

WACHOVIA CORP NEW
Form 424B5
July 11, 2006
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Registration No. 333-123311

The information in this preliminary prospectus supplement is not complete and may be changed.

PROSPECTUS SUPPLEMENT

(To prospectus dated May 13, 2005)

SUBJECT TO COMPLETION, DATED JULY 7, 2006

\$

Wachovia Corporation

3.5% Strategic Access Securities

due September 1, 2009

Linked to the Relative Performance

of Two Baskets of Common Stocks

Issuer:	Wachovia Corporation
Principal Amount:	Each security will have a principal amount of \$10. Each security will be offered at an initial public offering price of \$10.
Maturity Date:	September 1, 2009
Interest:	3.5% per annum, payable quarterly.
Interest Payment Dates:	March 1, June 1, September 1 and December 1, beginning on December 1, 2006.
Market Measure:	The return on the securities is linked to the relative performance of two baskets of common stocks. We refer to one basket as the long basket and the other basket as the short basket, and collectively as the baskets. Each basket consists of 20 common stocks that are initially equally

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weighted. None of the companies whose common stock is included in the baskets have any obligation relating to, nor do they sponsor or endorse, the securities. The initial basket value of each basket is \$10.

Payment of the Exchange Amount:

On the maturity date or, if you exercise your exchange right, we redeem the securities or the securities are automatically exchanged (each in the manner described in this prospectus supplement) then on the relevant exchange payment date, we will pay for each \$10 security an amount of cash equal to the exchange amount determined on the applicable valuation date.

On any trading day, the exchange amount will equal the relative performance amount minus the adjustment amount, each calculated as of that trading day (subject to a minimum exchange amount of \$0). The initial exchange amount will be \$9.875, which reflects the initial adjustment and is 1.25% less than the initial public offering price per security.

On any trading day, the relative performance amount equals \$10 plus the difference of the long basket value and the short basket value.

The adjustment amount on any trading day equals the initial adjustment plus the sum of all of the daily adjustments for all trading days, beginning on, and including, the pricing date and ending on, and including, that trading day. The initial adjustment on the pricing date will be \$0.125. The daily adjustment on any trading day after the pricing date will equal \$0.000206 (equivalent to approximately 0.75% per year) multiplied by the number of calendar days elapsed since the previous trading day.

Listing:

Wachovia has applied to list the securities on the American Stock Exchange under the symbol FRW . The AMEX has advised us that our application will not be approved unless a rule filing submitted by the AMEX in respect of these securities is approved by the Securities and Exchange Commission. If Wachovia is unable to list the securities on the AMEX, the securities will not be listed or displayed on any other securities exchange, the Nasdaq National Market or any electronic communications network.

Pricing Date:

, 2006

Expected Settlement Date:

, 2006

CUSIP Number:

929903581

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-21.

Investing in the securities involves risks. See [Risk Factors](#) beginning on page S-14.

	<u>Per Security</u>	<u>Total</u>
Public Offering Price		
Underwriting Discount and Commission ⁽¹⁾		
Proceeds to Wachovia Corporation		

⁽¹⁾ If you continue to hold your securities through the last business day of each March, June, September and December, beginning September 2007, we will pay the brokerage firm at which you hold your securities additional commissions at a rate of \$0.0625 per year (\$0.015625 per quarter) per security. See [Supplemental Plan of Distribution](#) in this prospectus supplement.

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

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

contrary is a criminal offense.

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

Wachovia Securities

The date of this prospectus supplement is , 2006.

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

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This summary includes questions and answers that highlight selected information from this prospectus supplement and the accompanying prospectus to help you understand the 3.5% Strategic Access Securities due September 1, 2009 Linked to the Relative Performance of Two Baskets of Common Stocks as described below, which we refer to as the securities. You should carefully read this prospectus supplement and the accompanying prospectus to fully understand the terms of the securities as well as the tax and other considerations that are important to you in making a decision about whether to invest in the securities. You should carefully review the section Risk Factors in this prospectus supplement and the accompanying prospectus, which highlights certain risks associated with an investment in the securities, to determine whether an investment in the securities is appropriate for you.

