

**CONSOLIDATED STATEMENT  
OF FINANCIAL CONDITION**



**WACHOVIA SECURITIES**

**WACHOVIA SECURITIES, LLC**

(A Wholly Owned Limited Liability Company of Wachovia  
Securities Financial Holdings, LLC)

June 30, 2007

(Unaudited)

WACHOVIA SECURITIES, LLC

(A Wholly Owned Limited Liability Company of Wachovia Securities Financial Holdings, LLC)

**Consolidated Statement of Financial Condition**

*June 30, 2007*

*(Unaudited, in thousands)*

**ASSETS**

Cash and cash equivalents.....	\$	54,108
Cash segregated under federal and other regulations.....		166,500
Securities purchased under agreements to resell.....		529,706
Receivable from brokers, dealers and clearing organizations.....		349,248
Securities owned, at fair value.....		836,923
Property, equipment and leasehold improvements, net.....		97,734
Receivable from affiliates.....		163,797
Loans and notes receivable from financial advisors, net.....		543,326
Goodwill and other intangible assets.....		964,905
Other assets.....		255,176
<b>Total assets</b> .....	<b>\$</b>	<b>3,961,423</b>

**LIABILITIES AND MEMBER'S EQUITY**

Securities sold under agreements to repurchase.....	\$	73,231
Payable to brokers, dealers and clearing organizations.....		219,418
Securities sold, not yet purchased, at fair value.....		286,398
Payable to affiliates.....		10,863
Accrued compensation and benefits.....		307,380
Deferred compensation plan liabilities.....		428,892
Accrued expenses and other liabilities.....		173,884
<b>Total liabilities</b> .....		<b>1,500,066</b>
Subordinated borrowings.....		417,000
Member's equity.....		2,044,357
<b>Total liabilities and member's equity</b> .....	<b>\$</b>	<b>3,961,423</b>

*See accompanying notes to Consolidated Statement of Financial Condition.*

WACHOVIA SECURITIES, LLC

(A Wholly Owned Limited Liability Company of Wachovia Securities Financial Holdings, LLC)

## Notes to Consolidated Statement of Financial Condition

June 30, 2007

(Unaudited, dollars in thousands, except where noted)

### (1) Organization and Basis of Presentation

Wachovia Securities, LLC (the Company) is a wholly owned limited liability company of Wachovia Securities Financial Holdings, LLC (WSFH), a majority-owned consolidated subsidiary of Wachovia Corporation (Wachovia). WSFH serves as the holding company for the retail brokerage and clearing businesses contributed by Wachovia and Prudential Financial, Inc. (Prudential) and is headquartered in Richmond, Virginia. Wachovia and Prudential own 62% and 38%, respectively, of WSFH. WSFH's principal operating subsidiaries are the Company, First Clearing, LLC (FCLLC) and Wachovia Securities Financial Network, LLC (FINET).

The Company is registered as a broker-dealer with the Securities and Exchange Commission (SEC), a futures commission merchant with the Commodity Future Trading Commission (CFTC) and is a member of the New York Stock Exchange, Inc. (NYSE), the National Association of Securities Dealers, Inc. (NASD) and the National Futures Association. The Company's business activities include securities and commodities brokerage, investment advisory and asset management services. The Company clears substantially all of its securities brokerage transactions through FCLLC on a fully-disclosed basis. The Company clears its commodities transactions through Prudential Futures Derivatives, LLC on a fully-disclosed basis.

The Consolidated Statement of Financial Condition includes the accounts of Wachovia Securities, LLC and its subsidiaries. All material intercompany balances have been eliminated in consolidation.

The preparation of the Consolidated Statement of Financial Condition in conformity with accounting principles generally accepted in the United States of America 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 Consolidated 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. Customers' securities and commodities transactions are recorded on a settlement date basis. Customer securities and commodities positions are not reflected in the Consolidated Statement of Financial Condition as the Company does not have title to these assets.

