarterly cash dividend payable to holders of the Underlying Stock from the base quarterly dividend payable to holders of the Underlying Stock, the share multiplier

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will be adjusted (an ordinary dividend adjustment) on the related ex-dividend date (as defined below) for such quarterly cash dividend with respect to the Underlying Stock so that the new share multiplier will equal the prior share multiplier plus an amount of shares of Underlying Stock equal to the ordinary dividend adjustment amount. The ordinary dividend adjustment amount will equal a fraction, the numerator of which is (x) the new regular quarterly cash dividend minus the base quarterly dividend times (y) the prior share multiplier, and the denominator of which is the base closing price. The base quarterly dividend means a quarterly dividend of \$0.38 per share. The base closing price means the closing price of the Underlying Stock on the business day preceding the ex-dividend date for the payment of such cash dividend or other cash distribution.

Stock Splits and Reverse Stock Splits

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.

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 sum of the prior share multiplier plus the product of:

the number of shares issued with respect to one share of the Underlying Stock, which number may be negative in the case of a reverse stock split, and

the prior share multiplier.

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:

ordinary dividend adjustments described above,

stock dividends described above,

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

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distributions that are spin-off events described in Reorganization Events beginning on page S-18, 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, and (b) the full cash value of any non-cash dividend or distribution per share of Underlying Stock (excluding marketable securities, as defined below).

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.

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 beginning 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*

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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.

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, 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

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following and, for purposes of certain calculations and determinations in respect of the securities, such as the determination of the final stock price, the term **Underlying Stock** in this pricing supplement will be deemed to mean:

(a) if the Underlying Stock continues to be outstanding:

- (1) 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 (a)(3) below); and
- (2) 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 product of (i) the number of shares of the new stock received with respect to one share of the Underlying Stock, (ii) the share multiplier for the Underlying Stock on the trading day immediately prior to the effective date of the reorganization event, and (iii) the gross-up multiplier (as determined under paragraph (a)(3) below), if applicable (such product the **new stock share multiplier**), as adjusted to the valuation date; and
- (3) for any cash and any other property or securities other than marketable securities received in such reorganization event (including equity securities listed on a non-U.S. securities exchange), which we refer to as **non-stock exchange property**, a number of shares of the Underlying Stock, determined by the calculation agent at the close of trading 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 per share of the Underlying Stock 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 (the result of such fraction the **gross-up multiplier**); 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 (1) above,

(b) if the Underlying Stock is surrendered for exchange property:

(1) that includes new stock (as defined above):

(i) 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

(ii) for any non-stock exchange property (as defined above), 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 (i) 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 Underlying Stock exceeds the value on such trading day of the non-stock exchange property received per share of the Underlying Stock, or

(2) that consists exclusively of non-stock exchange property:

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(i) if the surviving entity has marketable securities outstanding following the reorganization event and either (A) such marketable securities were in existence prior to such reorganization event or (B) such marketable securities were exchanged for previously outstanding marketable securities of the surviving entity or its predecessor (predecessor stock) in connection with such reorganization event (in either case of (A) or (B), the new stock), 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 equal to the share multiplier in effect for the Underlying Stock on the trading day immediately prior to the effective date of such reorganization event multiplied by a fraction, the numerator of which is the value of the non-stock exchange property per share of the Underlying Stock on such trading day and the denominator of which is the closing price of the new stock (or, in the case of predecessor stock, the closing price of the predecessor stock multiplied by the number of shares of the new stock received with respect to one share of the predecessor stock) or

(ii) if the surviving entity does not have marketable securities outstanding, or if there is no surviving entity (in each case, a replacement stock event), the replacement stock (selected as defined below) with a 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.

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.

For purposes of adjustments for reorganization events, in the case of a consummated tender or exchange offer or going-private transaction involving exchange property of a particular type, exchange property will be deemed to include the amount of cash or other property paid by the offeror in the tender or exchange offer with respect to such exchange property (in an amount determined on the basis of the rate of exchange in such tender or exchange offer or going-private transaction). In the event of a tender or exchange offer or a going-private transaction with respect to exchange property in which an offeree may elect to receive cash or other property, exchange property will be deemed to include the kind and amount of cash and other property received by offerees who elect to receive cash.

Replacement Stock Events

Following the occurrence of a replacement stock event described in paragraph (b)(2)(ii) above, the maturity payment amount for each security will be determined by reference to a replacement stock at the share multiplier then in effect for such replacement stock as determined in accordance with the following paragraph.

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The replacement stock will be the stock having the closest option period volatility to the Underlying Stock among the stocks that then comprise the applicable replacement stock selection 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 (or, if no SIC Code has been assigned to the Underlying Stock Issuer, the applicable SIC Code pertaining to companies in the same industry as the Underlying Stock Issuer at the time of the relevant replacement stock event); provided, however, that a replacement 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 the replacement stock cannot be identified from the S&P 500 Index by primary SIC code for which there is no trading restriction, the replacement stock will be selected by the calculation agent from the stocks 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 replacement stock will be assigned a replacement stock multiplier equal to the number of shares of such replacement 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 and (b) the share multiplier in effect for the Underlying Stock on the trading day immediately prior to the effective date of such reorganization event.

The option period volatility means, in respect of any trading day, the volatility (calculated by referring to the closing price of the Underlying Stock on the relevant exchange) for a period equal to the 125 trading days immediately preceding the announcement date of the reorganization event, as determined by the calculation agent.

The replacement stock selection index means the S&P 500 Index, unless otherwise specified in the applicable pricing supplement.

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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.

JP Morgan Chase & Co. has disclosed that it is primarily engaged in financial services, with services ranging from investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. 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.

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 001-05805.

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 **JPM**. The following table sets forth the high, low and quarter-end closing prices for the Underlying Stock. The information given below is for the four calendar quarters in 2005, 2006, and 2007. Partial data is provided for the first calendar quarter in 2008. On March 24, 2008, the closing price for the Underlying Stock was \$46.55 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 or fail to increase sufficiently such that you would receive less than the principal amount of your securities at maturity.

Table of Contents**Quarterly High, Low and Quarter-End Closing Prices of the Underlying Stock**

| Quarter-Start Date | Quarter-End Date | High Closing Price of the Underlying Stock | Low Closing Price of the Underlying Stock | Quarter-End Closing Price of the Underlying Stock |
|--------------------|------------------|--|---|---|
| 1/1/2005 | 3/31/2005 | 39.15 | 34.58 | 34.60 |
| 4/1/2005 | 6/30/2005 | 36.26 | 33.77 | 35.32 |
| 7/1/2005 | 9/30/2005 | 35.86 | 33.58 | 33.93 |
| 10/1/2005 | 12/31/2005 | 40.20 | 33.27 | 39.69 |
| 1/1/2006 | 3/31/2006 | 42.11 | 38.05 | 41.64 |
| 4/1/2006 | 6/30/2006 | 46.65 | 39.95 | 42.00 |
| 7/1/2006 | 9/30/2006 | 47.22 | 40.71 | 46.96 |
| 10/1/2006 | 12/31/2006 | 48.95 | 46.01 | 48.30 |
| 1/1/2007 | 3/31/2007 | 51.65 | 46.70 | 48.38 |
| 4/1/2007 | 6/30/2007 | 53.20 | 48.24 | 48.45 |
| 7/2/2007 | 9/30/2007 | 50.05 | 43.00 | 45.82 |
| 10/1/2007 | 12/31/2007 | 47.58 | 40.46 | 43.65 |
| 1/1/2008 | 3/24/2008 | 48.25 | 36.48 | 46.55 |

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Table of Contents**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 under the securities. This summary is based upon the law as in effect on the date of this pricing supplement and is subject to any change in law that may take effect after such date. This summary does not address 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. This summary was written in connection with the promotion or marketing by us of the securities, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Code.

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. We have been advised by our counsel, Kirkpatrick & Lockhart Preston Gates Ellis LLP, that the securities should be treated as pre-paid income-bearing derivative contracts linked to the value of the Underlying Stock and the terms of the securities require you and us (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the securities for all tax purposes in accordance with such characterization. Except as noted below under **Alternative Treatments**, the discussion below assumes that the securities will be so treated.

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 uncertain and alternative characterizations are possible. Moreover, the discussion below does not address the United States federal income tax consequences of the ownership or disposition of any underlying stock that may be applicable if you elect to receive payment of the underlying stock in lieu of cash upon the maturity payments. 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 Pre-Paid Income-Bearing Derivative Contracts. If the securities are properly treated as pre-paid interest-bearing derivative contracts, it is likely that you will be taxed on any monthly coupon payments you receive on the securities as ordinary income in accordance with your regular method of accounting for United States federal income tax purposes.

Upon the sale of the securities or upon your receipt of cash upon the maturity of the securities, you generally should recognize capital gain or loss in an amount equal to the difference, if any, between the amount you realize on the sale or exchange (other than amounts in respect of accrued interest, which are likely to be taxed as ordinary income) and your United States federal income tax basis in the securities. Your United States federal income tax basis in the securities will generally be equal to the amount you paid for your securities. Capital gain of a non-corporate United States holder is generally taxed at a maximum rate of 15% where the holder has a holding period with respect to its securities of more than one year. The deductibility of capital losses is subject to limitations.

It is unclear whether you should be required to recognize any gain or loss in connection with the receipt of Underlying Stock upon maturity. Wachovia intends to take the position that you should generally not recognize gain or loss at such time. If you do not recognize gain or loss in connection with the receipt of Underlying Stock upon maturity, your United States federal income tax basis in such Underlying Stock would generally be equal to your tax basis in the securities less the portion of this basis allocable to fractional shares for which you receive cash. Your

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holding period in any Underlying Stock received upon maturity would generally begin on the day following the day you beneficially receive such stock. You would likely recognize short-term capital gain or loss on any cash that you receive upon maturity in lieu of fractional shares in an amount equal to the difference between the amount of cash you receive (other than in respect of accrued interest, which is likely to be taxed as ordinary income) and your United States federal income tax basis in the fractional shares.

Alternative Treatments. On December 7, 2007, the Internal Revenue Service released a notice stating that the Internal Revenue Service and the Treasury Department are actively considering the proper federal income tax treatment of an instrument such as the offered securities including whether the holders should be required to accrue ordinary income on a current basis and whether gain or loss should be ordinary or capital, and they are seeking comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the securities will ultimately be required to accrue income currently over the term of their securities at a rate that may differ from the interest received over the term of the securities and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special constructive ownership rules of Section 1260 of the Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. Except to the extent otherwise provided by law, Wachovia Corporation intends to treat the securities for United States federal income tax purposes in accordance with the treatment set forth in this section unless and until such time as the Treasury Department and Internal Revenue Service issue guidance providing that some other treatment is more appropriate.

In addition, one member of the House of Representatives recently introduced a bill that, if enacted, would require holders of securities purchased after the bill is enacted to accrue interest over the term of the securities at a rate that may differ from the interest that you will receive over the term of your securities. It is not possible to predict whether this bill or a similar bill will be enacted in the future and whether any such bill would affect the tax treatment of your securities.

In light of the uncertainty as to the United States federal income tax treatment, it would be a reasonable interpretation of current law for the securities to be treated as a single debt instrument subject to the special tax rules governing contingent payment debt instruments. If the securities are so treated, you would generally be required to accrue interest currently over the term of your securities at a rate that may differ from the interest that you will receive over the term of the securities. In addition, any gain you recognize upon the sale or maturity of your securities would be ordinary income rather than capital gain and any loss recognized by you at such time would be ordinary loss to the extent of interest you included in income in the current or previous taxable years in respect of your securities, and thereafter, would be capital loss.

Furthermore, as discussed above, it is also possible that you may be required to recognize gain or loss upon receipt of Underlying Stock upon maturity of the securities in an amount equal to the difference between the fair market value of the Underlying Stock you receive at such time and your tax basis in the securities.

Because of the absence of authority regarding the appropriate tax characterization of your securities, it is possible that the Internal Revenue Service could seek to characterize your securities in a manner that results in tax consequences to you that are different from those described above. For example, it is possible that your securities could be treated as an investment unit consisting of a debt component and one or more options. You should consult your tax advisor as to the tax consequences of such characterization and any possible alternative characterizations of your securities for U.S. federal income tax purposes.

United States Alien Holders. Because the United States federal income tax treatment (including the applicability of withholding) of the monthly interest payments on the securities is uncertain, if you are a United States alien holder, we intend to withhold tax at a 30% rate from your monthly payments, or at a lower rate under an other income or similar provision specified by an applicable income tax treaty. We will not make payments of any Additional Amounts (as defined in the accompanying prospectus). To claim a reduced treaty rate for withholding, you generally must provide a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a United States alien holder and your entitlement to the lower treaty rate. Payments will be made to you at a reduced treaty rate of withholding only if such reduced treaty

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rate would apply to any possible characterization of the payments (including, for example, if the payments were characterized as contract fees). Withholding also may not apply to monthly interest payments made to you if: (i) the monthly interest payments are effectively connected with your conduct of a trade or business in the United States and are includable in your gross income for United States federal income tax purposes, (ii) the monthly interest payments are attributable to a permanent establishment that you maintain in the United States, if required by an applicable tax treaty, and (iii) you comply with the requisite certification requirements (generally, by providing an Internal Revenue Service Form W-8ECI). If you are eligible for a reduced rate of United States withholding tax, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

Effectively connected payments includable in your United States gross income are generally taxed at rates applicable to United States citizens, resident aliens, and domestic corporations; if you are a corporate United States alien holder, effectively connected payments may be subject to an additional branch profits tax under certain circumstances.

You will also be subject to generally applicable information reporting and backup withholding requirements with respect to payments on your securities unless you comply with certain certification and identification requirements as to your foreign status. If you are a United States alien holder, you should consult with your tax advisor regarding the United States federal income tax consequences of acquiring, holding, and disposing of the securities in your specific circumstances.

Table of Contents**EMPLOYEE RETIREMENT INCOME SECURITY ACT**

A fiduciary of a pension, profit-sharing or other employee benefit plan (a plan) subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (also plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (parties in interest) with respect to the plan or account. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (non-ERISA arrangements) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (similar laws).

The acquisition of the securities by a plan with respect to which Wachovia, Wachovia Securities or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those securities are acquired pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither Wachovia nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the plan involved in the transaction and the plan receives no less and pays no more than adequate consideration in connection with the transaction (the service provider exemption). Moreover, the United States Department of Labor has issued five prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the securities. These exemptions are:

PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;

PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;

PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;

PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and

PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

The securities may not be purchased or held by (1) any plan, (2) any entity whose underlying assets include plan assets by reason of any plan's investment in the entity (a plan asset entity) or (3) any person investing plan assets of any plan, unless in each case the purchaser or holder is eligible for the exemptive relief available under one or more of the PTCEs listed above, the service provider exemption or another applicable similar exemption. Any purchaser or holder of the securities or any interest in the securities will be deemed to have represented by its purchase and holding of the securities that it either (1) is not a plan or a plan asset entity and is not purchasing those securities on behalf of or with plan assets of any plan or plan asset entity or (2) with respect to the purchase or holding, is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. In addition, any purchaser or holder of the securities or

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any interest in the securities which is a non-ERISA arrangement will be deemed to have represented by its purchase and holding of the securities that its purchase and holding will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the securities on behalf of or with plan assets of any plan, plan asset entity or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the securities, you should consult your legal counsel.

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USE OF PROCEEDS AND HEDGING

The net proceeds from the sale of the securities will be used as described under **Use of Proceeds** in the accompanying prospectus and to hedge market risks of Wachovia associated with its obligation to pay the redemption amount at the maturity of the securities.