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

What are the securities?

The securities offered by this prospectus supplement will be issued by Wachovia Corporation and will mature on September 1, 2009, subject to extension due to the occurrence of a market disruption event. The return on the securities will be linked to the relative performance of two baskets of common stocks, each consisting of common stocks of twenty companies, subject to adjustment as described below. We refer to one basket as the long basket and the other as the short basket, and the long basket and short basket collectively as the baskets. The baskets and the securities comprising each basket are described below under What are the baskets?

Each security will have a principal amount of \$10. Each security will be offered at an initial public offering price equal to \$10. In addition, as described more fully below, the securities will have the following features:

Coupon The securities will bear interest at a rate of 3.5% per annum payable on each of March 1, June 1, September 1 and December 1, beginning on December 1, 2006.

Exchange Right In any exchange period beginning in December 2006 and ending in June 2009, if the securities have not been previously exchanged or redeemed, you may elect to exchange each security you hold for an amount of cash equal to the exchange amount calculated as of the last trading day in the relevant exchange period, which we refer to as the exchange valuation date, plus any accrued but unpaid interest to but excluding the exchange date, which is the fifth trading day following the exchange valuation date. The exchange periods will be the first 10 trading days of each March, June, September and December, beginning in December 2006 and ending in June 2009. We refer to each trading day in an exchange period as an exchange notice date. See How does the exchange right work? and How do you exchange your securities?

Redemption Right If the securities have not been previously exchanged, we may redeem all outstanding securities on any redemption date by giving holders of the securities 10 days notice prior to the relevant redemption date, which we refer to as the redemption notice date. The redemption dates are any trading day beginning on September 1, 2007, to and including the maturity date, or on any trading day prior to September 1, 2007, if we determine, in our sole discretion, that it is impracticable to hedge our obligations under the securities. If we redeem the securities, we will pay to you on the redemption date an amount of cash equal to the exchange amount, calculated as of the relevant redemption notice date, plus any accrued but unpaid interest up to but excluding the redemption date. See Are the securities redeemable by Wachovia prior to maturity?

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Automatic Exchange If the exchange amount calculated on any trading day is less than \$5, an automatic exchange event will occur. Upon the occurrence of an automatic exchange event, if the securities have not been previously exchanged or redeemed, we will automatically exchange all outstanding securities for an amount of cash equal to the exchange amount calculated as of the trading day following the occurrence of the automatic exchange event, which we refer to as the automatic exchange valuation date, plus any accrued but unpaid interest to but excluding the automatic exchange date, which is the fifth trading day following the automatic exchange valuation date. See [What is an automatic exchange event?](#)

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-21.

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. Because the adjustment amount reduces the value of your investment initially by 1.25% and will further reduce the value of your investment over time by approximately 0.75% in each year, the relative performance amount and, therefore, the long basket value relative to the short basket value must increase for you to receive an amount upon exchange, redemption or at maturity that is greater than the principal amount of the securities. There is no assurance that the long basket value will increase relative to the short basket value such that you will receive an amount upon exchange, redemption or at maturity that is greater than the principal amount of the securities.

Because the value of the securities depends primarily on the performance of the long basket relative to the short basket, the value of your investment will decline under each of the following scenarios:

the long basket value decreases and the short basket value remains the same or increases;

the short basket value increases and the long basket value remains the same or decreases;

the long basket value increases, but is offset by a greater increase in the short basket value; or

the short basket value decreases, but is offset by a greater decrease in the long basket value.

In addition, if an automatic exchange event occurs, you will lose a significant amount of the principal amount of your securities. Because the determination of the exchange amount will not occur until the close of the trading day following the occurrence of an automatic exchange event, your loss may be significantly more than 50% of your principal, and the exchange amount, as determined on the automatic exchange valuation date, could be zero.

What are the baskets?

The baskets are two separate baskets, each consisting of the common stocks of 20 different companies. We refer to each common stock as a component stock and collectively as component stocks. We refer to each common stock in the long basket as a long component stock and collectively as long component stocks. We refer to each common stock in the short basket as a short component stock and collectively as short component stocks.

