



STATEMENT OF FINANCIAL CONDITION



First Clearing, LLC

(A wholly owned limited liability company of Wachovia Securities Financial Holdings, LLC)

June 30, 2011

(Unaudited)

FIRST CLEARING, LLC
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Wachovia Securities Financial Holdings, LLC)

Statement of Financial Condition

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Statement of Financial Condition
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(Unaudited, in thousands)

Assets		
Cash and cash equivalents		\$ 95,892
Cash segregated under federal and other regulations		666,835
Receivable from brokers, dealers and clearing organizations		1,383,126
Receivable from customers, net of allowance		4,956,455
Receivable from correspondent clearing firms		73,585
Securities owned, at fair value		16,783
Other assets		186,924
Total assets		<u>\$ 7,379,600</u>
Liabilities and Member's Equity		
Short-term borrowings		\$ 237,876
Payable to brokers, dealers and clearing organizations		1,942,993
Payable to customers		2,886,237
Payable to correspondent clearing firms		693,287
Securities sold, not yet purchased, at fair value		2,027
Payable to affiliates		4,982
Accrued compensation and benefits		14,386
Accrued expenses and other liabilities		66,704
Total liabilities		<u>5,848,492</u>
Member's equity		<u>1,531,108</u>
Total liabilities and member's equity		<u>\$ 7,379,600</u>

See accompanying notes to Statement of Financial Condition.

FIRST CLEARING, LLC
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Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

(1) Organization and Basis of Presentation

First Clearing, LLC (the Company) is a wholly owned limited liability company of Wachovia Securities Financial Holdings, LLC (WSFH), a wholly owned consolidated subsidiary of Wells Fargo & Company (WFC). WSFH serves as the holding company for the retail brokerage and clearing businesses headquartered in St. Louis, Missouri. WSFH's principal operating subsidiaries are the Company, Wells Fargo Advisors, LLC (WFALLC), and Wells Fargo Advisors Financial Network, LLC (FINET).

The Company is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC). The Company's primary activities are those of a clearing broker-dealer for WFALLC, FINET and for unaffiliated correspondent broker-dealers. WFALLC and FINET introduce on a fully-disclosed basis substantially all of their customer transactions to the Company with whom each has correspondent relationships for clearance and depository services established in accordance with the terms and conditions of their respective clearance agreements.

The preparation of the Statement of Financial Condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Customer securities transactions are recorded on a settlement date basis. Securities owned and securities sold, not yet purchased are carried at fair value on a trade date basis. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected on the Statement of Financial Condition as the Company does not have title to these assets.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

Securities Lending Activities

Securities borrowed and securities loaned are generally reported as collateralized financing transactions and are recorded in the accompanying Statement of Financial Condition at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Fair Value

Receivable from brokers, dealers and clearing organizations, receivable from customers, receivable from correspondent clearing firms, short-term borrowings, payable to brokers, dealers and clearing organizations, payable to customers, payable to correspondent clearing firms, and payable to affiliates are recorded at amounts that approximate fair value. The fair value of these items is not materially sensitive to shifts in market interest rates because of the limited term to maturity of many of these instruments and/or their variable interest rates.

The Company categorizes its assets and liabilities that are accounted for at fair value in the Statement of Financial Condition into a fair value hierarchy as defined by U.S. generally accepted accounting principles. The fair value hierarchy is directly related to the amount of subjectivity associated with the inputs utilized to determine the fair value of these assets and liabilities (see Note 7).

Income Taxes

The Company is a single member limited liability company and is treated as a disregarded entity pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Company is not required to provide for income taxes. The Company's taxable income primarily becomes taxable to the respective members of WSFH due to the treatment of WSFH as a non-taxable flow-through partnership entity for federal income tax purposes. However, certain states and foreign jurisdictions may subject the Company to entity-level taxation as a single member limited liability company.