The hedging activity discussed above may adversely affect the market value of the securities from time to time and the redemption amount you will receive on the securities at maturity. See **Risk Factors** **Purchases and sales by us or our affiliates may affect the return on the securities** and **Risk Factors** **Potential conflicts of interest could arise** on pages S-7 and S-8, respectively for a discussion of these adverse effects.

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SUPPLEMENTAL PLAN OF DISTRIBUTION

The underwriter named below has agreed, subject to the terms and conditions of an underwriting agreement with Wachovia, to purchase the number of securities initially offered on the date of this pricing supplement set forth below opposite its name. The underwriter is committed to purchase all of those securities if any are purchased.

| Underwriter | Aggregate principal amount |
|-------------------------------|-----------------------------------|
| Wachovia Capital Markets, LLC | \$57,011,500 |
| Total | \$57,011,500 |

The underwriter proposes to offer the securities in part directly to the public at the initial maximum offering price set forth on the cover page of this pricing supplement and in part to Wachovia Securities, LLC, Wachovia Securities Financial Network, LLC and certain other securities dealers at such prices less a concession not to exceed \$0.0233 per security.

Proceeds to be received by Wachovia in this offering will be net of the underwriting discount, commission and expenses payable by Wachovia.

After the securities are released for sale in the public, the offering prices and other selling terms may from time to time be varied by the underwriter.

The securities are new issues of securities with no established trading markets. Wachovia has been advised by the underwriter that the underwriter intends to make a market in the securities but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the securities.

Settlement for the securities will be made in immediately available funds. The securities will be in the Same Day Funds Settlement System at DTC and, to the extent the secondary market trading in the securities is effected through the facilities of such depository, such trades will be settled in immediately available funds.

Wachovia has agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933.

This pricing supplement and the attached prospectus may be used by Wachovia Capital Markets, LLC, an affiliate of Wachovia, or any other affiliate of Wachovia, in connection with offers and sales related to market-making or other transactions in the securities. Wachovia Capital Markets, LLC or any other such affiliate of Wachovia, may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

Wachovia Capital Markets, LLC, Wachovia Securities, LLC and Wachovia Securities Financial Network, LLC are affiliates of Wachovia. Rule 2720 of the Conduct Rules of the Financial Industry Regulatory Authority, Inc. (FINRA) imposes certain requirements when a FINRA member such as Wachovia Capital Markets, LLC, Wachovia Securities, LLC or Wachovia Securities Financial Network, LLC distributes an affiliated company s debt securities. Wachovia Capital Markets, LLC, Wachovia Securities, LLC and Wachovia Securities Financial Network, LLC have advised Wachovia that this offering will comply with the applicable requirements of Rule 2720. No FINRA member participating in the offering will confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the customer.

From time to time the underwriter engages in transactions with Wachovia in the ordinary course of business. The underwriter has performed investment banking services for Wachovia in the last two years and has received fees for these services.

Wachovia Capital Markets, LLC, as the underwriter, may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities

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Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit reclaiming a selling concession from a syndicate member when the securities originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the securities to be higher than it would otherwise be in the absence of such transactions.

No action has been or will be taken by Wachovia, the underwriter or any broker-dealer affiliate of Wachovia that would permit a public offering of the securities or possession or distribution of this pricing supplement or the accompanying prospectus in any jurisdiction, other than the United States, where action for that purpose is required. No offers, sales or deliveries of the securities, or distribution of this pricing supplement or the accompanying prospectus, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on Wachovia, Wachovia Capital Markets, LLC, Wachovia Securities, LLC, Wachovia Securities Financial Network, LLC or any broker-dealer affiliate of Wachovia.

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ANNEX A

NOTICE OF PHYSICAL SETTLEMENT

Dated: On or before March 25, 2009

Wachovia Corporation
375 Park Avenue
New York, NY 10152
Attention: Equity Derivatives
Middle Office Manager

Wachovia Capital Markets, LLC
375 Park Avenue
New York, NY 10152
Fax No.: (212) 446-1413

CC: Direct: (212) 214-6483
William Threadgill, Managing Director

Direct: (212) 214-6277, Fax: (704) 715-0150

Dear Sirs or Madams:

The undersigned beneficial owner of the Senior Global Medium-Term Notes, Series G, Enhanced Yield Securities due April 1, 2009 Linked to the Common Stock of JP Morgan Chase & Co., of Wachovia Corporation (CUSIP No. 929903227) (the securities) hereby irrevocably elects to receive, with respect to the principal amount of the securities indicated below, the maturity payment amount in a number of shares of the Underlying Stock equal to the maturity payment amount divided by the final stock price, provided that this notice is received no later than 4:00 p.m. New York City time on the seventh calendar day prior to the maturity date of the securities. The physical settlement right is described under Specific Terms of the Securities Physical Settlement Election in the pricing supplement for the securities, dated March 24, 2008, relating to Registration Statement No. 333-141071. Terms not defined in this notice shall have their respective meanings as described in the pricing supplement.

Please date and acknowledge receipt of this Notice of Physical Settlement in the place provided below, and fax a copy to the fax number indicated.

The undersigned certifies to you that it is, or is duly authorized to act for, the beneficial owner of the securities with respect to which this election is made (and attaches evidence of such ownership as provided by the undersigned's position services department or the position services department of the entity through which the undersigned holds its securities).

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Very truly yours,

Name of Beneficial Owner

By:

Name

Title and/or Organization

Fax No./Direct No.

\$

Principal amount of securities for which physical settlement is elected

Receipt of the above

Notice of Physical Settlement is hereby acknowledged.

WACHOVIA CORPORATION, as issuer

WACHOVIA CAPITAL MARKETS, LLC, as calculation agent

By:

Name:

Title:

Date and time of acknowledgment _____

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One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288

(704) 374-6565

WACHOVIA CORPORATION

Senior Global Medium-Term Notes, Series G

Subordinated Global Medium-Term Notes, Series H

Warrants

Terms of Sale

Wachovia Corporation may from time to time offer and sell notes with various terms, including the following:

| | |
|--|---|
| stated maturity of 9 months or longer | maturity payment or interest may be determined by reference to an index or formula |
| fixed or floating interest rate, zero-coupon or issued with original issue discount; a floating interest rate may be based on: | book-entry form through The Depository Trust Company, Euroclear, Clearstream or any other clearing system or financial institution named in the applicable pricing supplement |
| commercial paper rate | redemption at the option of Wachovia or repayment at the option of the holder |
| prime rate | interest on notes paid monthly, quarterly, semi-annually or annually |
| LIBOR | denominations of \$1,000 and multiples of \$1,000 |
| EURIBOR | denominated in U.S. dollars, a currency other than U.S dollars or in a composite currency |
| treasury rate | settlement in immediately available funds |
| CMT rate | |
| CD rate | |
| CPI rate | |

federal funds rate

ranked as senior or subordinated indebtedness
of Wachovia

Wachovia Corporation may also from time to time offer and sell:

warrants to purchase our debt securities on terms to be determined; or
warrants to purchase or sell, or whose cash value is determined by reference to the performance, price, level or value of, one or more of the following:

- securities of one or more issuers, including our common stock or other equity securities, or debt or equity securities of a third party;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance;
- or
- one or more indices or baskets of the items described above.

This prospectus describes some of the general terms that may apply to the notes and warrants (together, the securities) and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus.

Our common stock is listed on the New York Stock Exchange and trades under the symbol WB .

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

Neither the Securities and Exchange Commission, any state securities commission or the Commissioner of Insurance of the state of North Carolina has approved or disapproved of the securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities will be our unsecured obligations and will not be savings accounts, deposits or other obligations of any bank or non-bank subsidiary of ours and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

Wachovia may sell the securities directly or through one or more underwriters, dealers or agents, including the firm listed below, or directly to purchasers, on a delayed or continuous basis.

Wachovia may use this prospectus in the initial sale of any securities. In addition, Wachovia Capital Markets, LLC, or any other affiliate of Wachovia may use this prospectus 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 is being used in a market-making transaction.***

Wachovia Securities

This prospectus is dated March 5, 2007

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ABOUT THIS PROSPECTUS

General

This document is called a prospectus and is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf registration, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities we will provide a pricing supplement containing specific information about the terms of the securities being offered. That pricing supplement may include a discussion of any risk factors or other special considerations that apply to those securities. We may also provide you with a product supplement relating to the securities. The pricing supplement or product supplement may also add, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and any pricing supplement or any product supplement, you should rely on the information in that product supplement and pricing supplement. You should read both this prospectus, any product supplement and any pricing supplement together with additional information described under the heading **Where You Can Find More Information**.

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC web site or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

When acquiring any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and in any product supplement or any pricing supplement, including the information incorporated by reference. Neither we nor any underwriters, dealers or agents have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume that the information in this prospectus, any product supplement or any pricing supplement or any document incorporated by reference is truthful or complete at any date other than the date mentioned on the cover page of these documents.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time, which may be our affiliates. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with our agents, to reject, in whole or in part, any of those offers.

The pricing supplement will contain the names of the underwriters, brokers, dealers or agents, if any, together with the terms of offering, the compensation of those persons and the net proceeds to us. Any underwriters, brokers, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933 (the **Securities Act**).

One or more of our subsidiaries, including Wachovia Capital Markets, LLC, may buy and sell any of the securities after the securities are issued as part of their business as a broker-dealer. Those subsidiaries may use this prospectus and the related pricing supplement and any relevant product supplement in those transactions. Any sale by a subsidiary will be made at the prevailing market price at the time of sale. Wachovia Capital Markets, LLC and Wachovia Securities, LLC, another of our subsidiaries, each conduct business under the name **Wachovia Securities**. Any reference in this prospectus to **Wachovia Securities** means Wachovia Capital Markets, LLC, unless otherwise mentioned or unless the

context requires otherwise.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus to Wachovia , we , us , our or similar references mean Wachovia Corporation and its subsidiaries.

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Selling Restrictions Outside the United States

The distribution of this prospectus and the offering of the securities in certain other jurisdictions may also be restricted by law. This prospectus does not constitute an offer of, or an invitation on Wachovia's behalf or on behalf of any underwriters, dealers or agents to subscribe to or purchase, any of the securities. This prospectus may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Please refer to the section entitled "Plan of Distribution".

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. In addition, our SEC filings are available to the public at the SEC's web site at <http://www.sec.gov>. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below and any documents we file with the SEC after the date of this prospectus under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) and before the date that the offering of securities by means of this prospectus is completed (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-10000); and

Current Reports on Form 8-K dated January 23, 2007, February 13, 2007, February 15, 2007 and February 21, 2007 (File No. 001-10000).

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

Corporate Relations

Wachovia Corporation

One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288-0206

(704) 374-6782

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FORWARD-LOOKING STATEMENTS

This prospectus and applicable pricing supplements and any product supplements contain or incorporate statements that are forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These statements can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, projected, intend, or other similar words. Our actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements. These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in this prospectus, applicable pricing supplements or the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus and the pricing supplements. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. You should refer to our periodic and current reports filed with the SEC for specific risks that could cause actual results to be significantly different from those expressed or implied by these forward-looking statements. See **Where You Can Find More Information** above.

SUMMARY INFORMATION

This summary includes information that highlight selected information from this prospectus or incorporated by reference into this prospectus as described under **Where You Can Find More Information**. This prospectus does not contain all of the information that you should consider before investing in the securities. You should carefully read this prospectus together with the information incorporated by reference into this prospectus, the applicable pricing supplement and any accompanying product supplement to fully understand the terms of any particular securities being offered to you and 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 section **Risk Factors** in this prospectus and the applicable pricing supplement and any accompanying product supplement, which highlights certain risks associated with an investment in the securities, to determine whether an investment in the securities is appropriate for you.

Wachovia Corporation

Wachovia Corporation is a registered financial holding company and a bank holding company under the Bank Holding Company Act of 1956, as amended. Wachovia and its full-service banking subsidiaries provide a broad range of commercial and retail banking services, and other financial services including mortgage banking, home equity lending, leasing, investment banking, insurance and securities brokerage services.

The Securities We Are Offering

We may offer from time to time notes and warrants.

When we use the term securities in this prospectus, we mean notes and warrants, unless we say otherwise. This prospectus describes the general terms that may apply to the securities. The specific terms of any particular securities we may offer will be described in a pricing supplement and, in some cases, a product supplement to this prospectus. We refer to pricing supplements and any accompanying product supplement in this prospectus as the applicable supplements.

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Notes

Our notes may be senior or subordinated in right of payment. For any particular notes we offer, the applicable supplements will describe:

the specific designation,

the aggregate principal or face amount and the purchase price,

the stated maturity, which will be nine months or longer,

the rate and manner for calculating and the payment dates for interest, if any,

whether the notes are senior or subordinated in right of payment,

the amount or manner of calculating the amount payable at maturity and whether that amount may be paid by delivering cash, securities or other property,

the redemption terms (if any),

the terms on which the notes may be exercisable or exchangeable for the securities of any issuer other than Wachovia, if any, and

any other applicable terms.

Warrants

We may offer two types of warrants which, unless otherwise required by context in this prospectus, shall be referred to collectively as warrants :

warrants to purchase our debt securities, which debt securities may include the notes, on terms to be determined; and

warrants to purchase or sell, or whose cash value is determined by reference to the performance, price, level or value of, one or more of the following, on terms to be determined:

securities of one or more issuers, including our common stock or other equity securities, or debt or equity securities of a third party,

one or more currencies,

one or more commodities,

any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and

one or more indices or baskets of the items described above.

We refer to these two types of warrants as debt warrants and universal warrants .

For any particular warrants we offer, the applicable supplements will describe the underlying property, the expiration date, the exercise price or manner of determining the exercise price, the amount and kind (or the manner of determining the amount and kind) of property to be delivered by you or us upon exercise, and any other specific terms. We may issue the warrants under our warrant indenture or under warrant agreements between us and one or more warrant agents.

Form of Securities

We will issue the notes and, unless otherwise stated in the applicable supplements, the warrants in book-entry form through one or more depositaries, such as the Depository Trust Company, Euroclear or

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Clearstream, as named in the applicable supplements. Each sale of a security in book-entry form will settle in immediately available funds through the depository, unless otherwise stated in the applicable supplements. We will issue securities only in registered form unless the applicable supplements state otherwise.

Payment Currencies

Amounts payable in respect of the securities, including the purchase price, will be payable in U.S. dollars unless the applicable supplements state otherwise.

Listing

If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable supplements will say so.

Use of Proceeds

We intend to use the proceeds of the offerings of securities for general corporate purposes.

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RISK FACTORS

Our Credit Ratings May Not Reflect All Risks of An Investment in the Securities

The credit ratings of our medium-term note program may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, your notes. The warrants are contractual obligations of Wachovia Corporation and will rank equally with our other unsecured and unsubordinated debt and contractual obligations. In addition, real or anticipated changes in our credit ratings will generally effect any trading market for, or trading value of, your notes and your warrants.

Risks Relating to Indexed Securities

We use the term "indexed securities" to mean securities whose value is linked to an underlying property or index. Indexed securities may present a high level of risk, and those who invest in indexed securities may lose their entire investment. In addition, the treatment of indexed securities for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed security. Thus, if you propose to invest in indexed securities, you should independently evaluate the federal income tax consequences of purchasing an indexed security that apply in your particular circumstances. You should also read "United States Taxation" for a discussion of U.S. tax matters.