The long basket stocks are stocks of companies that have certain characteristics, such as low levels of operating leverage, that, in theory, allow those companies to generate earnings in a slowing economy. Stocks having these characteristics are often referred to as secular stocks. The short basket stocks are stocks of

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companies that have certain other characteristics, such as high levels of operating leverage that, in theory, are less able to generate earnings in a slowing economy. Stocks having these characteristics are often referred to as cyclical stocks.

The long basket stocks and short basket stocks were selected from a universe of all U.S.-domiciled small, mid- and large-capitalization corporations with at least five years of operating history. The universe comprised 749 stocks, which were divided into deciles based on the following five factors formulated by the Equity Strategy Group of Wachovia Securities LLC:

EPS stability over the past 5 years, with greater stability (as indicated by a lower absolute number) ranked higher (14.3% weighting);

EPS stability over the past 10 years, with greater stability ranked higher (14.3% weighting);

beta (i.e., sensitivity to changes in value of the S&P 500 Index), with lower beta ranked higher (14.3%);

ratio of the current price/sales ratio to the 10 year median price/sales ratio, as obtained from Bloomberg Financial Markets (Bloomberg) with a lower ratio ranked higher (28.6% weighting); and

ratio of the current pre-tax margins to the 10 year median pre-tax margin, as obtained from Bloomberg, with a lower margin ranked higher (28.6% weighting).

Using these five factors and their weightings and the market capitalization of each company, the universe of stocks was scored and sorted in ascending order and divided into 10 deciles. The 156 companies in the top 2 deciles were identified as potential long basket stocks and 135 companies in the bottom 2 deciles were identified as short basket stocks.

The long basket consists of 20 stocks from the sub-set of 156 companies identified as potential long basket stocks and the short basket consists of 20 stocks from the sub-set of 135 companies identified as short basket stocks. In both cases, the 20 stocks were selected by Wachovia Capital Markets, LLC from each of the respective sub-sets as follows: the stocks in each category were sorted by industry sector represented by both sub-sets (consumer discretionary, consumer staples, financials, health care, industrials, information technology, materials, telecommunications services, and utilities) and market capitalization; the number of stocks in each basket representing each sector was determined based on the relative market weight of the particular sector and the number of stocks in that sector; and, subject to liquidity and trading volume constraints, the stocks with the highest score(s) in larger capitalization (stock of an issuer with a market capitalization equal to or greater than \$10 billion) and the stocks with the highest score(s) in smaller capitalization (stock of an issuer with a market capitalization less than \$10 billion) in each sector were selected to represent the long basket, and the stocks with the lowest score(s) in larger capitalization and the stocks with the lowest score(s) in smaller capitalization in each sector were selected to represent the short basket.

There are several assumptions that are inherent in an investment linked to the long basket and the short basket: first, that secular stocks will outperform cyclical stocks during the term of the securities, which in turn assumes that the economy will slow during the term of the securities; and, furthermore, that the long basket stocks are representative of secular stocks and the short basket stocks are representative of cyclical stocks. Any of these assumptions could be incorrect.

We do not express a view on, or otherwise endorse, the investment strategy described in this prospectus supplement. You should make your own independent determination of its validity and accuracy. You should rely solely on your own analysis of the component stocks, and you should not take the past performance of the component stocks as an indication of the future performance of the components stocks, or how the long basket value may perform relative to the short basket value. You should investigate the component stocks and how the long component stocks relate to the short component stocks on your own.

The initial fractional amount of each component stock included in each basket will be determined by an exchange ratio calculated so that each component stock is initially weighted in the basket equally based on the closing price of the component stock on the pricing date. Each component stock will initially represent 1/20th (5.00%) of the respective basket. The securities are total return securities and the exchange ratio of each of the component stocks will be adjusted during the term of the securities to account for regular cash dividend

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payments on the component stocks, as well as certain corporate events relating to the issuers of the component stocks. The component stocks and their respective ticker symbols are set forth below under Calculation of the Long Basket and Calculation of the Short Basket.