Other

Other assets consist primarily of accrued revenue, interest receivable and prepaid and deferred expenses. Accrued expenses and other liabilities consist primarily of vendor payables.

(3) Cash Segregated Under Federal and Other Regulations

The Company is required to segregate cash in a special reserve bank account for the benefit of customers under SEC Rule 15c3-3 (the Customer Protection Rule). The Company performs the computation for assets in the proprietary accounts of its introducing brokers (PAIB) in accordance with the customer reserve computation set forth in the Customer Protection Rule, so as to enable introducing brokers to include PAIB assets as allowable assets in their net capital computations, to

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

the extent allowable under SEC Rule 15c3-1 (the Net Capital Rule). At June 30, 2011, the Company segregated \$666,835 of cash in a special reserve bank account for the benefit of customers and PAIB under the Customer Protection Rule.

(4) Collateral

The Company accepts collateral under securities borrowed agreements and for credit extended to customers which it is permitted to repledge or sell. At June 30, 2011, the fair value of this collateral approximated \$6,973,156, of which approximately \$2,390,627 had been repledged by the Company. The collateral is received primarily from other broker-dealers and customers and is used by the Company primarily to enter into securities lending agreements and to effectuate short sales made by customers.

(5) Receivable from and Payable to Brokers, Dealers and Clearing Organizations

Receivable from and payable to brokers, dealers and clearing organizations consist of the following at June 30, 2011:

Receivable from brokers, dealers and clearing organizations:

Securities failed to deliver	\$	60,859
Deposits paid for securities borrowed		1,188,026
Other		<u>134,241</u>
	\$	<u><u>1,383,126</u></u>

Payable to brokers, dealers and clearing organizations:

Securities failed to receive	\$	96,482
Deposits received for securities loaned		1,816,050
Other		<u>30,461</u>
	\$	<u><u>1,942,993</u></u>

(6) Receivable from and Payable to Customers

Receivable from and payable to customers represent balances arising in connection with normal cash and margin transactions. At June 30, 2011, receivable from customers consists primarily of margin loans to customers of \$4,075,619 and customer cash debits of \$892,616, and payable to customers consists primarily of \$2,868,940 of customer free credits.

The Company has established an allowance for doubtful accounts to offset amounts deemed uncollectible from unsecured customer balances receivable. At June 30, 2011, receivable from customers is reported net of the allowance for doubtful accounts of \$11,880.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

(7) Securities Owned and Securities Sold, Not Yet Purchased

At June 30, 2011, securities owned and securities sold, not yet purchased consist of the following, at fair value:

	<u>Securities owned</u>	<u>Securities sold, not yet purchased</u>
Certificates of deposit and commercial paper	\$ —	\$ 100
Fixed income securities *	387	365
Stocks and warrants	<u>16,396</u>	<u>1,562</u>
Total	<u>\$ 16,783</u>	<u>\$ 2,027</u>

* Includes U.S. government and agency obligations, state and municipal government obligations and corporate obligations

The Company groups its financial assets and liabilities measured at fair value in three levels, based on markets in which these assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques in which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models, option pricing models, and similar techniques.

Where significant inputs are unobservable in the market due to limited activity or a less liquid market, securities valued using models with such inputs are classified in Level 3 of the fair value hierarchy. The Company has no assets classified in Level 3.

The company evaluated the significance of transfers between levels based upon the financial instruments and size of the transfer relative to total assets, total liabilities or total income. For the period ended June 30, 2011, there were no significant transfers in or out of Levels 1 or 2.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

The balances of assets and liabilities measured at fair value by level as of June 30, 2011, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income securities	\$ 387	-	\$ 387
Stocks and warrants	16,396	-	16,396
Securities owned	<u>\$ 16,783</u>	<u>\$ -</u>	<u>\$ 16,783</u>
Certificates of deposit and commercial paper	\$ 100	\$ -	\$ 100
Fixed income securities	365	53	312
Stocks and warrants	1,562	-	1,562
Securities sold, not yet purchased	<u>\$ 2,027</u>	<u>\$ 53</u>	<u>\$ 1,974</u>

(8) Short-Term Financing

Short-term borrowings consist of outstanding bank drafts of \$237,876 at June 30, 2011.