Investors in Indexed Securities Could Lose Their Investment

The amount of principal and/or interest payable on an indexed note, the cash value or physical settlement value of a physically settled note and the cash value or physical settlement value of an indexed warrant will be determined by reference to the performance, price, level or value of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an "index". The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on an indexed note, the cash value or physical settlement value of a physically settled note and the cash value or physical settlement value of an indexed warrant. The terms of a particular indexed note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. An indexed warrant generally will not provide for any guaranteed minimum settlement value and may expire worthless. Thus, if you purchase an indexed security, you may lose all or a portion of the principal or other amount you invest and may receive no return on your investment.

The Issuer of a Security or Currency That Serves as an Index Could Take Actions That May Adversely Affect an Indexed Security

The issuer of a security that serves as an index or part of an index for an indexed security will have no involvement in the offer and sale of the indexed security and no obligations to the holder of the indexed security. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a security indexed to that security or to an index of which that security is a component.

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If the index for an indexed security includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed security and no obligations to the holder of the indexed security. That government may take actions that could adversely affect the value of the security. See [Risks Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency](#) below for more information about these kinds of government actions.

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An Indexed Security May Be Linked to a Volatile Index, Which Could Hurt Your Investment

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The amount of principal or interest that can be expected to become payable on an indexed security or the expected settlement value of an indexed warrant may vary substantially from time to time. Because the amounts payable with respect to an indexed security are generally calculated based on the value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the indexed security may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed security.

An Index to Which a Security Is Linked Could Be Changed or Become Unavailable

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. An alteration may result in a decrease in the value of or return on an indexed security that is linked to the index. The indices for our indexed securities may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed securities.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed security may allow us to delay determining the amount payable as principal or interest on an indexed note or the settlement value of an indexed warrant, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a security linked to an index of this kind, the value of the security, or the rate of return on it, may be lower than it otherwise would be.

Some indexed securities are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed security of this kind. In addition, trading in these indices or their underlying stocks, commodities or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed securities or the rates of return on them.

We May Engage in Hedging Activities that Could Adversely Affect an Indexed Security

In order to hedge an exposure on a particular indexed security, we may, directly or through our affiliates, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for that security, or derivative instruments, such as swaps, options or futures, on the index or any of its component items. By engaging in transactions of this kind, we could adversely affect the

value of an indexed security. It is possible that we could achieve substantial returns from our hedging transactions while the value of the indexed security may decline.

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Information About Indices May Not Be Indicative of Future Performance

If we issue an indexed security, we may include historical information about the relevant index in the applicable supplements. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

We May Have Conflicts of Interest Regarding an Indexed Security

Wachovia Securities and our other affiliates may have conflicts of interest with respect to some indexed securities. Wachovia Securities and our other affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in indexed securities and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of indexed securities. We and our affiliates may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more indexed securities. By introducing competing products into the marketplace in this manner, we could adversely affect the value of an indexed security.

Wachovia Bank, National Association, Wachovia Securities or another of our affiliates may serve as calculation agent for the indexed securities and may have considerable discretion in calculating the amounts payable in respect of the securities. To the extent that Wachovia Bank, National Association, Wachovia Securities or another of our affiliates calculates or compiles a particular index, it may also have considerable discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an indexed security based on the index or the rate of return on the security.

Risks Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency

If you intend to invest in a non-U.S. dollar security e.g., a security whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Securities of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

An Investment in a Non-U.S. Dollar Security Involves Currency-Related Risks

An investment in a non-U.S. dollar security entails significant risks that are not associated with a similar investment in a security that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

Changes in Currency Exchange Rates Can Be Volatile and Unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a security denominated in, or whose value is otherwise linked to, a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of payments on the security, including the principal payable at maturity or settlement value payable upon exercise. That in turn could cause the market

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value of the security to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

Government Policy Can Adversely Affect Currency Exchange Rates and an Investment in a Non-U.S. Dollar Security

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar securities is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the specified currency for a non-U.S. dollar security or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the specified currency. These changes could affect the value of the security as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a specified currency that could affect exchange rates as well as the availability of a specified currency for a security at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

Non-U.S. Dollar Securities May Permit Us to Make Payments in U.S. Dollars or Delay Payment If We Are Unable to Obtain the Specified Currency

Securities payable in a currency other than U.S. dollars may provide that, if the other currency is subject to convertibility, transferability, market disruption or other conditions affecting its availability at or about the time when a payment on the securities comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we made payment in U.S. dollars, the exchange rate we would use would be determined in the manner described below under [Description of Notes We May Offer](#) or [Description of the Warrants We May Offer](#) under the subheading [Payment Mechanics](#) [How We Will Make Payments Due in Other Currencies](#) [When the Specified Currency Is Not Available](#). A determination of this kind may be based on limited information and would involve significant discretion on the part of our foreign exchange agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens we will be entitled to deduct these taxes from any payment on Securities payable in that currency.

We Will Not Adjust Non-U.S. Dollar Securities to Compensate for Changes in Currency Exchange Rates

Except as described above, we will not make any adjustment or change in the terms of a non-U.S. dollar security in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar or any other currency. Consequently, investors in non-U.S. dollar Securities will bear the risk that their investment may be adversely affected by these types of events.

In a Lawsuit for Payment on a Non-U.S. Dollar Security, an Investor May Bear Currency Exchange Risk

Our notes and warrants will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a security denominated in a currency

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other than U.S. dollars would be required to render the judgment in the specified currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a security denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar security in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular security is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information About Exchange Rates May Not Be Indicative of Future Performance

If we issue a non-U.S. dollar security, we may include in the applicable supplements a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular security.

WACHOVIA CORPORATION

Wachovia was incorporated under the laws of North Carolina in 1967 and is registered as a financial holding company and a bank holding company under the Bank Holding Company Act. Prior to our merger in September 2001 with the former Wachovia Corporation, Wachovia's name was First Union Corporation. Wachovia provides a wide range of commercial and retail banking and trust services through full-service banking offices in Alabama, California, Connecticut, Delaware, Florida, Georgia, Maryland, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. Wachovia also provides various other financial services, including asset and wealth management, mortgage banking, credit card, investment banking, investment advisory, home equity lending, asset-based lending, leasing, insurance, international and securities brokerage services through its subsidiaries.

Wachovia's principal executive offices are located at One Wachovia Center, Charlotte, North Carolina 28288-0013, and our telephone number is (704) 374-6565.

Since the 1985 Supreme Court decision upholding regional interstate banking legislation, Wachovia has concentrated its efforts on building a large, diversified financial services organization, primarily doing business in the eastern region of the United States. Since November 1985, Wachovia has completed over 100 banking-related acquisitions.

Wachovia continually evaluates its operations and organizational structures to ensure they are closely aligned with its goal of maximizing performance in core business lines. When consistent with overall business strategy, Wachovia may consider the disposition of certain assets, branches, subsidiaries or lines of business. While acquisitions are no longer a primary business activity, Wachovia continues to explore routinely acquisition opportunities, particularly in areas that would complement core business lines, and frequently conducts due diligence activities in connection with possible acquisitions. As a result, acquisition discussions and, in some cases, negotiations frequently take place and future acquisitions involving cash, debt or equity securities can be expected.

Wachovia is a separate and distinct legal entity from its banking and other subsidiaries. Dividends received from our subsidiaries are our principal source of funds to pay dividends on our common and preferred stock and debt service on our debt. Various federal and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

Table of Contents**USE OF PROCEEDS**

Wachovia currently intends to use the net proceeds from the sale of any security for general corporate purposes, which may include:

reducing debt;

investments at the holding company level;

investing in, or extending credit to, our operating subsidiaries;

acquisitions;

stock repurchases; and

other purposes as mentioned in any pricing supplement.

Pending such use, we may temporarily invest the net proceeds. The precise amounts and timing of the application of proceeds will depend upon our funding requirements and the availability of other funds. Except as mentioned in any pricing supplement, specific allocations of the proceeds to such purposes will not have been made at the date of that pricing supplement.

Based upon our historical and anticipated future growth and our financial needs, we may engage in additional financings of a character and amount that we determine as the need arises.

CONSOLIDATED EARNINGS RATIOS

The following table provides Wachovia's consolidated ratios of earnings to fixed charges and preferred stock dividends:

| | Years Ended December 31, | | | | |
|---|---------------------------------|-------------|-------------|-------------|-------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Consolidated Ratios of Earnings to Fixed Charges and Preferred Stock Dividends | | | | | |
| Excluding interest on deposits | 2.40x | 2.90 | 3.83 | 3.63 | 2.91 |
| Including interest on deposits | 1.66x | 1.92 | 2.37 | 2.30 | 1.79 |

For purposes of computing these ratios

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earnings represent income from continuing operations before extraordinary items and cumulative effect of a change in accounting principles, plus income taxes and fixed charges (excluding capitalized interest);

fixed charges, excluding interest on deposits, represent interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs; and

fixed charges, including interest on deposits, represent all interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs.

One-third of rents is used because it is the proportion deemed representative of the interest factor.

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REGULATORY CONSIDERATIONS

As a financial holding company and a bank holding company under the Bank Holding Company Act, the Federal Reserve Board regulates, supervises and examines Wachovia. For a discussion of the material elements of the regulatory framework applicable to financial holding companies, bank holding companies and their subsidiaries and specific information relevant to Wachovia, please refer to Wachovia's annual report on Form 10-K for the fiscal year ended December 31, 2006, and any subsequent reports we file with the SEC, which are incorporated by reference in this prospectus. This regulatory framework is intended primarily for the protection of depositors and the federal deposit insurance funds and not for the protection of security holders. As a result of this regulatory framework, Wachovia's earnings are affected by actions of the Federal Reserve Board, the Office of Comptroller of the Currency, that regulates our banking subsidiaries, the Federal Deposit Insurance Corporation, that insures the deposits of our banking subsidiaries within certain limits, and the SEC, that regulates the activities of certain subsidiaries engaged in the securities business.

Wachovia's earnings are also affected by general economic conditions, our management policies and legislative action.

In addition, there are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a material effect on Wachovia's business.

Depository institutions, like Wachovia's bank subsidiaries, are also affected by various federal laws, including those relating to consumer protection and similar matters. Wachovia also has other financial services subsidiaries regulated, supervised and examined by the Federal Reserve Board, as well as other relevant state and federal regulatory agencies and self-regulatory organizations. Wachovia's non-bank subsidiaries may be subject to other laws and regulations of the federal government or the various states in which they are authorized to do business.

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DESCRIPTION OF THE NOTES WE MAY OFFER

The following information outlines some of the provisions of the indentures and the notes. This information may not be complete in all respects, and is qualified entirely by reference to the indenture under which the notes are issued. These indentures are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. This information relates to certain terms and conditions that generally apply to the notes. The specific terms of any series of notes will be described in the applicable supplements. As you read this section, please remember that the specific terms of your note as described in the applicable supplements will supplement and, if applicable, may modify or replace the general terms described in this section. If the applicable supplements are inconsistent with this prospectus, the supplements will control with regard to your note. Thus, the statements we make in this section may not apply to your note.

General

Senior notes will be issued under an indenture, dated as of April 1, 1983, as amended and supplemented, between Wachovia and The Bank of New York (as successor in interest to JPMorgan Chase Bank, National Association), as trustee. Subordinated notes will be issued under an indenture, dated as of March 15, 1986, as amended and supplemented, between Wachovia and The Bank of New York (as successor in interest to J.P. Morgan Trust Company, National Association), as trustee. Each of the senior and the subordinated notes constitutes a single series of debt securities of Wachovia issued under the senior and the subordinated indenture, respectively. The provisions of each indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under that indenture, but also to reopen a previously issued series of debt securities and issue additional debt securities of that series. The term debt securities, as used in this prospectus, refers to all debt securities, including the notes, issued and issuable from time to time under the relevant indenture. The indentures are subject to, and governed by, the Trust Indenture Act of 1939, as amended. These indentures are more fully described below in this section. Whenever we refer to specific provisions or defined terms in one or both of the indentures, those provisions or defined terms are incorporated in this prospectus by reference. Section references used in this discussion are references to the relevant indenture. Capitalized terms which are not otherwise defined shall have the meaning given to them in the relevant indenture.

The notes will be Wachovia's direct, unsecured obligations. The notes will not be deposits or other bank obligations and will not be FDIC insured.

The notes are being offered on a continuous basis by Wachovia through one or more underwriters, as described under Plan of Distribution. The indentures do not limit the aggregate principal amount of senior or subordinated notes that we may issue. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indentures. Each note issued under this prospectus will mature nine months or more from its date of issue, as selected by the purchaser and agreed to by Wachovia and may be subject to redemption or repayment before its stated maturity. Notes may be issued at significant discounts from their principal amount due on the stated maturity (or on any prior date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at the option of Wachovia, repayment at the option of the holder or otherwise), and some notes may not bear interest. Wachovia may from time to time, without the consent of the existing holders of the relevant notes, create and issue further notes having the same terms and conditions as such notes in all respects, except for the issue date, issue price and, if applicable, the first payment of interest thereon. Additional notes issued in this manner will be consolidated with, and will form a single series with, the previously outstanding notes.

Unless we specify otherwise in the applicable supplements, currency amounts in this prospectus are expressed in United States dollars. Unless we specify otherwise in any note and the applicable supplements, the notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on

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the notes will be made in U.S. dollars. If any note is to be denominated other than exclusively in U.S. dollars, or if the principal of, premium, if any, or any interest on the note is to be paid in one or more currencies (or currency units or in amounts determined by reference to an index or indices) other than that in which that note is denominated, additional information (including authorized denominations and related exchange rate information) will be provided in the relevant pricing supplement. Unless we specify otherwise in any pricing supplement, notes denominated in U.S. dollars will be issued in denominations of \$1,000 or any integral multiple of \$1,000.

Interest rates that we offer on the notes may differ depending upon, among other factors, the aggregate principal amount of notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. We may change interest rates or formulas and other terms of notes from time to time, but no change of terms will affect any note we have previously issued or as to which we have accepted an offer to purchase.

Each note will be issued as a book-entry note in fully registered form without coupons. Each note issued in book-entry form will be represented by a global note that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable pricing supplement, The Depository Trust Company, New York, New York, will be the depository for all notes in global form. Except as discussed below under Global Notes, owners of beneficial interests in book-entry notes will not be entitled to physical delivery of notes in certificated form. We will make payments of principal of, and premium, if any, and interest, if any, on the notes through the applicable trustee to the depository for the notes. See Global Notes.

The indentures do not limit the aggregate principal amount of debt securities or of any particular series of debt securities which may be issued under the indentures and provide that these debt securities may be issued at various times in one or more series, in each case with the same or various maturities, at par or at a discount. (*Section 301*) The indentures provide that there may be more than one trustee under the indentures with respect to different series of debt securities. At December 31, 2006, \$25.1 billion aggregate principal amount of senior debt securities was outstanding under the senior indenture. The senior trustee is trustee for such series. At December 31, 2006, \$113.5 billion aggregate principal amount of subordinated debt securities was outstanding under the subordinated indenture. The subordinated trustee is trustee for such series.

The indentures do not limit the amount of other debt that Wachovia may issue and do not contain financial or similar restrictive covenants. At December 31, 2006, Wachovia had an aggregate of \$37.0 billion of short-term senior indebtedness outstanding which consisted primarily of commercial paper and other borrowed money. Wachovia expects from time to time to incur additional senior indebtedness and Other Financial Obligations (as defined below). The indentures do not prohibit or limit additional senior indebtedness or Other Financial Obligations.