The following tables set forth for each component stock in each of the baskets: the name of the issuer, the ticker symbol, the exchange ratio, the closing price on the pricing date, the percentage weight of the initial basket, and the initial dollar value based upon the component stock's closing price on the pricing date.

The Long Basket

Long Component Stock	Ticker Symbol	Exchange Ratio	Closing Price on Pricing Date	Percentage of Initial Basket Weight	Initial Dollar Value
McDonald's Corporation	MCD			5.00%	\$ 0.50
Family Dollar Stores, Inc.	FDO			5.00%	\$ 0.50
Wal-Mart Stores, Inc.	WMT			5.00%	\$ 0.50
UST Inc.	UST			5.00%	\$ 0.50
Medtronic, Inc.	MDT			5.00%	\$ 0.50
Baxter International Inc.	BAX			5.00%	\$ 0.50
Health Management Associates, Inc.	HMA			5.00%	\$ 0.50
Aon Corporation	AOC			5.00%	\$ 0.50
MBIA Inc.	MBI			5.00%	\$ 0.50
General Dynamics Corporation	GD			5.00%	\$ 0.50
Pitney Bowes Inc.	PBI			5.00%	\$ 0.50
Ecolab Inc.	ECL			5.00%	\$ 0.50
Sigma-Aldrich Corporation	SIAL			5.00%	\$ 0.50
Automatic Data Processing, Inc.	ADP			5.00%	\$ 0.50
DST Systems, Inc.	DST			5.00%	\$ 0.50
Fiserv, Inc.	FISV			5.00%	\$ 0.50
Verizon Communications Inc.	VZ			5.00%	\$ 0.50
CenturyTel, Inc.	CTL			5.00%	\$ 0.50
Progress Energy, Inc.	PGN			5.00%	\$ 0.50
FPL Group, Inc.	FPL			5.00%	\$ 0.50
<i>Total</i>				<i>100.00%</i>	<i>\$ 10.00</i>

The Short Basket

Short Component Stock	Ticker Symbol	Exchange Ratio	Closing Price on Pricing Date	Percentage of Initial Basket Weight	Initial Dollar Value
J.C. Penney Company, Inc.	JCP			5.00%	\$ 0.50
Harman International Industries, Inc.	HAR			5.00%	\$ 0.50
Reynolds American Inc.	RAI			5.00%	\$ 0.50
Iron Mountain Incorporated	IRM			5.00%	\$ 0.50
JPMorgan Chase & Co.	JPM			5.00%	\$ 0.50
CIT Group Inc.	CIT			5.00%	\$ 0.50
Jefferies Group, Inc.	JEF			5.00%	\$ 0.50
Aetna Inc.	AET			5.00%	\$ 0.50
Medco Health Solutions, Inc.	MHS			5.00%	\$ 0.50
PACCAR Inc	PCAR			5.00%	\$ 0.50
Joy Global Inc.	JOYG			5.00%	\$ 0.50
Phelps Dodge Corporation	PD			5.00%	\$ 0.50
Broadcom Corporation	BRCM			5.00%	\$ 0.50
SanDisk Corporation	SNDK			5.00%	\$ 0.50
National Semiconductor Corporation	NSM			5.00%	\$ 0.50
NCR Corporation	NCR			5.00%	\$ 0.50
Peabody Energy Corporation	BTU			5.00%	\$ 0.50

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Short Component Stock	Ticker Symbol	Exchange Ratio	Closing Price on Pricing Date	Percentage of Initial Basket Weight	Initial Dollar Value
United States Steel Corporation	X			5.00%	\$ 0.50
Motorola, Inc.	MOT			5.00%	\$ 0.50
Reliant Energy, Inc.	RRI			5.00%	\$ 0.50
<i>Total</i>				<i>100.00%</i>	<i>\$ 10.00</i>

For further information on the component stocks, please see the Annex A, entitled "The Long Basket", beginning on page A-1, and Annex B, entitled "The Short Basket", beginning on page B-1, in this prospectus supplement.

Will I receive interest on the securities?

The securities will bear interest at a rate of 3.5% per annum payable on each of March 1, June 1, September 1 and December 1, beginning on December 1, 2006.

What will I receive upon exchange, redemption or maturity of the securities?