#### *Securities Purchased/Sold Under Agreements to Resell/Repurchase*

Transactions involving purchases of securities under agreements to resell (resale agreements) or sales of securities under agreements to repurchase (repurchase agreements) are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts plus accrued interest. These transactions are primarily repurchase agreements of United States government and agency securities, mortgage-backed securities and corporate bonds. The Company offsets resale agreements and repurchase agreements with the same counterparty executed under legally enforceable netting agreements that meet the accounting requirements of the right of offset. The Company manages the credit risk associated with these transactions by monitoring the fair value of the collateral obtained, including accrued interest, and by requesting additional collateral when deemed appropriate. It is the Company's policy to obtain possession of securities purchased under agreements to resell.

### ***Fair Value***

Cash and cash equivalents, cash segregated under federal and other regulations, securities owned, and securities sold, not yet purchased are carried at fair value.

Securities not readily marketable are carried at estimated fair value.

Securities purchased under agreements to resell, receivable from brokers, dealers and clearing organizations, receivable from affiliates, loans and notes receivable from financial advisors, short term borrowings, securities sold under agreements to repurchase, payable to brokers, dealers and clearing organizations, payable to affiliates and subordinated borrowings 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 and/or the variable interest rates of many of these instruments.

### ***Property, Equipment and Leasehold Improvements***

Property, equipment and leasehold improvements are recorded at cost net of accumulated depreciation and amortization. Depreciation of property and equipment is recognized on a straight-line basis using estimated useful lives which generally range from three to ten years. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or the remaining term of the lease.

### ***Goodwill and Other Intangible Assets***

Goodwill is not subject to amortization but is subject to impairment testing on an annual basis, or more frequently, if events or circumstances indicate possible impairment. This test involves comparing the fair value of the business to its carrying amount. If the fair value is less than the carrying amount, a further test is required to measure the amount of impairment.

The Company's most recent impairment evaluation indicated that none of the Company's goodwill or intangible assets that do not have a finite useful life was impaired.

Identified intangible assets that have a finite useful life are amortized in a manner that approximates the estimated decline in the economic value of the identified intangible assets. Identified intangible assets are periodically reviewed to determine whether there have been any events or circumstances to

indicate the recorded amount is not recoverable. If the valuation of the intangible assets of the Company is less than their carrying amount, a loss is recognized to reduce the carrying amount to fair value, and when appropriate, the amortization period is also reduced.

### ***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 under Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. The Company's taxable income 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 purpose. However, certain states and foreign jurisdictions do subject the Company to entity-level taxation as a single member limited liability company; therefore, the related state and foreign taxes have been provided on a small portion of the Company's taxable income.

### ***Other***

Other assets consist primarily of accrued revenue, interest receivable, prepaid and deferred expenses. Accrued expenses and other liabilities consist primarily of trade payables and liabilities associated with the purchase price adjustments on leased premises and vacant space accruals related to the contribution of Prudential's retail brokerage business. See also note 8.

### **(3) Cash Segregated Under Federal and Other Regulations**

At June 30, 2007, the Company was required to segregate \$344 of cash in a special reserve bank account for the benefit of customers under SEC Rule 15c3-3 (the Customer Protection Rule) and the Company had \$166,500 on deposit in this account. On July 3, 2007, the Company withdrew \$119,000 from the special reserve bank account for the exclusive benefit of customers. At June 30, 2007, no cash or securities were required to be segregated under the Commodity Exchange Act (CEA) as there were no funds deposited by customers held by the Company or funds accruing to customers owned by the Company as a result of trades or contracts.

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

Receivable from and payable to brokers, dealers and clearing organizations consist primarily of transactions with FCLLC in connection with the fully-disclosed clearing agreement. See also note 13.

**(5) Loans and Notes Receivable from Financial Advisors**

Loans and notes receivable from financial advisors represent amounts provided to financial advisors primarily as recruitment incentives in addition to amounts provided for attaining certain production levels and assets under management. Certain amounts provided to financial advisors as loans or notes receivable are forgiven or repaid either as a percentage of the financial advisors gross production or on a fixed repayment schedule.

The Company has established an allowance for doubtful accounts to offset amounts deemed uncollectible from financial advisors. Loans and notes receivable from financial advisors are reported net of the allowance for doubtful accounts of \$29,288 at June 30, 2007.