Because Wachovia is a holding company and a legal entity separate and distinct from its subsidiaries, Wachovia's rights to participate in any distribution of assets of any subsidiary upon its liquidation, reorganization or otherwise, and the ability of the holders of notes to benefit indirectly from such distribution, would be subject to prior creditors' claims, except to the extent that Wachovia itself may be a creditor of that subsidiary with recognized claims. Claims on Wachovia's subsidiary banks by creditors other than Wachovia include long-term debt and substantial obligations with respect to deposit liabilities and federal funds purchased, securities sold under repurchase agreements, other short-term borrowings and various other financial obligations. The indentures do not contain any covenants designed to afford holders of notes protection in the event of a highly leveraged transaction involving Wachovia. Accordingly, Wachovia's obligations under the notes will be effectively subordinated to all existing and future indebtedness and liabilities of Wachovia's subsidiaries, including liabilities under bank products issued by Wachovia's banking subsidiaries, and an investor in notes should look only to Wachovia's assets for payment thereunder.

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Legal Ownership

Street Name and Other Indirect Holders

Investors who hold their notes in accounts at banks or brokers will generally not be recognized by us as legal holders of notes. This is called holding in street name. Instead, we would recognize only the bank or broker, or the financial institution the bank or broker uses to hold its notes. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the notes, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold your notes in street name, you should check with your own institution to find out:

how it handles note payments and notices;

whether it imposes fees or charges;

how it would handle voting if it were ever required;

whether and how you can instruct it to send you notes registered in your own name so you can be a direct holder as described below; and

how it would pursue rights under the notes if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, under the notes run only to persons who are registered as holders of notes. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold your notes in that manner or because the notes are issued in the form of global securities as described below. For example, once we make payment to the registered holder we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Notes

A global note is a special type of indirectly held security, as described above under *Street Name and Other Indirect Holders*. If we choose to issue notes in the form of global notes, the ultimate beneficial owners of global notes can only be indirect holders. We require that the global note be registered in the name of a financial institution we select.

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We also require that the notes included in the global note not be transferred to the name of any other direct holder except in the special circumstances described in the section *Global Securities* . The financial institution that acts as the sole direct holder of the global note is called the depositary. Any person wishing to own a global note must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary. The applicable supplements indicate whether your series of notes will be issued only in the form of global notes.

Further details of legal ownership are discussed in the section *Global Securities* below.

*In the remainder of this description you or holder means direct holders and not street name or other indirect holders of notes. Indirect holders should read the previous subsection titled *Street Name and Other Indirect Holders* .*

Types of Notes

We may issue the four types of notes described below. A note may have elements of each of the four types of notes described below. For example, a note may bear interest at a fixed rate for some periods and at a

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floating rate in others. Similarly, a note may provide for a payment of principal at maturity linked to an index and bear interest at a fixed or floating rate:

Fixed Rate Notes. A note of this type will bear interest at a fixed rate described in the applicable pricing supplement. This type includes zero-coupon notes, which bear no interest and are instead issued at a price lower than the principal amount.

Floating Rate Notes. A note of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in **Interest Rates Floating Rate Notes**. If your note is a floating rate note, the formula and any adjustments that apply to the interest rate will be specified in the applicable supplements.

Indexed Notes. A note of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

one or more securities;

one or more currencies;

one or more commodities;

any other financial, economic or other measures or instruments, including the occurrence or non-occurrence of any event or circumstance; and/or

one or more indices or baskets of any of these items.

If you are a holder of an indexed note, you may receive a principal amount at maturity that is greater than or less than the face amount of your note depending upon the formula used to determine the amount payable and the value of the applicable property or index at maturity. That value may fluctuate over time. If you purchase an indexed note the applicable supplements will include information about the relevant property or index and about how amounts that are to become payable will be determined by reference to that property or index. Before you purchase any indexed note, you should read carefully the section entitled **Risk Factors Risks Relating to Indexed Securities** above and the discussion of risks in the applicable supplements.

Exchangeable Notes. We may issue notes, which we refer to as **exchangeable notes**, that are exchangeable, at our option or the option of the holder, into securities of an issuer other than Wachovia or into other property. The exchangeable notes may or may not bear interest or be issued with original issue discount or at a premium. The general terms of the exchangeable notes are described below.

Optionally Exchangeable Notes. The holder of an optionally exchangeable note may, during a period, or at specific times, exchange the note for the underlying property at a specified rate of exchange. If specified in the applicable supplements, we will have the option to redeem the optionally exchangeable note prior to maturity. If the holder of an optionally exchangeable note does not elect to exchange the note prior to maturity or any redemption date, the holder will receive the principal amount of the note plus any accrued interest at maturity or upon redemption.

Mandatorily Exchangeable Notes. At maturity, the holder of a mandatorily exchangeable note must exchange the note for the underlying property at a specified rate of exchange, and, therefore, depending upon the value of the underlying property at maturity, the holder of a mandatorily exchangeable note may receive less than the principal amount of the note at maturity. If so indicated in the applicable supplements, the specified rate at which a mandatorily exchangeable note may be exchanged may vary depending on the value of the underlying property so that, upon exchange, the holder participates in a percentage, which may be less than, equal to, or greater than 100% of the change in value of the underlying property. Mandatorily exchangeable notes may include notes where we have the right, but not the obligation, to require holders of notes to exchange their notes for the underlying property.

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Payments upon Exchange. The applicable supplements will specify if upon exchange, at maturity or otherwise, the holder of an exchangeable note may receive, at the specified exchange rate, either the underlying property or the cash value of the underlying property. The underlying property may be the securities of either U.S. or foreign entities or both. The exchangeable notes may or may not provide for protection against fluctuations in the exchange rate between the currency in which that note is denominated and the currency or currencies in which the market prices of the underlying security or securities are quoted. Exchangeable notes may have other terms, which will be specified in the applicable supplements.

Special Requirements for Exchange of Global Securities. If an optionally exchangeable note is represented by a global security, the depositary's nominee will be the holder of that note and therefore will be the only entity that can exercise a right to exchange. In order to ensure that the depositary's nominee will timely exercise a right to exchange a particular note or any portion of a particular note, the beneficial owner of the note must instruct the broker or other direct or indirect participant through which it holds an interest in that note to notify the depositary of its desire to exercise a right to exchange. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other participant through which it holds an interest in a note in order to ascertain the deadline for ensuring that timely notice will be delivered to the depositary.

Payments upon Acceleration of Maturity or upon Tax Redemption. If the principal amount payable at maturity of any exchangeable note is declared due and payable prior to maturity, the amount payable on:

an optionally exchangeable note will equal the face amount of the note plus accrued interest, if any, to but excluding the date of payment, except that if a holder has exchanged an optionally exchangeable note prior to the date of declaration or tax redemption without having received the amount due upon exchange, the amount payable will be an amount of cash equal to the amount due upon exchange and will not include any accrued but unpaid interest; and

a mandatorily exchangeable note will equal an amount determined as if the date of declaration or tax redemption were the maturity date plus accrued interest, if any, to but excluding the date of payment.

Original Issue Discount Notes

A fixed rate note, a floating rate note or an indexed note may be an original issue discount note. A note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount note may be a zero coupon note. A note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount note, regardless of the amount payable upon redemption or acceleration of maturity. See United States Taxation below for a brief description of the U.S. federal income tax consequences of owning an original issue discount note.

Information in the Supplements

The applicable supplements will describe one or more of the following terms of your note:

whether it is a senior note or a subordinated note;

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any limit on the total principal amount of the notes of the same series or class;

the stated maturity;

the specified currency or currencies for principal and interest, if not U.S. dollars;

the price at which we originally issue your note, expressed as a percentage of the principal amount, and the original issue date;

whether your note is a fixed rate note, a floating rate note, an indexed note or an exchangeable note;

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if your note is a fixed rate note, the yearly rate at which your note will bear interest, if any, and the interest payment dates;

if your note is a floating rate note, the interest rate basis, which may be one of the nine interest rate bases described in [Interest Rates Floating Rate Notes](#) below; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; and the interest reset, determination, calculation and payment dates, the day count used to calculate interest payments for any period; and the calculation agent, all of which we describe under [Interest Rates Floating Rate Notes](#) below;

if your note is an indexed note, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and whether your note will be exchangeable for or payable in cash, securities of an issuer other than Wachovia or other property;

if your note is an exchangeable note, the securities or property for which the notes may be exchanged, whether the notes are exchangeable at your option or at Wachovia's option, and the other items described in [Exchangeable Notes](#) above;

if your note is an original issue discount note, the yield to maturity;

if applicable, the circumstances under which your note may be redeemed at our option before the stated maturity, including any redemption commencement date, redemption price(s) and redemption period(s);

if applicable, the circumstances under which you may demand repayment of your note before the stated maturity, including any repayment commencement date, repayment price(s) and repayment period(s);

the authorized denominations, if other than \$1,000 and integral multiples of \$1,000;

any special United States federal income tax consequences of the purchase, ownership or disposition of a particular issuance of notes;

the use of proceeds, if materially different than those discussed in this prospectus; and

any other terms of your note, which could be different from those described in this prospectus.

Market-Making Transactions. If you purchase your note in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which Wachovia Securities or another of our affiliates resells a note that it has previously acquired from another holder. A market-making transaction in a particular note occurs after the original issuance and sale of the note.

Redemption at the Option of Wachovia; No Sinking Fund

If an initial redemption date is specified in the applicable pricing supplement, we may redeem the particular notes prior to their stated maturity date at our option on any date on or after that initial redemption date in whole or from time to time in part in increments of \$1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least \$1,000 or other minimum authorized denomination applicable thereto), at the applicable redemption price (as defined below), together with unpaid interest accrued thereon to the date of redemption. We must give written notice to registered holders of the

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particular notes to be redeemed at our option not more than 60 nor less than 30 calendar days prior to the date of redemption. Redemption price , with respect to a note, means an amount equal to the initial redemption percentage specified in the applicable supplement (as adjusted by the annual redemption percentage reduction, if applicable) multiplied by the unpaid principal amount thereof to be redeemed. The initial redemption percentage, if any, applicable to a note shall decline at each anniversary of the initial redemption date by an

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amount equal to the applicable annual redemption percentage reduction, if any, until the redemption price is equal to 100% of the unpaid principal amount thereof to be redeemed.

The notes will not be subject to, or entitled to the benefit of, any sinking fund.

Repayment at the Option of the Holder

If one or more optional repayment dates are specified in the applicable pricing supplement, registered holders of the particular notes may require us to repay those notes prior to their stated maturity date on any optional repayment date in whole or from time to time in part in increments of \$1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least \$1,000 or other minimum authorized denomination applicable thereto), at a repayment price equal to 100% of the unpaid principal amount thereof to be repaid, together with unpaid interest accrued thereon to the date of repayment. A registered holder's exercise of the repayment option will be irrevocable.

For any note to be repaid, the applicable trustee must receive, at its corporate trust office in the Borough of Manhattan, The City of New York, not more than 60 nor less than 30 calendar days prior to the date of repayment, the particular notes to be repaid and, in the case of a book-entry note, repayment instructions from the applicable beneficial owner (as defined below) to the depository and forwarded by the depository.

Only the depository may exercise the repayment option in respect of global notes representing book-entry notes. Accordingly, beneficial owners of global notes that desire to have all or any portion of the book-entry notes represented thereby repaid must instruct the participant (as defined below) through which they own their interest to direct the depository to exercise the repayment option on their behalf by forwarding the repayment instructions to the applicable trustee as aforesaid. In order to ensure that these instructions are received by the applicable trustee on a particular day, the applicable beneficial owner must so instruct the participant through which it owns its interest before that participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners should consult their participants for the respective deadlines. All instructions given to participants from beneficial owners of global notes relating to the option to elect repayment shall be irrevocable. In addition, at the time repayment instructions are given, each beneficial owner shall cause the participant through which it owns its interest to transfer the beneficial owner's interest in the global note representing the related book-entry notes, on the depository's records, to the applicable trustee. See Global Notes.

If applicable, we will comply with the requirements of Section 14(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules promulgated thereunder, and any other securities laws or regulations in connection with any repayment of notes at the option of the registered holders thereof.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the applicable trustee for cancellation.

Interest

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Each interest-bearing note will bear interest from its date of issue at the rate per annum, in the case of a fixed rate note, or pursuant to the interest rate formula, in the case of a floating rate note, in each case as specified in the applicable pricing supplement, until the principal thereof is paid. We will make interest payments in respect of fixed rate notes and floating rate notes in an amount equal to the interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or from and including the date of issue, if no interest has been paid, to but excluding the applicable interest payment date or the maturity date, as the case may be (each, an interest period).

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Interest on fixed rate notes and floating rate notes will be payable in arrears on each interest payment date and on the maturity date. The first payment of interest on any note originally issued between a regular record date and the related interest payment date will be made on the interest payment date immediately following the next succeeding record date to the registered holder on the next succeeding record date. The regular record date shall be the fifteenth calendar day, whether or not a business day, immediately preceding the related interest payment date. Business Day is defined below under Interest Rates Special Rate Calculation Terms. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

Interest Rates

This subsection describes the different kinds of interest rates that may apply to your note, if it bears interest.

Fixed Rate Not 0in;width:6.0%;">

Balance, March 31, 2010

107,058

\$

10,706

\$

185,349

\$

2,514,320

\$

112,255

1,342

\$

(27,835

)

\$

2,794,795

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms the Company, we, us and our in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and applicable rules and regulations of the Securities and Exchange Commission (the Commission) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by accounting principles generally accepted in the United States for complete financial statements and, therefore should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2009 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management, all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

The adoption of the guidance contained in Accounting Standards Codification (ASC) 260-10-45, *Earnings per Share*, discussed below in Note 2 changed the calculation of basic earnings per share requiring restricted stock grants that have previously been included in our diluted weighted-average shares to be included in basic weighted-average shares. Earnings per share for the three and six months ended March 31, 2009 has been recalculated to conform to the current year presentation.

As more fully described in our 2009 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed term, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met.

2. Earnings per Share

Effective October 1, 2009, we adopted the guidance contained in ASC 260-10-45, *Earnings per Share*. ASC 260-10-45 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in ASC 260-10-45. ASC 260-10-45 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant restricted stock grants to employees and non-employee directors that contain non-forfeitable rights to dividend. Such grants are considered participating securities under ASC 260-10-45. As such, we are required to include these grants in the calculation of our basic earnings per share and will need to calculate basic earnings per share using the two-class method. Restricted stock grants have previously been included in our dilutive earnings per share calculation using the treasury stock method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Since the adoption of ASC 260-10-45 is to be applied

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

retrospectively, the earnings per share for the prior period have been recalculated to conform to the current year presentation. As a result, the number of shares used to compute earnings per share changed. For the three and six months ended March 31, 2009, basic earnings per share was reduced \$0.01 from previously disclosed amounts. For the three and six months ended March 31, 2009, diluted earnings per share was not impacted by the adoption.

Basic net income per share is computed utilizing the two-class method and is calculated based on weighted-average number of common shares outstanding during the periods presented.