On the relevant exchange payment date, we will pay for each \$10 security an amount of cash equal to the exchange amount, calculated as of the relevant valuation date, plus any accrued but unpaid interest up to but excluding the relevant exchange payment date.

The term "exchange payment date" refers to the exchange date, the redemption date, the automatic exchange date and the maturity date, as applicable, which are, respectively, the payment dates corresponding to an exercise of your exchange right, our redemption of the securities, the occurrence of an automatic exchange event, or the maturity of the securities.

On any trading day, the "exchange amount" will equal the relative performance amount minus the adjustment amount (subject to a minimum exchange amount of \$0), calculated as of the close of that trading day. On the pricing date, the initial exchange amount will be \$9.875, which equals the relative performance amount on the pricing date of \$10 minus the initial adjustment amount of \$0.125, which will be 1.25% less than the initial public offering price per security.

The "relative performance amount" on any trading day will equal \$10 plus the difference of the long basket value and the short basket value, each calculated as of that trading day. On the pricing date, because the long basket value and the short basket value will each equal \$10.00, the relative performance amount will equal \$10.00.

The "adjustment amount" on any particular trading day equals the initial adjustment plus the sum of all of the daily adjustments for all trading days, beginning on, and including, the pricing date and ending on, and including, that particular trading day. The "initial adjustment" on the pricing date will be \$0.125, and the "daily adjustment" on any trading day following the pricing date will equal \$0.000206 (equivalent to approximately 0.75% per annum) multiplied by the number of calendar days since the previous trading day.

To receive your full principal on any exchange payment date, the relative performance amount, which reflects the relative performance of the baskets, must appreciate sufficiently on the relevant valuation date to offset the adjustment amount, which reduces the exchange amount initially by \$0.125 per security and on an ongoing basis by approximately 0.75% in each year. We cannot assure you that the baskets will perform in this manner.

Calculation of the Long Basket Value

The "initial long basket value" on the pricing date is \$10.

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On each subsequent trading day following the pricing date, the long basket value will be determined by the calculation agent and will equal the sum of the long component stock values for each of the long component stocks. The long component stock value for each long component stock will equal the product of (i) the exchange ratio of the long component stock and (ii) the closing price of the long component stock on that trading day, unless a market disruption event occurs with respect to any long component stock, in which case the long component stock value will be determined as described below. See *Alternate Calculation of Long Basket Value or Short Basket Value* .

Calculation of the Short Basket Value

The initial short basket value on the pricing date is \$10.

On each subsequent trading day following the pricing date, the short basket value will be determined by the calculation agent and will equal the sum of the short component stock values for each of the short component stocks. The short component stock value for each short component stock will equal the product of (i) the exchange ratio of the short component stock and (ii) the closing price of the short component stock on that trading day, unless a market disruption event occurs with respect to any short component stock, in which case the short component stock value will be determined as described below. See *Alternate Calculation of Long Basket Value or Short Basket Value* .

Alternate Calculation of the Long Component Stock Value or the Short Component Stock Value

If, on any trading day, the calculation agent determines that the closing price for any component stock (either long or short, as applicable) is not available due to the occurrence of a market disruption event, then:

For purposes of determining whether an automatic exchange event has occurred, the calculation agent will use the most recent reported sale price, regular way, on such trading day on the principal United States securities exchange or market on which such component stock is traded or, if no such price is available, the closing price of any such component stock for the most recent trading day on which a market disruption event did not occur. However, if the calculation agent determines that a market disruption event with respect to any component stock has occurred for ten or more consecutive trading days then, beginning on the eleventh such trading day, if the calculation agent determines that a market disruption event with respect to any such component stock has occurred and is continuing on such day, the calculation agent will determine the closing prices of any such component stocks in a commercially reasonable manner in accordance with general market practice, taking into consideration all available information that it in good faith deems relevant; and

For all other purposes, including the determination of the exchange amount payable on any exchange payment date, the basket value (either long or short, as applicable) will equal the sum of each component stock value for each component stock for which a closing price is available on such trading day plus, for each component stock for which a closing price is not available on such trading day, the component stock value for such component stock on the next succeeding trading day on which a market disruption event has not occurred. However, if the calculation agent determines that a market disruption event with respect to any component stock has occurred for ten or more consecutive trading days then, on the eleventh such trading day, if the calculation agent determines that a market disruption event with respect to any such component stock has occurred and is continuing, the calculation agent will determine the closing price of any such component stock in a commercially reasonable manner in accordance with general market practice, taking into consideration all available information that it in good faith deems relevant.