**(6) Securities Owned and Securities Sold, Not Yet Purchased**

At June 30, 2007, 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>
Bankers' acceptances, commercial paper, and certificates of deposit	\$ 10,153	\$ 2,273
U.S. government and agency obligations	261,632	249,199
State and municipal government obligations	93,558	5,621
Corporate obligations	48,501	17,013
Stocks and warrants	413,182	12,292
Money market fund	9,027	—
Other securities	870	—
Total	<u>\$ 836,923</u>	<u>\$ 286,398</u>

**(7) Property, Equipment and Leasehold Improvements**

Property, equipment and leasehold improvements consist of the following at June 30, 2007:

Property and leasehold improvements	\$ 150,847
Communications and computer equipment	197,223
Furniture and equipment	<u>90,335</u>
	438,405
Accumulated depreciation and amortization	<u>(340,671)</u>
Total	<u>\$ 97,734</u>

**(8) Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill for the period ended June 30, 2007 are as follows:

Balance, January 1, 2007	\$ 849,487
Purchase accounting adjustments	<u>(744)</u>
Balance, June 30, 2007	<u>\$ 848,743</u>

The purchase accounting adjustments were the result of the purchase price allocated to assets and liabilities of Prudential's retail brokerage business contributed to the Company. The purchase accounting adjustments related primarily to the release of vacant space accrued liabilities funded through goodwill due to sublease terms on properties leased by WSFH becoming more favorable than originally estimated. Because these vacant space accrued liabilities were originally recorded on WSFH, the related adjustment impacted member's equity of the Company. Other adjustments related primarily to severance liabilities associated with employees terminated as a result of the Prudential transaction.

At June 30, 2007, the gross carrying value of the customer relationship intangible assets and the related accumulated amortization amounted to \$171,638 and \$55,476, respectively. These intangible assets have a weighted average amortization period of 21 years.

**(9) Short-Term Borrowings**

Short-term borrowings consist of non-interest bearing outstanding bank drafts.

At June 30, 2007, the Company had available \$1,145,000 in uncommitted unsecured lines of credit with various unaffiliated financial institutions. The full amount of these lines of credit is also available to FCLLC and \$325,000 of these lines of credit is available to WSFH. At June 30, 2007, the Company and WSFH had no balance outstanding and FCLLC had a \$350,000 balance outstanding on these unaffiliated lines of credit.

In addition, the Company had available \$1,000,000 in an uncommitted secured line of credit with Wachovia Bank, N.A., an affiliated financial institution. The full amount of this line of credit is also available to FCLLC. The line of credit with Wachovia Bank, N.A. is collateralized by securities owned by the Company. At June 30, 2007, the Company and FCLLC had no balance outstanding on this line of credit.

#### **(10) Subordinated Borrowings**

At June 30, 2007, the Company was indebted to The Prudential Insurance Company of America (a subsidiary of Prudential) for a \$417,000 subordinated note due June 30, 2013. The note carries an interest rate that varies based on the London Interbank Offering Rate. At June 30, 2007, the interest rate was 6.39%. Interest on the principal balance of this note is paid quarterly in accordance with the subordinated loan agreement.

The Company also has a \$300,000 subordinated revolving line of credit with Wachovia. 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. At June 30, 2007, the Company had no borrowings outstanding on this line of credit.

These subordinated borrowings are available in computing net capital under the SEC's Uniform Net Capital Rule. To the extent that these borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

#### **(11) Net Capital**

The Company is subject to the SEC Rule 15c3-1 (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. The Company is also subject to the CFTC's minimum financial requirements set forth in Regulation 1.17 of the CEA. At June 30, 2007, the Company's net capital amounted to \$317,804 which was \$316,304 in excess of its required net capital of \$1,500. At July 31, 2007, the Company's net capital amounted to \$351,290 which was \$349,790 in excess of required net capital.

The Consolidated Statement of Financial Condition as of June 30, 2007, reflects \$7,054 of assets and liabilities attributable to subsidiaries and the elimination of intercompany balances which are not reflected in the unaudited statement of financial condition contained in Part II of Form X-17A-5 which is prepared on an unconsolidated basis. See also note 15.