Diluted net income per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---------------------------------|------------|-------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Numerator: | | | | |
| Net income | \$ 46,747 | \$ 103,738 | \$ 109,982 | \$ 249,013 |
| Earnings allocated to unvested shareholders | (127) | (174) | (267) | (454) |
| Numerator for basic earnings per share | 46,620 | 103,564 | 109,715 | 248,559 |
| Effect of reallocating undistributed earnings of unvested shareholders | 2 | 1 | 4 | 4 |
| Numerator for diluted earnings per share | \$ 46,622 | \$ 103,565 | \$ 109,719 | \$ 248,563 |
| Denominator: | | | | |
| Denominator for basic earnings per share - weighted-average shares | 105,711 | 105,317 | 105,642 | 105,283 |
| Effect of dilutive shares from stock options and restricted stock | 1,773 | 880 | 1,707 | 996 |
| Denominator for diluted earnings per share - adjusted weighted-average shares | 107,484 | 106,197 | 107,349 | 106,279 |
| Earnings per common shares: | | | | |
| Basic | \$ 0.44 | \$ 0.98 | \$ 1.04 | \$ 2.36 |
| Diluted | \$ 0.43 | \$ 0.98 | \$ 1.02 | \$ 2.34 |

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The following shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per shares because their inclusion would have been anti-dilutive (in thousands, except per share amounts):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--|---------------------------------|----------|-------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| Shares excluded from calculation of diluted earnings per share | 556 | 2,705 | 570 | 1,869 |
| Weighted-average price per share | \$ 38.02 | \$ 27.89 | \$ 38.02 | \$ 30.95 |

3. Operations and Risks in Venezuela

We continue to record revenue in Venezuela as cash is collected from Petroleos de Venezuela, S.A. (PDVSA) as more fully described in Note 14 of the Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal year ended September 30, 2009. As adjusted for the January 2010 currency devaluation discussed below, the amount of revenue that has not been recognized since the end of the first quarter of fiscal 2009 and will be recognized upon collection is approximately \$39.5 million. Revenue to be recognized will be offset by approximately 14 percent of associated expenses. During the second quarter of fiscal 2010, we received approximately \$6.3 million (U.S. dollars and U.S. currency equivalent). Approximately 55 percent of this amount corresponded to accounts receivable at the end of the first quarter of fiscal 2009 and the remainder to invoices issued for work performed after the first quarter of fiscal 2009. At March 31, 2010, the Consolidated Condensed Balance Sheet includes accounts receivable from PDVSA of \$8.4 million adjusted for the January 2010 currency devaluation discussed below. We do not have enough information to conclude that this remaining receivable balance is not probable of collection. However, there continues to be uncertainty regarding the timing of the collection due to the current political, economic and social instability in Venezuela, the dependence by Venezuela on oil to largely support its economy and the failure of PDVSA to pay many service companies working in Venezuela. We proactively continue efforts to collect unpaid invoice amounts. Subsequent to the quarter ended March 31, 2010, payments from PDVSA reduced the accounts receivable balance by approximately \$3.1 million (U.S. currency equivalent) and resulted in approximately \$1.2 million revenue which will be recognized during the third quarter of fiscal 2010.

At March 31, 2010, all eleven rigs that formerly worked for PDVSA in Venezuela were idle. We continue to pursue future drilling opportunities for these eleven rigs but we do not expect to commit to new contracts until additional progress is made on pending receivable collections and on conversion of local currency to U.S. dollars. At March 31, 2010, the net book value of long-lived assets in Venezuela was \$67.4 million.

In addition to the outstanding accounts receivable above, PDVSA has unilaterally paid U.S. dollar invoices in bolivar fuerte (Bsf) which increases our exposure to foreign currency devaluation. We have provided all supporting documentation to PDVSA and await approval from them to exchange those payments to U.S. dollars. The approval and subsequent payment would result in reducing the foreign currency exposure. We are unable to determine when payment will be received.

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On January 8, 2010, the Venezuelan government devalued its currency and established a two-tier exchange structure. The official exchange rate has been devalued from 2.15 Bsf to each U.S. dollar to 4.30 for non-essential goods and services and to 2.60 for essential goods. Our drilling services fall into the non-essential classification. As a result of the devaluation, we recorded an exchange loss of approximately \$19.7 million in operating costs during the second quarter of fiscal 2010.

We have, since July 22, 2008, had an outstanding application with the Venezuelan government requesting approval to convert Bsf cash balances to U.S. dollars. When and if we receive approval from the Venezuelan government, our Venezuelan subsidiary will remit approximately \$14.2 million, adjusted for the January 2010 currency devaluation, as a dividend to its U.S. based parent as cash balances permit. While we have been successful in the past in obtaining government approval for conversion of Bsf to U.S. dollars, there is no guarantee that future conversion to U.S. dollars will be permitted. In the event that conversion to U.S. dollars would be prohibited, then Bsf cash balances could increase and we would be exposed to increased risk of devaluation.

Readers should refer to Note 15 of these Consolidated Condensed Financial Statements for additional information related to risk factors in international operations.

4. Inventories

Inventories consist primarily of replacement parts and supplies held for use in our drilling operations.

5. Financial Instruments and Fair Value Measurement

The estimated fair value of our available-for-sale securities is primarily based on market quotes. The following is a summary of available-for-sale securities, which excludes investments in limited partnerships carried at cost and assets held in a Non-qualified Supplemental Savings Plan:

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|----------------------------|----------------|------------------------------|-------------------------------|----------------------------|
| | (in thousands) | | | |
| Equity securities 03/31/10 | \$ 129,183 | \$ 209,255 | \$ | \$ 338,438 |
| Equity securities 09/30/09 | \$ 129,183 | \$ 210,640 | \$ | \$ 339,823 |

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On an on-going basis, we evaluate the marketable equity securities to determine if a decline in fair market is other-than-temporary. If a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. We had no sales of marketable equity available-for-sale securities during the first six months of fiscal 2010 and 2009.

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Investments in limited partnerships carried at cost were approximately \$12.4 million at March 31, 2010 and September 30, 2009. The estimated fair value of the limited partnerships was \$20.7 million and \$19.7 million at March 31, 2010 and September 30, 2009, respectively. The estimated fair value exceeded the cost of investments at March 31, 2010 and September 30, 2009 and, as such, the investments were not impaired.

Assets held in the Non-qualified Supplemental Savings Plan are carried at fair market value which totaled \$4.8 million at March 31, 2010 and \$4.2 million at September 30, 2009, respectively.

The majority of cash equivalents are invested in taxable and non-taxable money-market mutual funds. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

During the second quarter of fiscal 2010, a \$12.5 million bank certificate of deposit with an original maturity greater than three months matured. Interest earned is included in interest and dividend income on the Consolidated Condensed Statement of Income.

On October 1, 2009, we implemented the previously deferred provisions of ASC 820, *Fair Value Measurements and Disclosures*, for nonfinancial assets and liabilities recorded at fair value, as required. Additionally, we adopted Accounting Standards Update No. 2009-05, *Measuring Liabilities at Fair Value* (ASU 2009-05), which provided amendments to ASC 820 for the fair value measurements of liabilities when a quoted price in an active market is not available. On December 15, 2009, we adopted the disclosure requirements in ASU 2009-06, *Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements*, requiring that information be provided about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy discussed below. The adoption of these pronouncements had no impact on these Consolidated Condensed Financial Statements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

- Level 1 - Observable inputs that reflect quoted prices in active markets for identical assets or liabilities in active markets.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for

substantially the full term of the assets or liabilities.

- Level 3 - Valuations based on inputs that are unobservable and not corroborated by market data.

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At March 31, 2010, our financial instruments utilizing Level 1 inputs include cash equivalents, equity securities with active markets, and money market funds we have elected to classify as restricted assets that are included in other current assets and other assets. For these items, quoted current market prices are readily available.

At March 31, 2010, financial instruments utilizing level 2 inputs include bank certificates of deposit included in other current assets.

Currently, we do not have any financial instruments utilizing Level 3 inputs.

The following table summarizes our assets measured at fair value on a recurring basis presented in our Consolidated Condensed Balance Sheet as of March 31, 2010:

| | Total Measure at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------------|---|---|---|--|
| (in thousands) | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 125,712 | \$ 125,712 | \$ | \$ |
| Equity securities | 338,438 | 338,438 | | |
| Other current assets | 11,495 | 11,245 | 250 | |
| Other assets | 2,000 | 2,000 | | |
| Total assets measured at fair value | \$ 477,645 | \$ 477,395 | \$ 250 | \$ |

The following information presents the supplemental fair value information about long-term fixed-rate debt at March 31, 2010 and September 30, 2009:

| | March 31, 2010 | September 30, 2009 |
|---|-------------------|-----------------------|
| (in thousands) | | |
| Carrying value of long-term fixed-rate debt | \$ 350.0 | \$ 350.0 |

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| | | | | |
|---|----|-------|----|-------|
| Fair value of long-term fixed-rate debt | \$ | 375.0 | \$ | 380.9 |
|---|----|-------|----|-------|

The fair value for fixed-rate debt was estimated using discounted cash flows and interest rates currently being offered on credits with similar maturities and credit profiles. The outstanding line of credit and short-term debt bear interest at market rates and the cost of borrowings, if any, would approximate fair value.

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6. Comprehensive Income

Comprehensive income, net of related income taxes, is as follows (in thousands):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---------------------------------------|---------------------------------|------------|-------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net Income | \$ 46,747 | \$ 103,738 | \$ 109,982 | \$ 249,013 |
| Other comprehensive income: | | | | |
| Unrealized depreciation on securities | (11,337) | (1,654) | (1,385) | (36,252) |
| Income taxes | 4,251 | 628 | 519 | 13,775 |
| | (7,086) | (1,026) | (866) | (22,477) |
| Minimum pension liability adjustments | 536 | | 1,072 | |
| Income taxes | (200) | | (402) | |
| | 336 | | 670 | |
| Total comprehensive income | \$ 39,997 | \$ 102,712 | \$ 109,786 | \$ 226,536 |

The components of accumulated other comprehensive income, net of related income taxes, are as follows (in thousands):

| | March 31, 2010 | September 30, 2009 |
|--|-------------------|-----------------------|
| Unrealized appreciation on securities | \$ 129,731 | \$ 130,597 |
| Unrecognized actuarial loss and prior service cost | (17,476) | (18,146) |
| Accumulated other comprehensive income | \$ 112,255 | \$ 112,451 |

7. Derivative Financial Instruments

We are exposed to market risk in the normal course of business operations due to ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. ASC 815, *Derivatives and Hedging*, requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We have not historically entered into derivative financial instruments for trading purposes or for speculation. For further information regarding our disclosures of an interest rate swap that expired in January 2010, refer to Note 10, Debt of these Consolidated Condensed Financial Statements.

8. Cash Dividends

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The \$0.05 cash dividend declared December 1, 2009, was paid March 1, 2010. On March 3, 2010, a cash dividend of \$0.05 per share was declared for shareholders of record on May 14, 2010, payable June 1, 2010. The dividend payable is included in accounts payable in the Consolidated Condensed Balance Sheet.

9. Stock-Based Compensation

We have one plan providing for common-stock based awards to employees and to non-employee Directors. The plan permits the granting of various types of awards including stock options and restricted stock. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant. Stock options expire ten years after the grant date.

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Vesting requirements are determined by the Human Resources Committee of our Board of Directors. Readers should refer to Note 5 of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 for additional information related to stock-based compensation.

We use the Black-Scholes formula to estimate the value of stock options granted. The fair value of the options is amortized to compensation expense on a straight-line basis over the requisite service periods of the stock awards, which are generally the vesting periods. We have the right to satisfy option exercises from treasury shares and from authorized but unissued shares.

On December 1, 2009, the plan was amended to provide for continued vesting (and accelerated vesting upon death) of restricted stock and stock options effective upon a participant becoming retirement eligible. A participant meets the definition of retirement eligible if the participant attains age 55 and has 15 or more years of continuous service as a full-time employee. The plan amendments apply retroactively. As a result of the continued vesting provisions, we incurred additional compensation cost of approximately \$4.9 million for the six months ended March 31, 2010.

A summary of compensation cost for stock-based payment arrangements recognized in general and administrative expense is as follows (in thousands):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|----------------------|---------------------------------|----------|-------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| Compensation expense | | | | |
| Stock options | \$ 1,912 | \$ 1,677 | \$ 7,588 | \$ 3,514 |
| Restricted stock | 1,005 | 361 | 2,337 | 724 |
| | \$ 2,917 | \$ 2,038 | \$ 9,925 | \$ 4,238 |

STOCK OPTIONS

The following summarizes the weighted-average assumptions utilized in determining the fair value of options granted during the six months ended March 31, 2010 and 2009:

| | 2010 | 2009 |
|---------------------------|-------|-------|
| Risk-free interest rate | 2.3% | 1.7% |
| Expected stock volatility | 49.9% | 43.4% |
| Dividend yield | .5% | .9% |

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| | | |
|--------------------------|-----|-----|
| Expected term (in years) | 5.8 | 5.8 |
|--------------------------|-----|-----|

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury securities for the expected term of the option.

Expected Volatility Rate. Expected volatility is based on the daily closing price of our stock based upon historical experience over a period which approximates the expected term of the option.

Dividend Yield. The expected dividend yield is based on our current dividend yield.

Expected Term. The expected term of the options granted represents the period of time that they are expected to be outstanding. We estimate the expected term of options granted based on historical experience with grants and exercises.

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A summary of stock option activity under the Plan for the three and six months ended March 31, 2010 is presented in the following tables:

| Options | Shares (in thousands) | Three Months Ended March 31, 2010 | | |
|---|--------------------------|---------------------------------------|--|--|
| | | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (in millions) |
| Outstanding at January 1, 2010 | 5,788 | \$ 22.56 | | |
| Granted | | | | |
| Exercised | (43) | 21.73 | | |
| Forfeited/Expired | | | | |
| Outstanding at March 31, 2010 | 5,745 | \$ 22.56 | 5.7 | \$ 89.1 |
| Vested and expected to vest at March 31, 2010 | 5,677 | \$ 22.45 | 5.6 | \$ 88.7 |
| Exercisable at March 31, 2010 | 4,059 | \$ 19.44 | 4.5 | \$ 75.7 |

| Options | Shares (in thousands) | Six Months Ended March 31, 2010 | |
|--------------------------------|--------------------------|---------------------------------------|--|
| | | Weighted-Average Exercise Price | |
| Outstanding at October 1, 2009 | 5,401 | \$ 20.55 | |
| Granted | 570 | 38.02 | |
| Exercised | (226) | 13.42 | |
| Forfeited/Expired | | | |
| Outstanding at March 31, 2010 | 5,745 | \$ 22.56 | |

The weighted-average fair value of options granted in the first quarter of fiscal 2010 was \$17.64. No options were granted in the second quarter of fiscal 2010.

The total intrinsic value of options exercised during the three and six months ended March 31, 2010 was \$1.0 million and \$6.5 million, respectively.

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As of March 31, 2010, the unrecognized compensation cost related to the stock options was \$13.8 million. That cost is expected to be recognized over a weighted-average period of 3.0 years.

RESTRICTED STOCK

Restricted stock grants consist of our common stock and are time vested over three to five years. Compensation expense is recognized on a straight-line basis over the vesting period. The fair value of restricted stock awards is determined based on the closing trading price of our shares on the grant date.

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A summary of the status of the Company's restricted stock awards as of March 31, 2010 and changes during the six months then ended is presented below:

| Restricted Stock Awards | Shares (in thousands) | Six Months Ended March 31, 2010 | |
|-------------------------|--------------------------|------------------------------------|--|
| | | | Weighted- Average Grant-Date Fair Value |
| Unvested at October 1, | 177 | \$ | 30.06 |
| Granted | 182 | | 38.02 |
| Vested | (70) | | 29.36 |
| Forfeited | | | |
| Unvested at March 31, | 289 | \$ | 35.23 |

As of March 31, 2010, there was \$6.8 million of total unrecognized compensation cost related to restricted stock granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.2 years.