The exchange ratio with respect to each component stock will equal (i) the initial dollar value of each component stock divided by (ii) the closing price of each component stock on the pricing date. The initial dollar value of each component stock is \$0.50, which equals the component stock's percentage of the initial basket weight, in each case $1/20$, or 5%, times \$10, the principal amount per security. Each of the baskets represents the total return of the respective component stocks in that basket. As a result, the exchange ratio for each component stock will be increased during the term of the securities to account for regular cash dividends paid on that component stock. The exchange ratio for each component stock will also be adjusted to account for certain corporate events relating to the issuer of that component stock. See *Specific Terms of the Securities Adjustments to the Exchange Ratios* .

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The maturity date is September 1, 2009, subject to extension in the event of a market disruption event with respect to any component stock on the scheduled final valuation date. If the final valuation date is postponed, then the maturity date of the securities will be postponed by an equal number of trading days.

The final valuation date means the fifth trading day prior to the maturity date.

The term valuation dates means the final valuation date, the exchange valuation dates, the redemption notice date or the automatic exchange valuation date, as applicable. If any valuation date (other than an automatic exchange valuation date) occurs on a day on which the calculation agent has determined that a market disruption event has occurred or is continuing with respect to any component stock, then the valuation date with respect to that component stock will be postponed until the next succeeding trading day on which the calculation agent determines that a market disruption event does not occur or is not continuing with respect to that component stock. However, if the closing price of any such component stock cannot be calculated by the eleventh trading day following the relevant originally scheduled valuation date, then the calculation agent will determine the closing price for that component stock on that trading day in a commercially reasonable manner in accordance with general market practice, taking into consideration all available information that it in good faith deems relevant. See Alternate Calculation of the Long Component Stock Value the Short Component Stock Value .

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), AMEX, the Nasdaq National Market, the Chicago Board Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.

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

How does the exchange right work?

On any exchange notice date in any exchange period, beginning in December 2006 and ending in June 2009, you may elect to exchange each security you hold for an amount of cash equal to the exchange amount, calculated as of the relevant exchange valuation date, plus any accrued but unpaid interest up to but excluding the exchange date, subject to our optional redemption right and the prior occurrence of an automatic exchange event, as described below. ***In order to exercise your exchange right, you must exchange at least 10,000 securities and multiples of 100 in excess of 10,000. However, in any December exchange period, you may exchange a minimum of 100 securities.*** You should refer to Specific Terms of the Securities Exchange Right beginning on page S-24 for a more detailed description of the exchange right.

How do I exchange my securities?

Since the securities will be held only in book-entry form, you may exercise your exchange right only by acting through your participant at DTC, whose nominee is the registered holder of the securities. Accordingly, as a beneficial owner of securities, if you desire to exchange all or any portion of your securities you must instruct the participant through which you own your interest to exercise the exchange right on your behalf, as discussed below.

To exchange your securities on any exchange date, you must instruct your broker or other person through which you hold your securities to take the appropriate steps through normal clearing system channels. Your book-entry interest in the securities must be transferred to JPMorgan Chase Bank, N.A., (formerly known as JPMorgan Chase Bank), as trustee for our senior securities, on the exchange payment date, as described below.

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

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interest for the relevant deadline. In order to effectively exercise your exchange right, however, you or your broker through which you hold your securities must fill out and deliver to us your Official Notice of Exchange, which is attached as Annex C to this prospectus supplement, before 11:00 A.M., New York City time on the relevant exchange valuation date. If you give us your Official Notice of Exchange after 11:00 A.M., New York City time on any exchange notice date, your notice will not become effective until the next exchange notice date.

In order to exercise your exchange right, you mus