At June 30, 2011, the Company had available \$250,000 in an uncommitted unsecured line of credit with an unaffiliated financial institution. The full amount of the line of credit is also available to WFALLC and WSFH. At June 30, 2011, neither the Company, WFALLC nor WSFH had any balances outstanding on this line of credit.

The Company had available \$1,000,000 in an uncommitted secured line of credit with Wells Fargo Bank, N.A., an affiliated financial institution. The entire line of credit from Wells Fargo Bank, N.A. is collateralized by securities owned by the Company. The entire line of credit with Wells Fargo Bank, N.A. is also available to WFALLC. At June 30, 2011, neither the Company nor WFALLC had any balances outstanding on this line of credit.

In addition, the Company had available \$1,000,000 in an uncommitted unsecured line of credit with WSFH and \$1,000,000 in an uncommitted unsecured line of credit with WFALLC. At June 30, 2011, the Company had no balances outstanding on these lines of credit.

The Company had available \$250,000 in an uncommitted secured line of credit with WFC, an affiliated institution. At June 30, 2011, the Company had a \$1,467 balance outstanding on this line of credit. The interest on this loan is calculated using the WFC average cost of funds.

(9) Subordinated Borrowings

The Company has a \$250,000 subordinated revolving line of credit with WFC. The line bears interest at a rate to be negotiated at the time of each advance, and all advances are due to be repaid no later than December 19, 2013. Borrowings under this subordinated line are allowable in computing net capital under the SEC's Net Capital Rule. To the extent these borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. There were no borrowings on this subordinated line of credit during 2011.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

(10) Net Capital

The Company is subject to the Net Capital Rule, which requires the maintenance of minimum net capital, as defined. The Company has elected to use the alternative method, permitted by the Net Capital Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,500 or 2% of aggregate debit balances arising from customer transactions, as defined. At June 30, 2011, the Company had net capital of \$1,284,281 which was \$1,186,603 in excess of its required minimum net capital of \$97,678. At June 30, 2011, the Company's net capital balance was 26.3% of aggregate debit balances.

(11) Employee Benefits

Pension and Post-retirement Plans

Certain employees of the Company are eligible to participate in the WFC noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of WFC. The benefits earned under the Cash Balance Plan were frozen effective July 1, 2009.

On April 28, 2009, the Board of Directors approved amendments to freeze the benefits earned under the WFC qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, a cash balance plan that covered eligible employees of the legacy Wachovia Corporation, and to merge the Wachovia Corporation Pension Plan into the qualified Cash Balance Plan. These actions became effective on July 1, 2009.

Prior to July 1, 2009, eligible employees' cash balance plan accounts were allocated a compensation credit based on a percentage of their qualifying compensation. The compensation credit percentage was based on age and years of credited service. The freeze discontinues the allocation of compensation credit for services after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances. Employees become vested in their Cash Balance Plan accounts after completing three years of eligible service.

WFC provides health care and life insurance benefits for certain retired employees and reserves the right to terminate or amend any of the benefits at any time.

Defined Contribution Retirement Plans

WFC sponsors a defined contribution retirement plan (the 401(k) Plan), which reflects the merging of the Wachovia Savings Plan effective December 31, 2009. There is also a frozen defined contribution plan resulting from a company acquired by Wachovia Corporation. No contributions are permitted to this frozen plan which merged into the 401(k) Plan on June 30, 2011. Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, although there may be a lower limit for certain highly compensated employees in order to maintain the qualified status of the 401(k) Plan. Eligible employees who complete one year of service are eligible for matching company contributions, which are generally a 100% match up to 6% of an employee's qualifying compensation. Effective January 1, 2010, previous and future matching contributions are 100% vested for active participants.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

In 2009, the 401(k) Plan was amended to permit discretionary profit sharing contributions. Based on 2010 earnings, WFC committed to make a contribution in shares of common stock to eligible employees' 401(k) Plan accounts equaling 2% of qualifying compensation.