#### **(12) Retirement, Stock and Deferred Compensation Plans**

##### ***Retirement Plans***

Substantially all employees of the Company with one year of service are eligible for participation in the matched savings plan of Wachovia. This plan permits eligible employees to contribute up to 30% of eligible compensation, as defined. Annually, on approval of the Wachovia Board of Directors, employee contributions to the matched savings plan may be matched up to 6% of the employee's eligible compensation, as defined. A 6% matching level was in place at June 30, 2007.

In addition, Wachovia provides postretirement benefits, principally health care and long term disability, to employees of the Company and its subsidiaries and their beneficiaries and dependents. Wachovia allocates expense to the Company and its subsidiaries for postretirement benefits based on employee compensation and the total cost incurred with respect to postretirement benefits on a consolidated basis. The actuarial and plan asset information pertaining to the employees of the Company is not segregated in Wachovia's postretirement plan calculation and is therefore not available.

##### ***Stock Compensation Plans***

Wachovia has stock option plans under which incentive and nonqualified stock options may be granted periodically to certain employees of the Company. Restricted stock awards may also be granted under these plans. Wachovia allocates

expense to the Company for these plans based on the total cost incurred with respect to stock compensation expenses on a consolidated basis.

### ***Deferred Compensation Plans***

The Company maintains an unfunded deferred award plan under which certain legacy Prudential employees were granted awards payable, subject to certain contingencies, in equivalent shares of a stock index fund at the end of a defined period, three to eight years from the initial award. This plan is not open to new participants. At June 30, 2007, the liability associated with this plan amounted to \$9,427 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition.

Wachovia, on behalf of the Company, maintains an unfunded deferred compensation plan in which a select group of management or highly compensated employees are participants, as defined. This plan permits the participant to defer salary and/or incentive payments. For salary deferrals, the participant may defer a minimum of 10% of salary up to a maximum of 75%. For incentive deferrals, the participant may defer a minimum of 10% up to a maximum of 90%. At June 30, 2007, the liability associated with this plan and other individually immaterial plans which operate in a similar manner was \$77,954 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition. The fair value of prepaid forward contracts purchased by Wachovia on the Company's behalf to economically hedge exposure to these plan liabilities amounts to \$65,377 at June 30, 2007, and is included in receivable from affiliates in the Consolidated Statement of Financial Condition.

The Company maintains funded deferred compensation and award plans in which legacy Prudential financial advisors and certain other employees are participants. Subject to certain contingencies, these awards are payable in shares of a stock index fund and/or Prudential common stock at the end of a defined three to eight year period. The costs related to the respective plans are deferred and amortized over the applicable vesting period. At June 30, 2007, the deferred expenses associated with these plans amounted to \$28,257 and are included in other assets in the Consolidated Statement of Financial Condition. This plan is not open to new participants.

The Company maintains an unfunded deferred compensation and award plan in which eligible

financial advisors are participants. This plan permits the participant to defer 5% to 85% of eligible incentive earnings, as defined. The plan has a three year vesting period. At June 30, 2007, the liability associated with this plan amounted to \$129,849 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition.

The Company maintains an unfunded deferred compensation and award plan in which eligible legacy Prudential financial advisors are participants. This plan permits the participant to defer 5% to 25% of eligible incentive earnings, as defined. Subject to certain contingencies, the Company can match from 33 1/3% to 200% of the participant's deferred incentive earnings. All deferred incentive earnings vest on January 31, 2008 and all matched contributions made by the Company vest on January 31, 2010. This plan is not open to new participants. At June 30, 2007, the liability associated with this plan amounted to \$84,192 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition.

The Company provides deferred compensation awards to financial advisors based on their performance. The plan has a five year vesting period. At June 30, 2007, the liability associated with these plans amounted to \$101,936 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition.

The Company provides other deferred compensation plans, which are individually not material, to financial advisors and its employees. The liability associated with these plans totaled \$25,535 at June 30, 2007 and is included in deferred compensation plan liabilities in the Consolidated Statement of Financial Condition.

The Company economically hedges exposure to certain deferred compensation liabilities for plans offered to financial advisors and certain other participants by purchasing financial instruments on the open market that materially match the balances held by the Company on behalf of the plan participants. At June 30, 2007, the fair value of the securities held by the Company was \$400,944 and is included in securities owned, at fair value.