10. Debt

At March 31, 2010 and September 30, 2009, we had the following unsecured long-term debt outstanding (in thousands):

| | March 31, 2010 | September 30, 2009 |
|---|-------------------|-----------------------|
| Unsecured intermediate debt issued August 15, 2002: | | |
| Series C, due August 15, 2012, 6.46% | \$ 75,000 | \$ 75,000 |
| Series D, due August 15, 2014, 6.56% | 75,000 | 75,000 |
| Unsecured senior notes issued July 21, 2009: | | |
| Due July 21, 2012, 6.10% | 40,000 | 40,000 |
| Due July 21, 2013, 6.10% | 40,000 | 40,000 |
| Due July 21, 2014, 6.10% | 40,000 | 40,000 |
| Due July 21, 2015, 6.10% | 40,000 | 40,000 |
| Due July 21, 2016, 6.10% | 40,000 | 40,000 |
| Unsecured senior credit facility due December 18, 2011, .58%-.59% | 90,000 | 70,000 |
| | \$ 440,000 | \$ 420,000 |

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| | | | | |
|---|----|---------|----|---------|
| Less long-term debt due within one year | | | | |
| Long-term debt | \$ | 440,000 | \$ | 420,000 |

The terms of the fixed rate debt obligations require that we maintain a minimum ratio of debt to total capitalization.

We have \$200 million senior unsecured fixed-rate notes that mature over a period from July 2012 to July 2016. Interest on the notes will be paid semi-annually based on an annual rate of 6.10 percent. We will make five equal annual principal repayments of \$40 million starting on the third anniversary of the closing date. Financial covenants require us to maintain a funded leverage ratio of less than 55 percent and an interest coverage ratio (as defined) of not less than 2.50 to 1.00. The note purchase agreement also contains additional terms, conditions, and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality.

We have an agreement with a multi-bank syndicate for a \$400 million senior unsecured credit facility maturing December 2011. While we have the option to borrow at the prime rate for maturities of less than 30 days, we anticipate that

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the majority of all of the borrowings over the life of the facility will accrue interest at a spread over the London Interbank Bank Offered Rate (LIBOR). We pay a commitment fee based on the unused balance of the facility. The spread over LIBOR as well as the commitment fee is determined according to a scale based on a ratio of our total debt to total capitalization. The LIBOR spread ranges from .30 percent to .45 percent over LIBOR depending on the ratios. At March 31, 2010, the LIBOR spread on borrowings was .35 percent and the commitment fee was .075 percent per annum. At March 31, 2010, we had two letters of credit totaling \$21.9 million under the facility and had \$90 million borrowed against the facility with \$288.1 million available to borrow. The advances bore interest at an average rate of 0.59 percent at March 31, 2010. On January 19, 2010, we borrowed \$75 million that was used to pay the \$105 million unsecured line discussed below. Subsequent to March 31, 2010, we repaid \$30 million and currently have \$318.1 million available to borrow.

Financial covenants in the facility require we maintain a funded leverage ratio (as defined) of less than 50 percent and an interest coverage ratio (as defined) of not less than 3.00 to 1.00. The facility contains additional terms, conditions, and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality. At March 31, 2010, we were in compliance with all debt covenants.

In January 2010, a \$105 million unsecured line of credit that matured was paid in full using operating cash flow and borrowings under the \$400 million facility. At the same time, an interest rate swap with the same maturity and a notional amount of \$105 million expired.

11. Income Taxes

Our effective tax rate for the first six months of fiscal 2010 and 2009 was 36.6 percent and 40.8 percent, respectively. The Company's effective tax rate for the three months ended March 31, 2010 and 2009 was 37.9 percent and 45.6 percent, respectively. The effective rate differs from the U.S. federal statutory rate of 35.0 percent primarily due to state and foreign taxes.

It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months; however, we do not expect the change to have a material effect on results of operations or financial position.

12. Contingent Liabilities and Commitments

In conjunction with our current drilling rig construction program, purchase commitments for equipment, parts and supplies of approximately \$25.0 million are outstanding at March 31, 2010.

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A lawsuit has been filed against us by a former customer for whom we performed drilling services with five rigs under term drilling contracts. The suit alleges, among other things, that we failed to perform drilling operations in accordance with good oilfield practice, breached express performance warranties, and made certain fraudulent representations regarding drilling performance. As a consequence, Plaintiff has prayed for actual and punitive damages.

We have and will continue to vigorously defend this lawsuit, but the outcome remains uncertain. If we are unsuccessful in this litigation, then the amount of damages awarded could have a material adverse effect on our financial condition and results of operations.

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Various other legal actions, the majority of which arise in the ordinary course of business, are pending. We maintain insurance against certain business risks subject to certain deductibles. None of these legal actions are expected to have a material adverse effect on our financial condition, cash flows or results of operations.

We are contingently liable to sureties in respect of bonds issued by the sureties in connection with certain commitments entered into by us in the normal course of business. We have agreed to indemnify the sureties for any payments made by them in respect of such bonds.

13. Segment Information

We operate principally in the contract drilling industry. Our contract drilling business includes the following reportable operating segments: U.S. Land, Offshore, and International Land. The contract drilling operations consist mainly of contracting Company-owned drilling equipment primarily to large oil and gas exploration companies. Our primary international areas of operation include Colombia, Ecuador, Argentina, Mexico, Venezuela, Tunisia and other South American countries. The International Land operations have similar services, have similar types of customers, operate in a consistent manner and have similar economic and regulatory characteristics. Therefore, we have aggregated our International Land operations into one reportable segment. Each reportable segment is a strategic business unit which is managed separately. Other includes non-reportable operating segments.

We evaluate segment performance based on income or loss from operations (segment operating income) before income taxes which includes:

- revenues from external and internal customers
- direct operating costs
- depreciation and
- allocated general and administrative costs

but excludes corporate costs for other depreciation, income from asset sales and other corporate income and expense.

General and administrative costs are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, on other methods which we believe to be a reasonable reflection of the utilization of services provided.

Segment operating income is a non-GAAP financial measure of our performance, as it excludes general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. We consider segment operating income to be an important supplemental measure of operating performance by presenting trends in our core businesses. We use this measure to facilitate period-to-period comparisons in operating performance of our reportable segments in the aggregate by eliminating items that affect comparability between periods.

We believe that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect our operating performance in future periods.

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Summarized financial information of our reportable segments for the six months ended March 31, 2010, and 2009, is shown in the following tables:

| (in thousands) | External Sales | Inter-Segment | Total Sales | Segment Operating Income (Loss) |
|-----------------------|----------------|---------------|-------------|---------------------------------|
| March 31, 2010 | | | | |
| Contract Drilling: | | | | |
| U.S. Land | \$ 609,508 | \$ | \$ 609,508 | \$ 182,246 |
| Offshore | 100,055 | | 100,055 | 28,731 |
| International Land | 124,079 | | 124,079 | (2,320) |
| | 833,642 | | 833,642 | 208,657 |
| Other | 5,926 | 410 | 6,336 | (3,217) |
| | 839,568 | 410 | 839,978 | 205,440 |
| Eliminations | | (410) | (410) | |
| Total | \$ 839,568 | \$ | \$ 839,568 | \$ 205,440 |

| (in thousands) | External Sales | Inter-Segment | Total Sales | Segment Operating Income (Loss) |
|-----------------------|----------------|---------------|--------------|---------------------------------|
| March 31, 2009 | | | | |
| Contract Drilling: | | | | |
| U.S. Land | \$ 889,718 | \$ | \$ 889,718 | \$ 386,978 |
| Offshore | 101,819 | | 101,819 | 30,547 |
| International Land | 147,007 | | 147,007 | 7,346 |
| | 1,138,544 | | 1,138,544 | 424,871 |
| Other | 5,510 | 441 | 5,951 | (2,352) |
| | 1,144,054 | 441 | 1,144,495 | 422,519 |
| Eliminations | | (441) | (441) | |
| Total | \$ 1,144,054 | \$ | \$ 1,144,054 | \$ 422,519 |

Summarized financial information of our reportable segments for the three months ended March 31, 2010, and 2009, is shown in the following tables:

| (in thousands) | External Sales | Inter-Segment | Total Sales | Segment Operating Income (Loss) |
|-----------------------|----------------|---------------|-------------|---------------------------------|
| March 31, 2010 | | | | |
| Contract Drilling: | | | | |
| U.S. Land | \$ 324,439 | \$ | \$ 324,439 | \$ 90,723 |
| Offshore | 47,765 | | 47,765 | 13,625 |

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| | | | | |
|--------------------|------------|-------|------------|-----------|
| International Land | 64,681 | | 64,681 | (10,723) |
| | 436,885 | | 436,885 | 93,625 |
| Other | 2,840 | 205 | 3,045 | (2,423) |
| | 439,725 | 205 | 439,930 | 91,202 |
| Eliminations | | (205) | (205) | |
| Total | \$ 439,725 | \$ | \$ 439,725 | \$ 91,202 |

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

| (in thousands) | External Sales | Inter- Segment | Total Sales | Segment Operating Income (Loss) |
|-----------------------|-------------------|-------------------|----------------|---------------------------------------|
| March 31, 2009 | | | | |
| Contract Drilling: | | | | |
| U.S. Land | \$ 414,514 | \$ | \$ 414,514 | \$ 192,930 |
| Offshore | 51,331 | | 51,331 | 15,837 |
| International Land | 51,829 | | 51,829 | (15,282) |
| | 517,674 | | 517,674 | 193,485 |
| Other | 2,626 | 218 | 2,844 | (1,491) |
| | 520,300 | 218 | 520,518 | 191,994 |
| Eliminations | | (218) | (218) | |
| Total | \$ 520,300 | \$ | \$ 520,300 | \$ 191,994 |

The following table reconciles segment operating income per the table above to income before income taxes and equity in income of affiliate as reported on the Consolidated Condensed Statements of Income.

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---------------------------------|------------|-------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (in thousands) | | | |
| Segment operating income | \$ 91,202 | \$ 191,994 | \$ 205,440 | \$ 422,519 |
| Gain from involuntary conversion of long-lived assets | | | | 277 |
| Income from asset sales | 1,309 | 2,055 | 2,007 | 2,969 |
| Corporate general and administrative costs and corporate depreciation | (12,967) | (10,711) | (25,517) | (20,007) |
| Operating income | 79,544 | 183,338 | 181,930 | 405,758 |
| Other income (expense): | | | | |
| Interest and dividend income | 329 | 2,150 | 768 | 3,936 |
| Interest expense | (4,207) | (2,554) | (8,901) | (6,254) |
| Other | (432) | (28) | (417) | 100 |
| Total other income (expense) | (4,310) | (432) | (8,550) | (2,218) |
| Income before income taxes and equity in income of affiliate | \$ 75,234 | \$ 182,906 | \$ 173,380 | \$ 403,540 |

| | March 31, 2010 | September 30, 2009 |
|--------------------|-------------------|-----------------------|
| | (in thousands) | |
| Total Assets | | |
| U.S. Land | \$ 3,010,448 | \$ 2,962,062 |
| Offshore | 154,368 | 129,465 |
| International Land | 489,565 | 491,807 |

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| | | |
|--------------------------------------|--------------|--------------|
| Other | 30,983 | 31,585 |
| | 3,685,364 | 3,614,919 |
| Investments and Corporate Operations | 520,275 | 546,105 |
| Total | \$ 4,205,639 | \$ 4,161,024 |

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

The following table presents revenues from external customers by country based on the location of service provided.

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--------------------|---------------------------------|------------|-------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (in thousands) | | | |
| Operating revenues | | | | |
| United States | \$ 361,094 | \$ 458,319 | \$ 687,757 | \$ 975,671 |
| Venezuela | 3,146 | | 6,747 | 42,949 |
| Colombia | 13,463 | 23,596 | 29,951 | 43,054 |
| Ecuador | 13,444 | 13,781 | 25,986 | 26,773 |
| Argentina | 15,380 | 10,353 | 26,720 | 25,794 |
| Other Foreign | 33,198 | 14,251 | 62,407 | 29,813 |
| Total | \$ 439,725 | \$ 520,300 | \$ 839,568 | \$ 1,144,054 |

14. Pensions and Other Post-retirement Benefits

The following provides information at March 31, 2010 and 2009 related to the Company-sponsored domestic defined benefit pension plan.

Components of Net Periodic Benefit Cost

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--------------------------------|---------------------------------|----------|-------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (in thousands) | | | |
| Interest Cost | \$ 1,194 | \$ 1,217 | \$ 2,388 | \$ 2,434 |
| Expected return on plan assets | (1,107) | (1,147) | (2,214) | (2,294) |
| Recognized net actuarial loss | 536 | | 1,072 | |
| Net pension expense | \$ 623 | \$ 70 | \$ 1,246 | \$ 140 |

Employer Contributions

We contributed \$1.5 million to the Pension Plan during the six months ended March 31, 2010 to fund distributions. We estimate contributing at least \$3.0 million in fiscal 2010 to meet the minimum contribution required by law and expect to make additional contributions to continue funding distributions.

Foreign Plan

We maintain an unfunded pension plan in one of the international subsidiaries. Pension expense was approximately \$122,000 and \$90,000 for the three months ended March 31, 2010 and 2009, respectively. Pension expense was approximately \$267,000 and \$180,000 for the six months ended March 31, 2010 and 2009, respectively.

15. Risk Factors

International operations are subject to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of terrorism, kidnapping of employees, expropriation of equipment as well as expropriation of a particular oil company operator's property and drilling rights, taxation policies, foreign exchange restrictions, currency rate fluctuations and general hazards associated with foreign sovereignty over certain areas in which operations are conducted. There can be no assurance that there will not be changes in local laws, regulations and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of our operations or on our ability to continue operations in certain areas. For additional information regarding risks in Venezuela, refer to Note 3 of these Consolidated Condensed Financial Statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

Effective January 1, 2010, Venezuela was designated hyper-inflationary, which is defined as cumulative inflation rates exceeding 100 percent in the most recent three-year period. All of our foreign subsidiaries use the U.S. dollar as the functional currency and local currency monetary assets are remeasured into U.S. dollars with gains and losses resulting from foreign currency transactions included in current results of operations. As such, the designation of Venezuela as hyper-inflationary will have no impact on our Consolidated Financial Statements.

16. Recently Issued Accounting Standards

ASC 715-20-65, *Transition related to SFAS 132R-1, Employers' Disclosures about Postretirement Benefit Plan Assets*, was issued by the Financial Accounting Standards Board (FASB) in December 2008. The new guidance requires employers of public and nonpublic companies to disclose more information about how investment allocation decisions are made, more information about major categories of assets, including concentration of risk and fair-value measurements, and the fair-value techniques and inputs used to measure plan assets. The disclosure requirements are effective for annual financial statements for years ending after December 15, 2009. The disclosure requirements will be adopted for our annual financial statements for the year ended September 30, 2010, on a prospective basis. We do not expect the adoption to have a material impact on the Consolidated Financial Statements.

On January 21, 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements*. Effective December 15, 2009, we adopted the disclosure requirements requiring reporting entities to provide information about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy established by ASC 820, *Fair Value Measurements*. The adoption had no impact on these Consolidated Condensed Financial Statements. Effective for fiscal years beginning after December 15, 2010, a reconciliation of purchases, sales, issuance, and settlements of financial instruments valued with a Level 3 method, which is used to price the hardest to value instruments, will be required. We currently believe the adoption related to Level 3 financial instruments will have no impact on the Consolidated Financial Statements.

In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855) - Amendments to Certain Recognition and Disclosure Requirements* (ASU 2010-09). ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. The updated guidance was effective upon issuance and was adopted by us in the second quarter of fiscal 2010.