(12) Transactions with Affiliated Parties

Services Provided by Affiliates

The Company has entered into service agreements with certain affiliates under which the Company receives technology and systems, operations and administrative support services, and other general and administrative services.

The Company has other agreements with WFC and its affiliates for general and administration services which are directly billed.

Clearing Services

The Company provides retail clearing services for its affiliates, WFALLC and FINET. The Company collects revenues from customers on behalf of WFALLC and FINET from which it deducts its retail clearing service fees. At June 30, 2011, the Company owed \$495,928 to WFALLC and \$7,059 to FINET which are included in payable to correspondent clearing firms in the Statement of Financial Condition.

In conjunction with the retail clearing services provided to WFALLC and FINET, the Company rebates all interest income earned on margin balances of WFALLC and FINET retail customer relationships to WFALLC and FINET net of the interest expense incurred by the Company to finance those margin loans.

Money Market and Bank Sweep

The Company has arrangements with Wells Fargo Funds Distributors, LLC (WF Funds), an affiliated mutual fund company, in which it receives revenue for servicing customers invested in WF Funds money market funds. A receivable of \$2,239 from WF Funds related to settlement of overnight deposit balances is included in other assets in the Statement of Financial Condition.

The Company has arrangements with affiliated banks under which it offers a bank deposit product to which customers' available cash balances are swept into overnight deposit accounts.

Other

The Company earns fees from providing support and services in connection with client assets under third-party management, including mutual funds. Certain mutual funds may be affiliated with the Company.

At June 30, 2011, the Company had a net receivable balance from WFC and its affiliates totaling \$4,849, which is included in other assets on the Statement of Financial Condition.

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

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The transactions with affiliates described above and the effect thereof on the accompanying Statement of Financial Condition may not necessarily be indicative of the effect that might have resulted from dealing with non-affiliated parties.

(13) Dividends

For the period ended June 30, 2011, the Company did not declare or pay a dividend to WSFH. The Company's ability to make capital and certain other distributions is subject to the rules and regulations of the SEC and FINRA.

(14) Financial Instruments with off-balance sheet risk

In the normal course of business, the Company's activities involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral or to reduce positions when necessary.

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

(15) Commitments and Contingent Liabilities

Litigation

The Company has been named as a defendant in various legal actions arising from its normal business activities in which damages in various amounts are claimed. Although the amount of any

FIRST CLEARING, LLC

Notes to Statement of Financial Condition

June 30, 2011

(Unaudited, Dollars in thousands, except where noted)

ultimate liability with respect to such matters cannot be determined, in the opinion of management, based on the opinions of counsel, any such liability will not have a material impact on the Company's Statement of Financial Condition.

Other Contingencies

Some contracts that the Company enters into in the normal course of business include indemnification provisions that obligate the Company to make payments to the counterparty or others if certain events occur. These contingencies generally relate to changes in the value of underlying assets, liabilities, or equity securities or upon the occurrence of events, such as an adverse litigation judgment or an adverse interpretation of the tax law. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. Since there are no stated or notional amounts included in the indemnification clauses and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur, the Company is not able to estimate the maximum potential amount of future payments under these indemnification clauses. There are no amounts reflected on the Statement of Financial Condition as of June 30, 2011 related to these indemnifications clauses.

(16) Subsequent Event

The Company has evaluated the effects of events that have occurred subsequent to June 30, 2011 through August 29, 2011, the date the Company issued its Statement of Financial Condition. During this period, there have been no material events that would require adjustment in or disclosure to the Statement of Financial Condition.