### **(13) Transactions with Affiliated Parties**

#### ***Service Agreements***

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

The Company also contracts consultants and temporary employees through an agency that is a subsidiary of Wachovia.

In addition, the Company has other agreements with Wachovia and its affiliates for directly billed general and administration services.

The Company has entered into a service agreement with Evergreen Asset Management Co., LLC, (Evergreen Advisor), an affiliated company, under which Evergreen Advisor provides advisory services to the Company.

The Company has entered into a managed account program service agreement with Prudential Investments, LLC (PI), a subsidiary of Prudential, under which the Company receives certain reporting, research, sales support, and information systems services. At June 30, 2007, the Company had a prepaid balance of approximately \$6,500 related to the managed program service agreement which is included in other assets in the Consolidated Statement of Financial Condition.

The Company also entered into a separate agreement with Prudential to receive equity research services. The Company has also entered into other service agreements with Prudential, none of which have an individually material impact on the Consolidated Statement of Financial Condition.

#### ***Clearing Services***

The Company has entered into a fully-disclosed clearing agreement with FCLLC to clear substantially all of its securities transactions. FCLLC collects revenues from customers on the Company's behalf from which it deducts its clearing service fees. At June 30, 2007, included in receivable from brokers, dealers, and clearing organizations in the Consolidated Statement of Financial Condition is \$151,972 related to these transactions. FCLLC trades and settles securities on the behalf of the Company. At June 30, 2007, the Company had a payable to FCLLC of \$219,418 which is included in payable to brokers, dealers, and clearing organizations in the

Consolidated Statement of Financial Condition related to these securities trading transactions.

FCLLC has entered into a clearing agreement with Prudential Investment Management Services LLC (PIMS), a subsidiary of Prudential, under which PIMS provides execution, clearance and other services to FCLLC on behalf of the Company, FINET and unaffiliated correspondent broker-dealers, with respect to investment companies available through certain of the Company's mutual fund wrap account products and programs, and transactions in shares of open-end investment companies.

#### ***Money Market and Bank Sweep***

The Company earns fees from Prudential for servicing customers invested in Prudential sponsored money market funds and for certain asset management product related administrative services.

The Company has arrangements with Evergreen Investment Management Corporation (Evergreen), an affiliated mutual fund company, in which it receives various fees for servicing customers invested in Evergreen money market funds.

The Company has an arrangement with Wachovia under which it offers a bank deposit product through Wachovia Bank, N.A. to which customers may elect to have their available cash balances swept into overnight deposit accounts.

#### ***Referral fees***

The Company earns fees from Wachovia and its affiliates for referring customers to Wachovia Bank, N.A. The Company also paid Wachovia Bank, N.A. referral fees for introducing its customers to the Company.

#### ***Other***

At June 30, 2007, the Company has a demand note receivable from Everen Capital Corporation, a subsidiary of Wachovia and an indirect parent of the Company, totaling \$48,054 which is included in receivable from affiliates in the Consolidated Statement of Financial Condition.

At June 30, 2007, the Company has other amounts receivable from Prudential, Wachovia and its affiliates totaling approximately \$39,502.

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

**(14) Dividends**

Pursuant to the Retail Brokerage Formation Agreement (the Agreement) by and between Wachovia and Prudential (the Members), WSFH, the Company's parent, is obligated to distribute to the Members 70% of its consolidated net earnings each quarter, determined in accordance with accounting principles generally accepted in the United States of America, before deduction for any expense related to the amortization of intangible assets (Distributable Cash). Since the amount of Distributable Cash retained by WSFH has now exceeded \$263 million, the Members may now elect to receive up to 30% additional distributions as defined in the Agreement.

The Company's earnings constitute a material portion of Distributable Cash. During 2007, the Company declared and paid \$348,127 in dividends to WSFH. Subsequent to June 30, 2007, the Company declared a dividend of \$149,952 to be distributed to WSFH on or about August 28, 2007.

The Company's ability to make capital and certain other distributions is subject to the rules and regulations of the SEC, NYSE, the NASD and various other regulatory agencies and exchanges.