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

March 31, 2010

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the Consolidated Condensed Financial Statements and related notes included elsewhere herein and the Consolidated Financial Statements and notes thereto included in our 2009 Annual Report on Form 10-K. Our future operating results may be affected by various trends and factors which are beyond our control. These include, among other factors, fluctuations in natural gas and crude oil prices, early termination of drilling contracts, forfeiture of early termination payments under fixed term contracts due to sustained unacceptable performance, unsuccessful collection of receivables (including Venezuelan receivables), inability to procure key rig components, failure to timely deliver rigs within applicable grace periods, disruption to or cessation of the business of our limited source vendors or fabricators, currency exchange losses, deterioration of credit markets, changes in general economic and political conditions, adverse weather conditions including hurricanes, rapid or unexpected changes in technologies, and uncertain business conditions that affect our businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends. Our risk factors are more fully described in our 2009 Annual Report on Form 10-K and elsewhere in this Form 10-Q.

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Financial Condition and Results of Operations include forward-looking statements. These forward-looking statements are based on various assumptions. We caution that, while we believe such assumptions to be reasonable and make them in good faith, assumptions about future events and conditions almost always vary from actual results. The differences between assumed facts and actual results can be material. We are including this cautionary statement to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by us or persons acting on our behalf. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or persons acting on our behalf. We undertake no duty to update or revise our forward-looking statements based on changes of internal estimates on expectations or otherwise.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2010 vs. Three Months Ended March 31, 2009

We reported net income of \$46.7 million (\$0.43 per diluted share) from operating revenues of \$439.7 million for the second quarter ended March 31, 2010, compared with net income of \$103.7 million (\$0.98 per diluted share) from operating revenues of \$520.3 million for the second quarter of fiscal year 2009. Net income for the second quarter of fiscal 2010 includes approximately \$0.8 million (\$0.01 per diluted share) of after-tax gains from the sale of assets. Net income for the second quarter of fiscal 2009 includes approximately \$1.2 million (\$0.01 per diluted share) of after-tax gains from the sale of assets.

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The following tables summarize operations by business segment for the three months ended March 31, 2010 and 2009. Operating statistics in the tables exclude the effects of offshore platform and international management contracts, and do not include reimbursements of out-of-pocket expenses in revenue, expense and margin per day calculations. Per day calculations for international operations also exclude gains and losses from translation of foreign currency transactions. Segment operating income is described in detail in Note 13 to the Consolidated Condensed Financial Statements.

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| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2010 | 2009 |
| (in thousands, except days and per day amounts) | | |
| U.S. LAND OPERATIONS | | |
| Revenues | \$ 324,439 | \$ 414,514 |
| Direct operating expenses | 176,424 | 172,033 |
| General and administrative expense | 6,074 | 4,274 |
| Depreciation | 51,218 | 45,277 |
| Segment operating income | \$ 90,723 | \$ 192,930 |
| Revenue days | 13,114 | 12,529 |
| Average rig revenue per day | \$ 23,382 | \$ 31,384 |
| Average rig expense per day | \$ 12,095 | \$ 12,030 |
| Average rig margin per day | \$ 11,287 | \$ 19,354 |
| Rig utilization | 70% | 72% |

U.S. LAND segment operating income decreased to \$90.7 million for the second quarter of fiscal 2010 compared to \$192.9 million in the same period of fiscal 2009. Revenues were \$324.4 million and \$414.5 million in the second quarter of fiscal 2010 and 2009, respectively. Included in U.S. land revenues for the three months ended March 31, 2010 and 2009 are reimbursements for out-of-pocket expenses of \$17.8 million and \$21.3 million, respectively. Also included in U.S. land revenues for the second quarter of fiscal 2010 and 2009 is approximately \$10.4 million and \$81.5 million, respectively, attributable to early termination related revenue and customer requested delivery delay revenue for new FlexRigs® (hereinafter FlexRig).

The average revenue per day for the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009 decreased \$8,002 of which \$5,712 is from a decrease in early termination related revenue in the comparable quarters. The remaining decrease of \$2,290 is a result of lower average dayrates in the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009.

U.S. land rig utilization decreased to 70 percent for the second quarter of fiscal 2010 compared to 72 percent for the second quarter of fiscal 2009. U.S. land rig activity days for the second quarter of fiscal 2010 were 13,114 compared with 12,529 for the same period of fiscal 2009, with an average of 145.7 and 139.2 rigs working during the second quarter of fiscal 2010 and 2009, respectively. The increase in rig days and average rigs working is attributable to the U.S. Land experiencing some recovery in the second quarter of fiscal 2010 compared to rigs becoming idle in the second quarter of fiscal 2009.

During fiscal 2009, the economic recession, including the decrease in oil and gas prices and deterioration in the credit markets, had an effect on customer spending. As a result, the industry's active land drilling rig count in the U.S. land market declined by over fifty percent from the fall of 2008 to the summer of 2009. Since June 2009, the industry's U.S. land rig count has been experiencing a steady recovery, but the rig count still remains about 30 percent below the peak level reported during the fall of 2008. At March 31, 2010, 154 out of 212 existing rigs in the U.S. Land segment were generating revenue. Of the 154 rigs generating revenue, 104 were under fixed term contracts, and 50 were working in the spot market. At April 29, 2010, the number of existing rigs under fixed term contracts in the segment increased to 109, and the number of rigs working in the spot market increased to 51.

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| | Three Months Ended March 31, | |
|---|------------------------------|-----------|
| | 2010 | 2009 |
| (in thousands, except days and per day amounts) | | |
| OFFSHORE OPERATIONS | | |
| Revenues | \$ 47,765 | \$ 51,331 |
| Direct operating expenses | 29,696 | 31,403 |
| General and administrative expense | 1,478 | 1,064 |
| Depreciation | 2,966 | 3,027 |
| Segment operating income | 13,625 | \$ 15,837 |
| Revenue days | 660 | 796 |
| Average rig revenue per day | \$ 48,225 | \$ 48,562 |
| Average rig expense per day | \$ 25,202 | \$ 26,232 |
| Average rig margin per day | \$ 23,023 | \$ 22,330 |
| Rig utilization | 81% | 98% |

OFFSHORE revenues include reimbursements for out-of-pocket expenses of \$5.9 million and \$6.8 million for the three months ended March 31, 2010 and 2009, respectively.

At March 31, 2010, we had seven of our nine platform rigs working. We are currently bidding one of the idle rigs and, if successful, we expect the rig would begin working in the fourth quarter of fiscal 2010. The contract for a rig currently working offshore Trinidad is expected to expire by the end of the third fiscal quarter.

| | Three Months Ended March 31, | |
|---|------------------------------|-------------|
| | 2010 | 2009 |
| (in thousands, except days and per day amounts) | | |
| INTERNATIONAL LAND OPERATIONS | | |
| Revenues | \$ 64,681 | \$ 51,829 |
| Direct operating expenses | 65,030 | 59,787 |
| General and administrative expense | 1,017 | 784 |
| Depreciation | 9,357 | 6,540 |
| Segment operating loss | \$ (10,723) | \$ (15,282) |
| Revenue days | 1,766 | 2,050 |
| Average rig revenue per day | \$ 35,065 | \$ 23,397 |
| Average rig expense per day | \$ 24,027 | \$ 27,483 |
| Average rig margin per day | \$ 11,038 | \$ (4,086) |
| Rig utilization | 52% | 81% |

INTERNATIONAL LAND segment operating loss for the second quarter of fiscal 2010 was \$10.7 million, compared to operating loss of \$15.3 million in the same period of fiscal 2009. Rig utilization for international land operations was 52 percent for the second quarter of fiscal 2010, compared with 81 percent for the second quarter of fiscal 2009. During the current quarter, an average of 19.6 rigs worked compared to an average of 22.8 rigs in the second quarter of fiscal 2009.

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The ability to collect accounts receivable in U.S. dollars from PDVSA deteriorated to the point that during the second quarter of fiscal 2009, we decided to discontinue work as contracts expired. The decrease in revenue days and rig utilization is primarily the result of all eleven rigs in Venezuela being idle by the end of the first quarter of fiscal 2010 compared to the second quarter of fiscal 2009 when an average of 9.7 rigs worked during the quarter. Additionally, rigs in two other countries that were working in the second quarter of fiscal 2009 became idle during fiscal 2009 due to capital reductions by operators and they remained idle through the second quarter of fiscal 2010. Seven rigs were transferred to the International Land segment in late fiscal 2009 under contract. Six of the rigs were active at the end of March 31, 2010 and one began working subsequent to March 31, 2010. These rigs along with three FlexRigs that began working subsequent to the second quarter of fiscal 2009 offset part of the decline in rig activity.

Revenues in the second quarter of fiscal 2010 increased by \$12.9 million compared to the second quarter of fiscal 2009 with Venezuela impacting the increase by \$3.1 million as we continue to record revenue in Venezuela as cash is collected (see Note 3 of the Consolidated Condensed Financial Statements). Excluding Venezuela in the comparable quarters, revenue increased \$9.8 million, primarily the result of additional rigs working in the segment during the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009. Included in international land revenues for the three months ended March 31, 2010 and 2009 are reimbursements for out-of-pocket expenses of \$2.8 million and \$3.9 million, respectively.

Depreciation expense increased due to rigs transferring to the International Land segment in late fiscal 2009 and the addition of new FlexRigs during fiscal 2009.

On January 8, 2010, the Venezuelan government devalued its local currency. As a result, included in direct operating expense is an exchange loss of approximately \$19.7 million in the second quarter of fiscal 2010.

RESEARCH AND DEVELOPMENT

For the three months ended March 31, 2010 and 2009, we incurred \$3.3 million and \$2.2 million, respectively, of research and development expenses related to ongoing development of a rotary steerable system. We anticipate research and development expenses of up to approximately \$2.5 million in each quarter during fiscal 2010.

OTHER

General and administrative expenses increased to \$20.8 million in the second quarter of fiscal 2010 from \$16.4 million in the second quarter of fiscal 2009. The \$4.4 million increase is primarily due to employee bonus accruals of \$2.7 million, additional stock-based compensation expense of \$0.9 million and additional pension expense in fiscal 2010 of \$0.5 million.

Equity in income of affiliate, net of income tax, was \$4.2 million in the second quarter of fiscal 2009. Effective April 1, 2009, we determined we no longer exercised significant influence and discontinued accounting for the investee using the equity method.

Income tax expense decreased to \$28.5 million in the second quarter of fiscal 2010 from \$83.4 million in the second quarter of fiscal 2009, with the effective tax rate decreasing to 37.9 percent from 45.6 percent for the two comparable quarters.

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Interest expense was \$4.2 million and \$2.6 million in the second quarter of fiscal 2010 and 2009, respectively. Capitalized interest, all attributable to our rig construction, was \$1.8 million and \$1.7 million for the comparable quarters. Interest expense before capitalized interest increased \$1.7 million during the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009 primarily due to additional borrowings under a fixed-rate credit facility obtained in July 2009.

Six Months Ended March 31, 2010 vs. Six Months Ended March 31, 2009

We reported net income of \$110.0 million (\$1.02 per diluted share) from operating revenues of \$839.6 million for the six months ended March 31, 2010, compared with net income of \$249.0 million (\$2.34 per diluted share) from operating revenues of \$1,144.1 million for the first six months of fiscal year 2009. Included in net income are after-tax gains from the sale of assets of approximately \$1.3 million (\$0.01 per diluted share) for the six months ended March 31, 2010, compared to approximately \$1.7 million (\$0.02 per diluted share) for the six months ended March 31, 2009. Also included in net income for fiscal 2009 is approximately \$0.2 million of after-tax gains from involuntary conversion of long-lived assets.

The following tables summarize operations by business segment for the six months ended March 31, 2010 and 2009. Operating statistics in the tables exclude the effects of offshore platform and international management contracts, and do not include reimbursements of out-of-pocket expenses in revenue, expense and margin per day calculations. Per day calculations for international operations also exclude gains and losses from translation of foreign currency transactions. Segment operating income is described in detail in Note 13 to the Consolidated Condensed Financial Statements.

| | Six Months Ended March 31, | |
|------------------------------------|--|-------------|
| | 2010 | 2009 |
| | (in thousands, except days and per day amounts) | |
| <u>U.S. LAND OPERATIONS</u> | | |
| Revenues | \$ 609,508 | \$ 889,718 |
| Direct operating expenses | 314,779 | 405,339 |
| General and administrative expense | 12,735 | 8,701 |
| Depreciation | 99,748 | 88,700 |
| Segment operating income | \$ 182,246 | \$ 386,978 |
| Revenue days | 24,374 | 28,851 |
| Average rig revenue per day | \$ 23,719 | \$ 28,941 |
| Average rig expense per day | \$ 11,627 | \$ 12,152 |
| Average rig margin per day | \$ 12,092 | \$ 16,789 |
| Rig utilization | 66% | 83% |

U.S. LAND segment operating income in the first six months of fiscal 2010 decreased to \$182.2 million from \$387.0 million in the first six months of fiscal 2009. Revenues were \$609.5 million in the first six months of fiscal 2010, compared with \$889.7 million in the same period of fiscal 2009. Included in U.S. land revenues for the six months ended March 31, 2010 and 2009 are reimbursements for out-of-pocket expenses of \$31.4 million and \$54.7 million, respectively. Also included in U.S. land revenues for fiscal 2010 and 2009 is approximately \$26.1 million and \$100.0 million, respectively, attributable to early termination related revenue and customer requested delivery delay revenue for new FlexRigs.

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The average revenue per day for the six months ended March 31, 2010 compared to the six months ended March 31, 2009 decreased \$5,222 of which \$3,037 is from a decrease in early termination related revenue in the comparable quarters. The remaining decrease of \$2,185 is a result of lower average dayrates in the first six months of fiscal 2010 compared to the same period of fiscal 2009.

U.S. land rig utilization decreased to 66 percent for the six months ended March 31, 2010 compared to 83 percent for the same period of fiscal 2009. U.S. land rig activity days for the first six months of fiscal 2010 were 24,374 compared with 28,851 for the same period of fiscal 2009, with an average of 133.9 and 158.5 rigs working during the first six months of fiscal 2010 and 2009, respectively. The decrease in rig days and average rigs working is attributable to early terminations and other stacked rigs that occurred during fiscal 2009.

During fiscal 2009, the economic recession, including the decrease in oil and gas prices and deterioration in the credit markets, had an effect on customer spending. As a result, the industry's active land drilling rig count in the U.S. land market declined by over fifty percent from the fall of 2008 to the summer of 2009. Since June 2009, the industry's U.S. land rig count has been experiencing a steady recovery, but the rig count still remains about 30 percent below the peak level reported during the fall of 2008. At March 31, 2010, 154 out of 212 existing rigs in the U.S. Land segment were generating revenue. Of the 154 rigs generating revenue, 104 were under fixed term contracts, and 50 were working in the spot market. At April 29, 2010, the number of existing rigs under fixed term contracts in the segment increased to 109, and the number of rigs working in the spot market increased to 51.

| | Six Months Ended March 31, | |
|------------------------------------|---|------------|
| | 2010 | 2009 |
| | (in thousands, except days and per day amounts) | |
| OFFSHORE OPERATIONS | | |
| Revenues | \$ 100,055 | \$ 101,819 |
| Direct operating expenses | 62,272 | 63,165 |
| General and administrative expense | 3,108 | 2,116 |
| Depreciation | 5,944 | 5,991 |
| Segment operating income | \$ 28,731 | \$ 30,547 |
| Revenue days | 1,360 | 1,531 |
| Average rig revenue per day | \$ 50,662 | \$ 50,720 |
| Average rig expense per day | \$ 26,654 | \$ 27,786 |
| Average rig margin per day | \$ 24,008 | \$ 22,934 |
| Rig utilization | 83% | 94% |

OFFSHORE revenues include reimbursements for out-of-pocket expenses of \$12.6 million and \$12.2 million for the six months ended March 31, 2010 and 2009, respectively.