**(15) Consolidated Subsidiaries**

The following is a summary of certain financial information of the Company's consolidated subsidiaries at June 30, 2007:

	<u>Total assets</u>	<u>Member's equity</u>
Wachovia Securities, LLC		
stand alone	\$ 3,954,369	\$ 2,043,649
Other subsidiaries	28,211	21,865
Eliminations/Other	<u>(21,157)</u>	<u>(21,157)</u>
Wachovia Securities, LLC		
consolidated	<u>\$ 3,961,423</u>	<u>\$ 2,044,357</u>

The Company prepares Part II of Form X-17A-5 on an unconsolidated basis. Accordingly, \$7,054 of assets and liabilities have been excluded from the

computation of net capital pursuant to the Net Capital Rule. See note 11.

**(16) Financial Instruments**

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the Consolidated Statement of Financial Condition at June 30, 2007, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to June 30, 2007.

**(17) Commitments and Contingent Liabilities**

*Lease Obligations*

The Company leases office space primarily related to its branch network and home offices under operating leases expiring at various dates through 2017. Minimum future rental payments required under such leases and minimum future sublease income to be received, that have initial or remaining non-cancelable lease terms in excess of one year at June 30, 2007 are as follows:

	<u>Operating leases</u>	<u>Non-cancelable subleases</u>
Years ending December 31:		
2007	\$ 46,673	\$ 1,539
2008	85,818	2,674
2009	78,349	2,245
2010	66,082	1,866
2011	50,154	1,479
Thereafter	98,452	2,490

Minimum future rental commitments do not include operating leases entered into by Wachovia for which the Company shares rent expense. Wachovia allocates rent expense to the Company for its share of rent expense incurred under these operating leases.

Some of the Company's leases contain escalation clauses and renewal options.

*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 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 consolidated financial position. Wachovia and Prudential have agreed to indemnify the Company for any losses due to a claim against the Company which arises from an action, omission to act, condition or event that first occurred prior to July 1, 2003 whether or not such action, omission, condition or event continues after July 1, 2003. The Company will not, however, be indemnified by Wachovia or Prudential for a claim that arises from any such action, omission, condition or event to the extent it continues to occur following the 270<sup>th</sup> day after July 1, 2003.

### ***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 in the event 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 Consolidated Statement of Financial Condition as of June 30, 2007, related to these indemnification clauses.

The Company introduces, on a fully-disclosed basis, substantially all of its customer transactions to affiliated clearing broker-dealers, with whom it has a correspondent relationship for clearance and depository services in accordance with the terms of its clearance agreement. In connection therewith, the Company has agreed to indemnify the affiliated broker-dealers for losses that they may sustain as a result of the failure of the Company's customers to satisfy their obligations in connection with their securities and/or commodities transactions. At June 30, 2007, substantially all customer obligations were collateralized by securities with a fair value in excess of the obligations.

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### **Important Information Regarding Order Flow**

Wachovia Securities, LLC is a member of the New York Stock Exchange and other major national and regional exchanges. Our automated computer systems and our trading procedures for equity securities enable us, in those situations where you have not directed us otherwise, to route your orders to market centers including other broker-dealers that, based on our experience, combine price, speed and size to provide you with what we believe are best executions. Whenever possible, we route such orders to dealers or market centers that have the opportunity to provide executions at prices superior to the nationally displayed best bid or offer. We receive payment per share or in some cases reciprocal order-flow consideration from dealers and credits against exchange fees in return for certain orders that we route or direct. At all times our foremost concern is to obtain the best execution for our clients regardless of any compensation factor. We use the compensation received to help keep our pricing competitive and provide you with our quality investment and execution services.

### **NASD Public Disclosure Notice**

An investor brochure is available from the NASD under the Public Disclosure Program. Through this program, NASD Regulation provides certain information regarding the disciplinary history of NASD members and their associated persons in response to written inquiries, electronic inquiries, or telephone inquiries via NASD Regulation's toll-free telephone listing (1-800-289-9999). Additional investor information can be found on the World Wide Web at [www.nasdr.com](http://www.nasdr.com).

The audited Statement of Financial Condition of Wachovia Securities, LLC as of December 31, 2006, filed with the Securities and Exchange Commission pursuant to Rule 17a-5 of the Securities Exchange Act, is available for inspection at the principal office of the Company and at the regional office of the Securities and Exchange Commission.