At March 31, 2010, we had seven of our nine platform rigs working.

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| | Six Months Ended March 31, | |
|--------------------------------------|---|------------|
| | 2010 | 2009 |
| | (in thousands, except days and per day amounts) | |
| INTERNATIONAL LAND OPERATIONS | | |
| Revenues | \$ 124,079 | \$ 147,007 |
| Direct operating expenses | 106,327 | 125,435 |
| General and administrative expense | 1,713 | 1,480 |
| Depreciation | 18,359 | 12,746 |
| Segment operating income (loss) | \$ (2,320) | \$ 7,346 |
| Revenue days | 3,455 | 4,433 |
| Average rig revenue per day | \$ 34,404 | \$ 30,568 |
| Average rig expense per day | \$ 23,592 | \$ 25,782 |
| Average rig margin per day | \$ 10,812 | \$ 4,786 |
| Rig utilization | 48% | 89% |

INTERNATIONAL LAND segment operating loss for the first six months of fiscal 2010 was \$2.3 million, compared to operating income of \$7.3 million in the same period of fiscal 2009. Rig utilization for international land operations was 48 percent for the first six months of fiscal 2010, compared with 89 percent for the first six months of fiscal 2009. During the first six months of fiscal 2010, an average of 19.1 rigs worked compared to an average of 24.5 rigs in the first six months of fiscal 2009.

The ability to collect accounts receivable in U.S. dollars from PDVSA deteriorated to the point that during the second quarter of fiscal 2009, we decided to discontinue work as contracts expired. The decrease in revenue days and rig utilization is primarily the result of all eleven rigs in Venezuela being idle by the end of the first quarter of fiscal 2010 compared to all eleven working during the first quarter of fiscal 2009 and seven working at the end of the second quarter of fiscal 2009. Additionally, rigs in two other countries that were working in the second quarter of fiscal 2009 became idle during fiscal 2009 due to capital reductions by operators and they remained idle through the second quarter of fiscal 2010. Twelve rigs were transferred to the International Land segment in late fiscal 2009 with seven under contract and five used for bidding prospective work. The seven under contract had all begun operations as of the end of the first quarter of fiscal 2010. Those seven along with four FlexRigs that began working subsequent to the first quarter of fiscal 2009 offset part of the decline in rig activity. The five held for bidding at September 30, 2009 were transferred back to the U.S. Land segment during the first quarter of fiscal 2010 and are currently working in the U.S. Land segment.

Revenues in the first six months of fiscal 2010 decreased \$22.9 million compared to the first six months of fiscal 2009 with Venezuela contributing \$36.2 million to the decrease as we continue to record revenue in Venezuela as cash is collected (see Note 3 of the Consolidated Condensed Financial Statements). Excluding Venezuela in the comparable periods, revenue increased \$13.3 million, primarily the result of additional rigs working in the segment during the first six months of fiscal 2010 compared to the first six months of fiscal 2009. Included in international land revenues for the six months ended March 31, 2010 and 2009 are reimbursements for out-of-pocket expenses of \$5.2 million and \$11.5 million, respectively.

Depreciation expense increased due to rigs transferring to the International Land segment in late fiscal 2009 and the addition of new FlexRigs during fiscal 2009.

On January 8, 2010, the Venezuelan government devalued its local currency. As a result, included in direct operating expense is an exchange loss of approximately \$19.7 million in the second quarter of fiscal 2010.

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RESEARCH AND DEVELOPMENT

For the six months ended March 31, 2010 and 2009, we incurred \$5.2 million and \$3.9 million, respectively, of research and development expenses related to ongoing development of a rotary steerable system. We anticipate research and development expenses of up to approximately \$2.5 million in each quarter during fiscal 2010.

OTHER

General and administrative expenses increased to \$41.7 million in the first six months of fiscal 2010 from \$31.6 million in the first six months of fiscal 2009. The \$10.1 million increase is due to an increase in stock-based compensation of \$5.7 million. The increase in stock-based compensation is comprised of additional expense of \$4.9 million resulting from a change in our Long-Term Incentive Plan which permitted continuing equity vesting after retirement, and \$0.8 million expense resulting from options granted in fiscal 2010 having a higher grant price and value than options amortizing at March 31, 2009. Also contributing to increased general and administrative expenses in fiscal 2010 was additional pension expense of \$1.1 million and an increase in employee bonus accruals of \$2.8 million.

Equity in income of affiliate, net of income tax, was \$4.2 million in first six months of fiscal 2009. Effective April 1, 2009, we determined we no longer exercised significant influence and discontinued accounting for the investee using the equity method.

Income tax expense decreased to \$63.4 million in the first six months of fiscal 2010 from \$164.6 million in the first six months of fiscal 2009, with the effective tax rate decreasing to 36.6 percent from 40.8 percent for the two comparable periods.

Interest expense was \$8.9 million and \$6.3 million for the six months ended March 31, 2010 and 2009, respectively. Capitalized interest, all attributable to our rig construction, was \$3.5 and \$3.3 million for the comparable periods. Interest expense before capitalized interest increased \$2.8 million during the first six months of fiscal 2010 compared to the first six months of fiscal 2009 primarily due to additional borrowings under a fixed-rate credit facility obtained in July 2009.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Cash and cash equivalents decreased to \$125.7 million at March 31, 2010 from \$141.5 million at September 30, 2009. The following table provides a summary of cash flows for the six-month period ended March 31, (in thousands):

Net Cash provided (used) by:

RESEARCH AND DEVELOPMENT

| | 2010 | 2009 |
|--|-------------|-------------|
| Operating activities | \$ 205,932 | \$ 490,488 |
| Investing activities | (126,287) | (533,790) |
| Financing activities | (95,419) | 48,167 |
| Increase (decrease) in cash and cash equivalents | \$ (15,774) | \$ 4,865 |

Operating activities

Cash flows from operating activities were approximately \$205.9 million for the six months ended March 31, 2010 compared to approximately \$490.5 million for the same period ended March 31, 2009. The decrease in cash provided from operating activities is primarily due to decreases in net income and changes during the comparable six month periods in accounts receivable and accounts payable. Accounts receivable increased in the six months ended March 31, 2010 as drilling activity improved compared to a decrease in the six months ended March 31, 2009 as we began to see a decline in activity. The change in accounts payable is due to the fluctuation in drilling activity.

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Investing activities

Capital expenditures decreased \$383.1 million primarily attributable to the decreased building of new FlexRigs.

Financing activities

During the six months ended March 31, 2010, we reduced our outstanding debt by \$85.0 million compared to net additional borrowings of \$58.3 million during the six months ended March 31, 2009. During the six months ended March 31, 2010, we reduced our bank overdraft position \$2.0 million.

Other Liquidity

Funds generated by operating activities, available cash and cash equivalents, and credit facilities continue to be our significant sources of liquidity. We believe these sources of liquidity will be sufficient to sustain operations and finance estimated capital expenditures, including rig construction, for fiscal 2010. There can be no assurance that we will continue to generate cash flows at current levels or obtain additional financing. Our indebtedness totaled \$440 million at March 31, 2010. For additional information regarding debt agreements, refer to Note 10 of the Consolidated Condensed Financial Statements.

Backlog

Our contract drilling backlog, being the expected future revenue from executed contracts with original terms in excess of one year, as of March 31, 2010 and September 30, 2009 was \$2,427 million and \$2,528 million, respectively. Approximately 78.9 percent of the March 31, 2010 backlog is not reasonably expected to be filled in fiscal 2010. Term contracts customarily provide for termination at the election of the customer with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling rig, bankruptcy, sustained unacceptable performance by us, or delivery of a rig beyond certain grace and/or liquidated damage periods, no early termination payment would be paid to us. In addition, a portion of the backlog represents term contracts for new rigs that will be constructed in the future. We obtain certain key rig components from a single or limited number of vendors or fabricators. Certain of these vendors or fabricators are thinly capitalized independent companies located on the Texas Gulf Coast. Therefore, disruptions in rig component deliveries may occur. Accordingly, the actual amount of revenue earned may vary from the backlog reported. See the risk factors under Item 1A. Risk Factors of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 25, 2009, regarding fixed term contract risk, operational risks, including weather, and vendors that are limited in number and thinly capitalized.

The following table sets forth the total backlog by reportable segment as of March 31, 2010 and September 30, 2009, and the percentage of the March 31, 2010 backlog not reasonably expected to be filled in fiscal 2010:

| Reportable Segment | Total Backlog | | Percentage Not Reasonably Expected to be Filled in Fiscal 2010 |
|--------------------|---------------|------------|--|
| | 03/31/2010 | 09/30/2009 | |
| | (in millions) | | |
| U.S. Land | \$ 1,979 | \$ 2,016 | 77.9% |
| Offshore | 155 | 169 | 87.1% |
| International Land | 293 | 343 | 80.9% |

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\$ 2,427 \$ 2,528

Capital Resources

In March 2010, we announced we had increased our capital expenditures estimate for fiscal 2010 by \$65 million to \$330 million. At the same time, we announced we had secured three multi-year term contracts to build and operate three new FlexRigs. Given improving market conditions and an increase in U.S. Land rig activity, the capital expenditure increase also provides adequate levels of FlexRig spare component availability and the flexibility to control and adapt our manufacturing effort to

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potentially build and complete an additional five FlexRigs at a rate of approximately one per month into the first quarter of 2011. The increase in the capital expenditures estimate also allows us to execute selected special projects and increased maintenance levels. During the six months ended March 31, 2010, we completed six FlexRigs that are under fixed term contracts, with two of those beginning work during the quarter and four completed and ready for delivery. One additional new FlexRig under fixed term contract was completed by the end of April 2010. The three recently announced FlexRigs are expected to be completed by the end of fiscal 2010. Like those completed in prior fiscal periods, each of these new FlexRigs are committed to work for an exploration and production company under a fixed term contract, performing drilling services on a daywork contract basis.

Capital expenditures were \$142.7 million and \$525.9 million for the first six months of fiscal 2010 and 2009, respectively. Capital expenditures decreased from 2009 primarily due to the reduction in the number of new rigs completed during the comparable quarters and a reduction in the number of rigs to be completed as of March 31, 2010 compared to March 31, 2009.

There were no other significant changes in our financial position since September 30, 2009.

MATERIAL COMMITMENTS

Material commitments as reported in our 2009 Annual Report on Form 10-K have not changed significantly at March 31, 2010.

CRITICAL ACCOUNTING POLICIES

Our accounting policies that are critical or the most important to understand our financial condition and results of operations and that require management to make the most difficult judgments are described in our 2009 Annual Report on Form 10-K. There have been no material changes in these critical accounting policies other than the adoption of ASC 260-10-45, *Earnings per Share*, on October 1, 2009. The adoption of this did not have a material impact on our financial position, results of operations or cash flows. The adoption of ASC 260-10-45 is included in Note 2 to the Consolidated Condensed Financial Statements.

RECENTLY ISSUED ACCOUNTING STANDARDS

ASC 715-20-65, *Transition related to SFAS 132R-1, Employers' Disclosures about Postretirement Benefit Plan Assets*, was issued by the Financial Accounting Standards Board (FASB) in December 2008. The new guidance requires employers of public and nonpublic companies to disclose more information about how investment allocation decisions are made, more information about major categories of plan assets, including concentration of risk and fair-value measurements, and the fair-value techniques and inputs used to measure plan assets. The disclosure requirements are effective for annual financial statements for years ending after December 15, 2009. The disclosure requirements will be adopted for our annual financial statements for the year ended September 30, 2010, on a prospective basis. We do not expect the adoption to have a material impact on the Consolidated Financial Statements.

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On January 21, 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements*. Effective December 15, 2009, we adopted the disclosure requirements requiring reporting entities to provide information about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy established by ASC 820, *Fair Value Measurements*. The adoption had no impact on these Consolidated Condensed Financial Statements. Effective for fiscal years beginning after December 15, 2010, a reconciliation of purchases, sales, issuance, and settlements of financial instruments valued with a Level 3 method, which is used to price the hardest to value instruments, will be required. We currently believe the adoption related to Level 3 financial instruments will have no impact on the Consolidated Financial Statements.

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In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements* (ASU 2010-09). ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. The updated guidance was effective upon issuance and was adopted by us in the second quarter of fiscal 2010.

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PART I. FINANCIAL INFORMATION

March 31, 2010

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a description of our market risks, see

- Note 5 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to equity price risk is incorporated herein by reference;
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 25, 2009;
- Note 7 and Note 10 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to interest rate risk are incorporated herein by reference; and
- Note 3 and Note 15 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to credit risk and foreign currency exchange rate risk are incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was performed with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2010, at ensuring that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no changes in our internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

International operations are subject to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of terrorism, kidnapping of employees, expropriation of equipment as well as expropriation of a particular oil company operator's property and drilling rights, taxation policies, foreign exchange restrictions, currency rate fluctuations and general hazards associated with foreign sovereignty over certain areas in which operations are conducted. There can be no assurance that there will not be changes in local laws, regulations and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of our operations or on our ability to continue operations in certain areas.

Because of the impact of local laws, our future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which we hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will in all cases be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms acceptable to us.

During the mid-1970s, the Venezuelan government nationalized the exploration and production business. More recently, Venezuela has nationalized some industries unrelated to the oilfield services industry. At the present time it appears the Venezuelan government will not nationalize the contract drilling business. Any such nationalization could result in the loss of all or a portion of our assets and business in Venezuela.

Although we attempt to minimize the potential impact of such risks by operating in more than one geographical area, during the six months ended March 31, 2010, approximately 14 percent of our consolidated operating revenues were generated from the international contract drilling business. During the six months ended March 31, 2010, approximately 71 percent of the international operating revenues were from operations in South America and approximately 67 percent of South American operating revenues were from Ecuador and Colombia.

Reference is made to the risk factors pertaining to currency devaluation risk and receivable balances in Venezuela, interest rate risk and the Company's securities portfolio in Item 1A of Part I of the Company's Form 10-K for the year ended September 30, 2009. In order to update these risk factors for developments that have occurred during the first three months of fiscal 2010, the risk factors are hereby amended and updated by reference to, and incorporation herein of, Notes 3, 5, 7, 10 and 15 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof.

Except as discussed above, there have been no material changes to the risk factors disclosed in Item 1A of Part I in our Form 10-K for the year ended September 30, 2009.

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ITEM 6. EXHIBITS

The following documents are included as exhibits to this Form 10-Q. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed or furnished herewith.

| Exhibit Number | Description |
|---------------------------|---|
| 31.1 | Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Financial statements from the quarterly report on Form 10-Q of Helmerich & Payne, Inc. for the quarter ended March 31, 2010, filed on May 5, 2010, formatted in XBRL: (i) the Consolidated Condensed Statements of Income, (ii) the Consolidated Condensed Balance Sheets, (iii) the Consolidated Condensed Statements of Stockholders' Equity, (iv) the Consolidated Condensed Statements of Cash Flows and (v) the Notes to Consolidated Condensed Financial Statements tagged as blocks of text. |

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SIGNATURES

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

HELMERICH & PAYNE, INC.
(Registrant)

Date: May 5, 2010 By: /S/HANS C. HELMERICH
Hans C. Helmerich, President

Date: May 5, 2010 By: /S/JUAN PABLO TARDIO
Juan Pablo Tardio, Chief Financial Officer
(Principal Financial Officer)

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